

**WRITTEN QUESTION TO THE MINISTER FOR TREASURY AND RESOURCES
BY DEPUTY M.R. HIGGINS OF ST. HELIER
ANSWER TO BE TABLED ON TUESDAY 11TH OCTOBER 2016**

Question

With regard to the 'zero-ten' tax regime, will the Minister explain:

- (a) how much tax revenue has been generated for each year since its inception to the present by:
 - (i) financial service firms paying at 10%;
 - (ii) utilities paying at 20%;
- (b) the estimated loss of tax revenue each year to present from externally-owned companies since the regime came into force; and
- (c) the estimated loss of tax revenue each year to present from locally-owned companies due to
 - (i) tax evasion; and
 - (ii) tax avoidance?

Answer

(a)

The information requested has been recently published in response to a States Written Question (9383) from Deputy Mezec tabled on 26 April 2016 (2009 to 2013 years of assessment) and a response to a Freedom of Information request (2014 year of assessment) published in September this year.

The data provided in those responses is summarised in the following table:

Year of Assessment	2009	2010	2011	2012	2013	2014
	£m	£m	£m	£m	£m	£m
Tax revenue generated by financial services firms paying at 10%	43.8	39.1	48.1	67.0	62.7	69.8
Tax revenue generated by utility companies paying at 20%	3.1	5.1	4.4	3.4	2.6	2.8

1. 2009 to 2013 data extracted from Taxes Office system as at 6 April 2016
2. 2014 data extracted from Taxes Office system as at 19 September 2016

(b)

An answer to this question in respect of non-financial services companies was provided in the States Assembly on 5 October last year in response to an oral question from the Deputy. The best estimate of tax lost each year from externally owned trading companies available at that time was £7.6m. The estimate was based on the tax returns submitted by non-locally owned, non-finance trading companies for the 2008 year of assessment – the last year for which they were required to submit accounts and pay tax at 20%. It is not possible to refine this estimate at this time for various reasons which include:

- The historic nature of the last specific data on tax payable
- The global recession and return to growth over this period
- The movement of companies in and out of the Island over this period

It is not possible to provide any specific data re financial services companies that are externally owned. However the above referenced question did address the position with regard to financial services companies as a whole.

For the future, the Taxes Office is gathering more information via the corporate tax returns.

From the 2015 tax return, data is being gathered in respect of the profits of companies regarded as resident in Jersey or with a permanent establishment in Jersey and subject to tax at 0% where a Jersey resident individual ultimately owns more than 2% of the ordinary share capital of the company. This information will be available some time after 1 January 2017 when the 2015 return deadline has closed.

The 2016 tax return will require details of profits from all companies subject to tax at 0% and carrying out trading activities in Jersey. This information will be available some time after 1 January 2018 when the 2016 return deadline has closed.

(c)

The Assembly is aware from an earlier written answer that the Taxes Office is proposing to undertake work to estimate Jersey's "tax gap" – that is the difference between what ought to be taxed and what is collected. Work is likely to commence in summer 2017 and take around two years to complete.

To assist Members' understanding in this area the OECD defines tax avoidance and tax evasion as follows:

"Tax Avoidance" – A term that is difficult to define but which is generally used to describe the arrangement of a taxpayer's affairs that is intended to reduce his tax liability and that although the arrangement could be strictly legal it is usually in contradiction with the intent of the law it purports to follow.

"Tax Evasion" – A term that is difficult to define but which is generally used to mean illegal arrangements where liability to tax is hidden or ignored (i.e. the taxpayer pays less tax than he is legally obligated to pay by hiding income or information from the tax authorities).