

**WRITTEN QUESTION TO THE MINISTER FOR TREASURY AND RESOURCES BY
DEPUTY G.P. SOUTHERN OF ST. HELIER**

ANSWER TO BE TABLED ON MONDAY 16th JULY 2007

Question

- (a) Recent data from the Statistics Department showed profits for Jersey's financial services sector to be up in real terms by 21 per cent on 2006 at £1,314 million, will the Minister reveal what amount of tax revenue was charged on these profits overall, showing the total for each of the five finance sub-sectors along with the effective tax rate charged?
- (b) Does the Minister have, and if so will he reveal, comparative figures for all 11 sectors of the economy, as shown on page five of the Jersey Economic Digest 2006, and if not will he agree to do so and in what timescale?
- (c) Will the Minister reveal how these figures will be affected by the advent of the 0/10 tax regime?
- (d) Can the Minister inform members what efforts, if any, have been made to improve the quality of data received from the legal sub-sector so that activity in this sector can be sampled and reported separately?

Answer

- (a) It is not possible to give the information asked for in this question as the vast majority of these 2006 financial services sector profits have not yet been charged to tax. This is because the income tax assessments on banks and other financial services sector companies which were issued in February 2007, for the 2006 year of assessment, were based on 2005 trading profits. These assessments are on the long standing and statutory preceding year basis of assessment. In addition, many of the international business company assessments, charged at tax rates varying from 0.5 per cent to 30 per cent depending on the international business tax rate applicable to the individual bank and other financial services sector company concerned - which makes any overall effective tax rate calculation for the international business company sector as a whole virtually meaningless - which were issued in February 2007 for the 2006 year of assessment, were estimated. This is due to the 2006 trading accounts, the basis of the statutory current year basis for 2006 assessment for international business companies, being outstanding, notwithstanding that an appropriate payment on account has been pursued and paid. There is nothing unusual in this, as it would be extraordinary for a business of any kind, never mind an international bank, to have final trading accounts prepared and delivered within 2 months of the trading year end.
- (b) Sectoral measures of Gross Values Added (GVA) are published in the Statistics Unit's annual report on National Accounting aggregates for Jersey. The GVA measures for calendar year 2005 are shown in Table 1 of "*Jersey Gross Value Added (GVA) and Gross National Income (GNI) - 2005*", published in September 2006. The methodology for deriving these measures is based on the income approach of the internationally agreed national accounting framework. Under this approach, GVA is defined as the sum of gross profits and compensation of employees (including salaries, wages, social security and pension contributions and mixed income). It is a straightforward extension of what is already published to present the two components of GVA separately for each sector. This will be done in the report on the Island's GVA and GNI for 2006, to be published by the Statistics Unit on 26 September 2007.
- (c) It is not possible to give the information asked for in this question. See my answer to (a) above.
- (d) In each of the last three rounds of the Survey of Financial Institutions an attempt has been made to present results separately for the legal and trust and company administration sub-sectors. The quality of the data received from the former is not the issue but rather the response rate, which has not yet been deemed

sufficient to enable robust disaggregation. Nevertheless, by applying stratified sampling focussed on larger entities and also by making personal contacts with firms in order to raise awareness of the wider utility of the Survey, the coverage of respondent legal firms (on a full-time equivalent, FTE, employee basis) has improved markedly, from about 13 per cent in 2005 to 37 per cent most recently. By making further approaches to individual firms and to finance industry representatives, the Statistics Unit aims to increase the FTE coverage of the legal sub-sector still further in the 2007 round of the Survey (to be published in the summer of 2008).