

5.16 Deputy G.P. Southern of the Minister for Treasury and Resources regarding the proposed territorial business tax:

Will the Minister inform Members whether in any scheme for a territorial business tax the 17,000-plus foreign-owned companies currently subject to the zero tax rate will have to declare to the Jersey authorities in which jurisdictions their business is conducted and profits arise and, if so, will Jersey then share this tax information with other jurisdictions in an open and accountable manner to avoid potential double-taxation or tax evasion?

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

It is premature to speculate about the detailed design of any alternative company tax regime when the assessment process and our own process in relation to Zero/Ten has not yet concluded. So, I would remind the Deputy that territorial tax was one of the options that was contained in the Treasury business tax consultation paper last year. Territorial tax systems exist in various forms throughout the world. There is, however, no one single format and as with most decisions there are trade-offs, in other words, advantages and disadvantages. However, the principle of territorial tax is that only profits earned in that territory are taxed there, as such activities carried out elsewhere are not relevant and so a tax authority would not normally seek their disclosure. Whether Jersey seeks to introduce such disclosure if it brings in a new tax regime will depend on whether an international standard were to exist. One does not currently exist. On sharing information Jersey is fully committed to the principle of exchange of information, as rehearsed earlier, and is continuing to expand its network of tax information exchange agreements. These are based on the international standard of exchanging information on request. We also exchange information with the E.U. member states under the E.U. Savings Tax Directive. There is no international standard on global automatic exchange which is I think what is at the heart of the Deputy's question.

5.16.1 Deputy G.P. Southern:

Will the Minister explain to Members how under such a scheme the authorities in Jersey must surely be able to state clearly that certain amount of profits were made elsewhere and to know therefore where else where is if it is to only establish that only this amount of profit is made here and is thereby taxable to Jersey? Otherwise, we risk the possibility of double-taxation or of tax evasion.

Senator P.F.C. Ozouf:

Of course, in the event that a territorial system of tax were to be introduced there would need to be analysis of the source of that profit in terms of checking and verifying the tax payable. Indeed I have studied the issue of territorial tax. When I was in Hong Kong last year I organised specific briefings in relation to territorial tax so that I could understand it. I am not a tax expert but I certainly want to understand the high level issues around it and, indeed, it remains an option and that is why it was in the consultation paper. However, I would just reiterate that we need to understand what the problems are with Zero/Ten before we consider any change.

5.16.2 Deputy G.P. Southern:

Since the Minister is prone to consulting on tax options and then picking his favourite, will he say of the options he has available and is consulting on for the initiation of business tax following Zero/Ten, which is his favourite?

Senator P.F.C. Ozouf:

I do not think that politics should be based on the basis of favourites. It is based upon good analysis and good advice. First of all, I need to remind the Deputy that alternative forms of corporate tax remain the second option after we have concluded the process of Zero/Ten. We understand that the process with Zero/Ten is the issue of deemed distribution and deemed dividend and how it relates to Zero/Ten and that is the issue which has risen concern. If that is the concern on Zero/Ten we will respond to that. If there is another eventual global standard in relation to other matters or E.U. matters that we need to take account of we would look at something else. Clearly territorial remains an option and it is the option that Guernsey is looking at.

5.16.3 Deputy G.P. Southern:

A supplementary, if I may, Sir, on his answer? Does the Minister then not accept that the U.K. authorities and the E.U. authorities have deemed Zero/Ten harmful practice and that the U.K. authorities are instructed to request us to remove those harmful practices?

Senator P.F.C. Ozouf:

The issue, which I have repeated many times in this Assembly, but I will repeat again, is that all of the commission papers and documentation document the concern of Zero/Ten as being the interaction between deemed distribution, deemed dividend and Zero/Ten regime. If that is the issue then we will respond to that, but I would remind the Deputy that there has been no formal assessment of Zero/Ten. That process is underway, it has been pushed up to the high level working party. They are looking at the issue of the scope of the code. They are due to report back within the Hungarian presidency by the end of June, and we will respond as and when we know what those responses are and I would remind the Deputy finally that we voluntarily comply with the code.