1240/5(6648)

WRITTEN QUESTION TO THE MINISTER FOR TREASURY AND RESOURCES BY DEPUTY G.P. SOUTHERN OF ST. HELIER ANSWER TO BE TABLED ON TUESDAY 17th JANUARY 2012

Question

In the continued absence of any plan to generate revenue from non-locally owned, non-finance businesses subject to a zero tax rate, what consideration, if any, has the Minister given to protecting the Island's tax base by preventing the takeover of local companies by foreign businesses and if none, why?

Will the Minister outline the mechanisms that are in place, or would need to be introduced, to enable the prevention of such takeovers?

Answer

The Minster has considered but discounted such drastic action because preventing the takeover of a locally owned non-finance company by a non-locally owned company would not protect the tax base and could well work to undermine it. When a local person sells a company they receive the proceeds from that sale and would usually be expected to invest them in an income generating asset, the return from which would normally be taxable. Since the company sold would usually be a 0% company there would be no loss of corporate tax revenues from that company and personal tax revenues from the employees may be unaffected. However, preventing such takeovers could reduce the rewards to enterprise in the Island, potentially undermining economic growth and future tax revenues.

The new Control of Housing and Work Law to be introduced in 2012 will require the permission of the Chief Minister to any proposed change of ownership that would result in non locally qualified persons (including non resident persons) acquiring a shareholding in an undertaking of more than 40% from locally qualified persons. The factors to be considered by the Chief Minister in making this decision will include, but are not restricted to, supporting the economy, protecting Jersey's reputation, and maximising the Island's resources, which includes its tax receipts (in short, a balancing of the factors outlined in the preceding paragraph).