

4.12 Deputy S. Power of St. Brelade of the Minister for Treasury and Resources the consideration of a payroll tax as a method of raising income from non-locally owned Jersey trading companies:

Could the Minister state whether a payroll tax is being considered as an appropriate method of raising income from non-locally owned Jersey trading companies and, if not, why not? For the purposes of this question, what I mean by a “payroll tax” is a tax that is paid from the employer’s own funds and is directly related to employing a worker.

Senator P.F.C. Ozouf (The Minister for Treasury and Resources):

May I ask Deputy Noel to be rapporteur for this one.

Deputy E.J. Noel (Assistant Minister for Treasury and Resources - rapporteur)

We have made a commitment to publish a consultation paper setting out the options for tax treatments of non-locally owned, non-financial service companies trading in the Island. Every potential measure, including a payroll tax as described by the Deputy, is being examined in order to determine its suitability and compliance with the E.U. (European Union) Code of Conduct on Business Taxation. Let me be clear, whichever option is chosen cannot discriminate between locally-owned and foreign-owned companies.

4.12.1 Deputy S. Power:

I am grateful to the Assistant Minister for his answer and he refers to the use of the word “discrimination”. Would he not agree with me now that we are positively discriminating against local trading companies by doing nothing? Could he give an indication as to how much time the department will need to finish this consultation process?

Deputy E.J. Noel:

I do not believe that we are positively discriminating against local businesses. We are providing a level playing field be it zero tax for companies across the board. I admit, it is not the same for those local shareholders. The shareholders do bear a tax. However, having said that, it is not appropriate for us to move forward with any proposals or move forward with the consultation until Ecofin has formally approved Zero/Ten.

4.12.2 Deputy G.P. Southern:

In addition to failing to state how long it is going to take him to do this consultation, would he have a stab at when he is going to produce this paper and reveal it to the public and to Members?

Deputy E.J. Noel:

This paper will be produced hopefully in the early part of 2012 but it is reliant on Ecofin formally approving Zero/Ten, which we anticipate they will be doing at the latter part of January.

4.12.3 Deputy G.P. Southern:

If I may press the Minister, the early part of 2012, are we talking all the way down to June? Surely the first quarter at least.

Deputy E.J. Noel:

A consultation paper will be produced in short order as soon as we have had the approval by Ecofin of Zero/Ten.

4.12.4 Deputy M. Tadier:

Does the Assistant Minister accept in principle that a tax on capital and on profit is fairer than a tax on jobs, which a payroll tax could be considered to be?

Deputy E.J. Noel:

No I personally disagree with both types of tax. They both stifle competition and stifle our ability to trade in the world outside of this Island. Specifically with a payroll tax I have the personal view that now is not the time for a payroll tax.

4.12.5 Deputy M. Tadier:

Just to confirm, the Assistant Minister is saying that he disagrees with taxing profits, presumably income tax and he disagrees with payroll taxes; is that really what he is saying?

Deputy E.J. Noel:

No, I was answering the question in terms of capital tax. I do not believe that a capital gains tax is an appropriate tax for Jersey's economy.

Deputy M. Tadier:

Can I just clarify, I was not talking about capital gains tax, I was talking about taxing the profit, just for the record.

The Bailiff:

I heard you say "tax on capital", so there we are.

4.12.6 Deputy S. Power:

Notwithstanding the answers of the Assistant Minister, which I do not really find satisfactory, would the Assistant Minister not agree with me that the directives coming from Ecofin and the problems being caused by Ecofin are causing problems within corporate Jersey and that is not only do we not have Zero/Ten but we have Zero/Ten/Twenty, and that is the real problem.

[11:00]

Deputy E.J. Noel:

I do not believe having Zero/Ten/Twenty is a problem. It means at least some of our corporate entities are paying tax at 20 per cent, those being the utility companies, among others. We do have to make sure that our tax regime is Ecofin compliant and until they make a final ruling we cannot bring in any changes to try and capture the funds that are leaving the Island from non-locally owned, non-financial services companies. We will bring measures in as soon as we can, hopefully in the early part of 2012.

Deputy S. Power:

In the words of the Carlucci family, I will be back on this question as well.