

**WRITTEN QUESTION TO THE MINISTER FOR TREASURY AND RESOURCES  
BY DEPUTY M.R. HIGGINS OF ST. HELIER  
ANSWER TO BE TABLED ON TUESDAY 8th DECEMBER 2009**

**Question**

Would the Minister advise the Assembly of the causes of the forecast structural deficit (as opposed to the cyclical deficit caused by the recession) and in particular the impact of the new Zero Ten tax regime?

**Answer**

The potential structural deficit forecast for 2012-2013 of £45-50m is a result of the economic downturn. That is, there has been such a significant fall in global economic activity and financial markets that the effects on the local economy and therefore tax revenue are long lasting. The fiscal difficulties faced by many of the larger economies going forward are at least partly generated by the same effect – the global recession has been so severe that taxation revenues have been badly affected whilst government spending continues on an upward trend, opening up a structural deficit.

The extent of any structural deficit is still uncertain and depends very much on the strength of the global economy and financial markets in the post-crisis world. Should the recovery be stronger than currently envisaged with a quicker bounce back, the extent of any structural deficit will be reduced. On the other hand, a more protracted downturn and slower recovery would increase the risk of a significant structural deficit.

The impact of the 0/10 tax regime is not a contributor to the deficits forecast. This is because it is still estimated that the tax loss will be close to the original estimates of £80-100m, which has been offset by the fiscal strategy agreed by the States and consisting of the introduction of GST, 20 means 20, ITIS, government efficiency savings and economic growth.

I will be addressing all of these issues in the budget speech delivered later today.