STATES OF JERSEY

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

Lodged au Greffe on 23rd November 2010
by Deputy of Grouville

STATES GREFFE

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After paragraph (b) insert a new paragraph (c) as follows –

> “(c) to agree that a new mechanism should be put in place to ensure that an equivalent amount of tax revenue is raised in relation to the profits of non-locally owned non-finance companies trading in Jersey as is raised through the mechanisms in place in relation to the profits of similar locally owned companies trading in the Island, and to request the Minister for Treasury and Resources to bring forward for approval the necessary legislation to give effect to this decision so that the new system can be fully implemented by 1st January 2012;”

and renumber the remaining paragraphs.

DEPUTY OF GROUVILLE

REPORT

This is a budget being proposed in difficult economic times. It is however, made all the more difficult by the 'Elephant in the Room'.

Whatever anyone's views are about the three main aims being driven throughout the budget, namely the Comprehensive Spending Review, Economic Growth and a review of our existing tax regime, there is a significant element missing. That being the taxing of foreign owned companies.

The budget is completely silent in this respect.

I am afraid that we will never take the people of the Island with us, whilst we seek to impose new taxes like GST, and then increase them at the first opportunity, while we fail to address the issue of taxing or raising a charge to foreign owned companies at similar rate to that of our local companies with local shareholders.

We cannot as a government look to tax people of life's essentials, namely food and domestic energy; to tax children's clothing, tax books and newspapers, to tax everyday living in this expensive Island, while foreign owned companies pay little to no rates of tax.

This is simply not fair.

The Minister for Treasury and Resources claimed in his Budget speech the following –

> "*There continues to be some comment that this deficit has been caused by the introduction of 0/10. I want to make it clear that the problems we currently face have not been caused by the introduction of zero/ten.*
>
> *Those zero/ten provisions were introduced to restructure our corporate tax system in a way which met International standards and preserved our financial services sector".*

I think we all understood what we were trying to achieve by moving to zero/ten tax regime. Whether we have achieved it or not and whether it is acceptable to the OECD has yet to be determined. However, most of the difficulties we face with our looming deficit are as a direct result of zero/ten and the fact that foreign owned companies pay little to no tax.

This is exasperated yet further, when you can have a Jersey company trading alongside a foreign owned company, trading in exactly the same goods, providing exactly the same service as the Jersey company, yet the foreign owned operation pays a far lesser sum to the Jersey Treasury. This is not a level playing field. This puts the Jersey operation and its shareholders under greater pressure. So if in these economically difficult times there is only so much trade and profit to be had, it is the Jersey company under more financial strain than its foreign owned counterpart who will go out of business first. Thus giving all the trade to the foreign owned company paying less tax.

I have brought this proposition because I have heard that measures were going to be introduced to tax foreign owned operations ever since I was elected 8 years ago.

At that time the ‘Blampied’ proposals were being suggested. After some time, years in fact, these were deemed unworkable and difficult.

It is difficult, but so is imposing more tax on the ordinary working people in this Island, and not just those on low income support, those who are going to suffer the full blow of 20 means 20, many of whom are struggling in this recession. It is all difficult, but it has got to be fair.

The States have tax experts and have employed different tax experts in recent times especially in the introduction of GST. I am not at tax expert and cannot be expected to come up with a new taxation or mechanism whereby we find a way of imposing a charge or fee on these foreign organisation that do business in Jersey. I would like to see our taxation experts directed to bring forward proposals to address the unfairness that exists in our system.

As I said, I realise it is complex, I realise we may have to call the charge on foreign owned organisations and their shareholders something other than a tax. A fee for doing business and trading in the Island.

I am therefore asking the Assembly to give the Minister for Treasury and Resources and his department a time limit on bringing these long overdue proposals forward. We, as an Island have waited too long and we have a duty to every Islander to make our system as fair as possible, so everyone pays their dues that benefits from Jersey.

I would like the States to give a clear directive to the Minister for Treasury and Resources that we like workable proposals tabled for debate in 2011, to be implemented by 1st January 2012.

Financial and manpower implications

This will require certain officer time to bring forward workable proposals but the benefits in taxing foreign owned structures will be of great benefit.