

STATES OF JERSEY



EXPENDITURE PROPOSALS FOR 2012 AND 2013 AND DRAFT BUDGET STATEMENT 2011 (P.157/2010) – SECOND AMENDMENT

Lodged au Greffe on 15th November 2010
by Senator F. du H. Le Gresley

STATES GREFFE

EXPENDITURE PROPOSALS FOR 2012 AND 2013 AND DRAFT BUDGET
STATEMENT 2011 (P.157/2010) – SECOND AMENDMENT

1 PAGE 2, PARAGRAPH (b) –

After the words “as set out in the Budget Statement” insert the words –

“except that income tax exemption limits for the year of assessment 2011 should be increased by 3.1% rather than the 1.1% proposed in the draft Budget Statement.”

2 PAGE 2, PARAGRAPH (b) –

After the words “as set out in the Budget Statement” insert the words –

“except that the estimate of income from Goods and Services Tax should be increased by £2.1 million by increasing the fee paid by International Services Entities from 1st January 2011 by doubling the following fee amounts wherever they appear in Regulation 4 of the Goods and Services (International Services Entities) (Jersey) Regulations 2008 –

£30,000;

£7,500;

£2,500;

£500.”

3 PAGE 2, PARAGRAPH (b) –

After the words “as set out in the Budget Statement” insert the words –

“except that the estimate of income from Goods and Services Tax should be increased by £750,000 by increasing the basic ISE fee to £225 from 1st January 2011 rather than to £200 as proposed in the draft Budget Statement”.

SENATOR F. du H. LE GRESLEY

REPORT

There is no doubt that the proposed 66% increase in the rate of GST will affect low-income earners and pensioners the most.

Households on income support benefit will receive an adjustment to compensate for the increase and the GST Food Bonus will continue to be paid to households where no adult member of the household is liable to pay income tax in respect of the previous calendar year.

However, I believe that we should be doing more to mitigate the effect of the proposed increase in the rate of GST from June 2011 by increasing exemption thresholds for 2011 by 3.1%, rather than 1.1%, as proposed in the Budget Statement even though I accept that most taxpayers will only benefit from the effect of the increased exemptions from January 2012 as income tax for the year of assessment 2011 is only paid in 2012 for the majority of taxpayers.

A 3.1% increase would produce the following exemption thresholds for the year of assessment 2011 (2010 figures in brackets) –

Single Person	£13,040	(£12,650)	+£390
Single Person [aged 63+]	£14,550	(£14,110)	+£440
Married Couple	£20,910	(£20,280)	+£630
Married Couple [aged 63+]	£23,940	(£23,220)	+£720

I have been advised by the Tax Office that if exemption limits were to be increased by 3.1% rather than 1.1%, the tax revenue in 2012 would decrease by approximately £3.1 million, based on the last complete set of assessments. The States of Jersey has a duty to look after the elderly and low-income families, and raising income tax thresholds is one way of helping.

In order to replace the reduced income from personal taxation, I am proposing that the fees paid by International Services Entities (ISE) are increased from 1st January 2011. When the Goods and Services Tax (International Services Entities) (Jersey) Regulations 2008 were brought into force, it was expected that “some £5–10 million would be derived from the FSI under these Regulations”. The fee income to date has been at the lower end of these figures. The full detail of the ISE fees is set out in Regulation 4 of the Goods and Services Tax (International Services Entities) (Jersey) Regulations 2008 which I reproduce at the Appendix for convenience. The main changes covered by my Amendment 2 can be summarised as follows –

Banks	£60,000
Persons carrying on trust business	£15,000
Persons carrying on fund services business	£5,000
Persons holding a permit as a fund functionary	£5,000
Managed Managers	£1,000

The Minister for Treasury and Resources is already proposing to increase the basic ISE fee to £200 from £100. I am proposing that this is increased by **a further £25** making the fee **£225**.

I have been advised by the Director GST that the combined total of the increases I am proposing in Amendments 2 and 3 would raise in the region of £2,850,000 and would therefore increase the estimate of income from Goods and Services Tax.

I am of the opinion that the Financial Services Industry has to make a bigger contribution towards the budget deficit, and that the proposed additional £3 million from ISE fees needs to be nearly doubled to £5.85 million so that the upper target of £10 million, set out in the Fiscal Strategy of 2005, is achieved.

Financial and manpower implications

There are no direct manpower implications arising from this proposition. The proposed increase in ISE fees will increase 2011 revenue by some £2.85 million and the proposed increase in income tax exemptions will reduce tax income in 2012 by £3.1 million.

