

**WRITTEN QUESTION TO THE MINISTER FOR TREASURY AND RESOURCES
BY DEPUTY T.M. PITMAN OF ST. HELIER
ANSWER TO BE TABLED ON TUESDAY 1st FEBRUARY 2011**

Question

"As UK tax rates are now dramatically higher for those having incomes in excess of £150,000, and with many in Jersey finding it increasingly difficult to make ends meet in the current economic climate coupled with the increase in GST to 5%, will the Minister explain why he still believes it is not appropriate to increase the taxation rates on higher earners residing in the Island?"

Answer

Jersey's 20% rate of income tax has been a pillar of Jersey's post-war success. The 2011 Budget measures were based on significant expert research and wide consultation. Their impact is well quantified and the package of measures formed part of a responsible, long term view of our economy for the benefit of future generations.

This question seems to be based on the assumption that a higher rate of income tax will result in a directly comparable increase in tax revenues. This assumption is fundamentally flawed.

In proposing the Budget, after consultation and careful consideration, the Council of Ministers supported my conclusion that a higher rate of income tax would have negative consequences and this issue has been debated at length in the Assembly.

Those who favour a higher rate of income tax believe we can tax the better-off more, without any impact on the Island as a whole. This fails to recognise the mobility of international business and what would happen if we become uncompetitive. If business moves elsewhere, there will be a loss of jobs and of tax revenue, which would leave a higher tax burden for the rest of us.

The primary consideration in protecting Jersey's economy is to ensure it remains competitive. Jersey is in competition with other international finance centres, so it is the tax rates in those jurisdictions that are important.

Whilst it is difficult to prove the extent to which individuals affected by such an increase would leave the Island, there is considerable feedback from the Finance Industry, other bodies and media correspondence that the "headline" 20% tax rate in Jersey remains a significant attraction for businesses and individuals alike.