

STATES OF JERSEY



TAXATION OF HIGH VALUE RESIDENTS

Lodged au Greffe on 13th June 2023
by Deputy L.V. Feltham of St. Helier Central
Earliest date for debate: 4th July 2023

STATES GREFFE

PROPOSITION

THE STATES are asked to decide whether they are of opinion –

- (a) to request the Minister for Treasury and Resources to bring forward the necessary legislative changes to the Income Tax (Jersey) Law 1961 to remove the prescribed limit relating to High Value Residents' income tax contribution;
- (b) to request the Chief Minister to suspend the High Value Residents' scheme in 2023 until the legislative changes detailed in (a) are implemented; and
- (c) to request the Council of Ministers to undertake a full and comprehensive cost benefit review of the High Value Residents' scheme to be presented as a report to the Assembly by 1st November 2023.

DEPUTY L.V. FELTHAM OF ST. HELIER CENTRAL

REPORT

Background

I have lodged this proposition to address some key issues with the current 2 (1)(e) arrangements for wealthy immigrants. These are:

- The current policy leads to an unfair tax system, which treats those with High Value Residency status more favourably than other residents.
- The Government has not issued any report or recommendations which consider the current 2(1) (e) regime in light of current high employment and a workforce shortage, the current housing crisis, or the rising cost of living.

There are also several members of the Assembly that have indicated that they wished to have a review of the scheme, and some that have said that incoming HVRs should pay tax on the same basis as the rest of the population. A review of [Hansard](#) shows that these views were expressed by Members from across the Chamber in the debate on the 19th Amendment to the Government Plan in December of last year. At the point of that debate the Government had committed to reviewing the scheme. As Deputy Morel stated:

‘Our review is already underway. We have very strong positions on it. We will be consulting and publishing on that and pretty much by the middle of this year there will be a new scheme, which I believe will show all Islanders that there is value to be brought from this.’

Following the statements made by Government Ministers to the Assembly it was a reasonable expectation that a full report of the review of the scheme would have been published by now, and that such a review would have included broad consultation and a cost benefit analysis. However, this has not been forthcoming from the Government, and instead the Assembly has been presented with Government changes to the scheme in the form of [P.20/2023](#), which references a review which has neither been published nor circulated to States Members. The information contained within P.20/2023 does not give confidence that the review referred to by Ministers would meet the standards expected by the Assembly when it debated the Government Plan 19th amendment in December 2022.

The principle of fairness and equity

Part (a) of this proposition is based on the principle of fairness and equity. It seeks to resolve the current inequity between wealthy people coming to the Island under the 2(1)(e) regime, and wealthy people that have attained their residential status in other ways.

Page 6 of the report accompanying P.20/2023 states that:

Significant consideration was also given to the retention of a preferential tax rate of 1%. Notably, all other residents are subject to 20% tax on all their income, and there are a number of individuals in Jersey who are not 2(1)(e)s whose tax liabilities exceed £250,000 per year.

There is no explanation provided as to why Ministers chose to continue this discriminatory practice, or why Ministers thought that removal of the preferential rate would cause 2(1) (e) residents to act differently to other wealthy residents.

Part (b) requests that the scheme is suspended until the legislative details outlined in Part (a) are implemented. This is to ensure that the Assembly's decision is reflected in future decision making and to further ensure that applications cannot be made in the interim period in order to avoid the change.

The need for regular review

The need to continually review the Island's regime in relation to High-Net-Worth immigrants has long been well understood, as has the need for such reviews to include an analysis of benefits and costs in order to inform the policy.

P.2/1974 states:

The benefits and costs associated with these individuals, which were discussed at length in the Economic Survey, may be summarised as follows –

(a) Benefits

- (i.) The tax yield from investment incomes;*
- (ii.) The expenditure on the services and goods supplied by local garages, shops etc. reflected in the profits received and the wages paid by those undertakings;*
- (iii.) The support of many facilities such as shops, laundries, garages etc. which ensures that other local residents and tourists have a higher standard and wider range of services to them.*

(b) Costs

- (i) The effect of superior purchasing power on the take-up of housing and building resources, reflected both directly and indirectly in house prices;*
- (ii) The demands placed on labour supplies;*
- (iii) The demands placed by ancillary domestic staff on education and medical services;*
- (iv) The effect on the use and price of agricultural land.*

Previous Assemblies have used such analysis to inform their policies and adapt them to the social and economic needs of the time, and the advice in Paragraph 21 of the [History of the 1\(1\)K Policy by Colin Powell](#) is that 'Future policy regarding 1(1)k consents should be determined having regard to the costs/benefits of those making application currently.'

An example of the types of considerations previously made when adopting a change in policy are given in paragraph 8:

The Budget Report presented to the States by the Chief Adviser in 1993 referred to the 1(1)k policy as follows: –

The number of immigrants granted consent under Regulation 1(1)k's was limited in number. In the past this policy was designed to limit the pressure on the Island from the demands those immigrants placed on the construction industry and other service trades in the Island which, in conditions of overfull employment, could only be satisfied by further immigration. In the current climate however the impact of the purchasing power of those concerned, and in particular the support given to the employment of local persons in the

construction industry, retail distribution and service trades such as vehicle maintenance, should be more welcome.

Recent Reviews

The report presented alongside P.29/2023 gives no analysis on the impact on housing, employment and other markets, and is woefully inadequate in terms of providing the Assembly with a clear understanding of the potential cost to the Island of the stated policy ambition to retain 15 accepted applications per year.

The report also acknowledges that the review was limited in that stakeholders consulted were not from a representative-cross section, and small in number:

'Views were also sought from a number of stakeholders, including professional advisors, estate agents, and recent 2(1)(e) applicants. While it is acknowledged that this is not a representative cross-section, this provided expert insight, which aided the making of decisions about how additional value could be promoted while Jersey remains competitive and welcoming. In total, 19 responses were received, most of which responded in detail to the above points, and those respondents are thanked.'

It is quite clear that the evidence provided to date cannot give the Assembly assurance that the Government has adequately reviewed the policy in relation to High-Net-Worth Immigrants in a manner that can give comfort to the Assembly that the policy remains in the best interests of the Island in the current economic environment.

Further, the two most recent reviews (in [2013](#) and [2016](#)) focused on income from taxation and success against the previous Governments' policies of attracting more high net worth individuals to the Island, rather than concerning themselves with a broader cost benefit analysis. For a list of recent reports and reviews members can refer to [WQ.274/2021](#).

Conclusion

This proposition gives the Assembly the opportunity to state that it wants fairness and equity to be a key principle in tax policy.

It also asks the Government to bring forward a full and comprehensive report that will give the Assembly a cost benefit analysis of the 2(1)(e) regime under current social and economic conditions, which can inform a policy that meets the present and future needs of our community.

Financial and manpower implications

Parts (a) and (b) will result in a positive financial additional contribution from higher earning residents who enter the Island under the revised 2(1)(e) policy.

Part (c) should be undertaken using existing resources. It is noted that the Government had already committed to reviewing the policy.