APPENDIX

Goods and Services Tax (International Services Entities) (Jersey) Regulations 2008 – Revised Edition chapter 24.700.25 – Regulation 4 – ISE fee regime

4 Basis of fee

- (1) For the purposes of Regulation 3, the amounts are as follows –
- (a) in the case of an entity that is registered under the Financial Services (Jersey) Law 1998 in respect of trust company business –
 - (i) the sum of –
 - (A) £7,500 in respect of each such registration of the entity as an affiliation leader or as a non-affiliated person, and
 - (B) £100 multiplied by the number of vehicles administered by the entity in its capacity as an affiliation leader or non-affiliated person,
 - (ii) the sum of –
 - (A) £100 in respect of each such registration of the entity as a participating member of an affiliation where the fee prescribed under clause (i)(A) in respect of the entry of the name of the affiliation leader on a list for the purposes of Article 59 of the Law has been paid in respect of the same period and the same affiliation, and
 - (B) £100 multiplied by the number of vehicles administered by the entity in its capacity as a participating member, or
 - (iii) the sum of –
 - (A) £7,500 in respect of each such registration of the entity as a participating member of an affiliation where the fee prescribed under clause (i)(A) in respect of the entry of the name of the affiliation leader on a list for the purposes of Article 59 of the Law has not been paid in respect of the same period and the same affiliation, and
 - (B) £100 multiplied by the number of vehicles administered by the entity in its capacity as a participating member;
 - (b) in the case of an entity that is registered under the Banking Business (Jersey) Law 1991¹ in respect of deposit-taking business, £30,000 in respect of each such registration of the entity;
 - (c) in the case of an entity that holds a permit under the Collective Investment Funds (Jersey) Law 1988, is not a collective investment fund and does not hold the permit as a managed manager, one

¹ *chapter 13.075*

amount of £2,500, however many permits the entity holds under that Law otherwise than as a managed manager;

- (d) in the case of an entity that holds a permit under the Collective Investment Funds (Jersey) Law 1988, is not a collective investment fund but holds the permit as a managed manager, one amount of £500, however many permits the entity holds under that Law as a managed manager;
- (e) in the case of an entity that is registered under the Financial Services (Jersey) Law 1998 to carry on fund services business in relation to one or more unclassified funds within the meaning of that Law, and is not so registered as a managed manager, one amount of £2,500, however many unclassified funds there are in relation to which the entity is so registered to carry on fund services business otherwise than as a managed manager;
- (f) in the case of an entity that is registered under the Financial Services (Jersey) Law 1998 to carry on fund services business in relation to one or more unclassified funds within the meaning of that Law, and is so registered as a managed manager, one amount of £500, however many unclassified funds there are in relation to which the entity is so registered to carry on fund services business as a managed manager;
- (g) in the case of an entity that is a body corporate or partnership, limited partnership or limited liability partnership, but is not –
 - (i) an affiliation leader, non-affiliated person or participating member referred to in sub-paragraph (a),
 - (ii) an entity to which any of sub-paragraphs (b) to (f) applies, or
 - (iii) a vehicle in respect of which a fee has been calculated under sub-paragraph (a)(i)(B), (ii)(B) or (iii)(B),an amount of £100;
- (h) in the case of an entity that is a trustee, but is not –
 - (i) an affiliation leader, non-affiliated person or participating member referred to in sub-paragraph (a), or
 - (ii) an entity to which any of sub-paragraphs (b) to (f) applies,a nil amount;
- (i) in the case of an entity that is a collective investment fund, but is not –
 - (i) an affiliation leader, non-affiliated person or participating member referred to in sub-paragraph (a), or
 - (ii) a vehicle in respect of which a fee has been calculated under sub-paragraph (a)(i)(B), (ii)(B) or (iii)(B),an amount of £100;
- (j) in the case of an entity that is an Anstalt, Stiftung or foundation, or a thing prescribed or specified under Article 60(1)(g) of the Law, but is not –
 - (i) an affiliation leader, non-affiliated person or participating member referred to in sub-paragraph (a), or

- (ii) a vehicle in respect of which a fee has been calculated under sub-paragraph (a)(i)(B), (ii)(B) or (iii)(B),
an amount of £100.
- (2) In this Regulation –
 - (a) the expressions “affiliation”, “affiliation leader”, “non-affiliated person” and “participating member” have the same meanings as those expressions in the Financial Services (Trust Company Business (Registration and Fees)) (Jersey) Order 2003²;
 - (b) a reference in paragraph (1)(a) to an entity’s administering a vehicle is a reference to the entity’s providing in relation to the vehicle any of the services specified in Article 2(4) of the Financial Services (Jersey) Law 1998;
 - (c) a reference to a vehicle is a reference to an entity that meets the requirements of Article 60 of the Law, whether or not it is an international services entity;
 - (d) a reference to a vehicle does not include a trustee;
 - (e) a reference in paragraph (1)(a)(i)(B), (ii)(B) or (iii)(B) to a vehicle administered by an entity does not include a vehicle –
 - (i) that is administered by another entity referred to in the same provision or in another of those provisions, being an entity within the same affiliation, and
 - (ii) in respect of which a fee has already been calculated under any of those provisions and paid;
 - (f) a reference in paragraph (1)(a)(i)(B), (ii)(B) or (iii)(B) to a vehicle does not include an entity in respect of which a fee has already been calculated under paragraph (1)(g), (i) or (j) and paid.

² *chapter 13.225.90*