

4.10 Deputy T.M. Pitman of the Minister for Treasury and Resources regarding the taxing of windfall profits which arise when land is re-zoned for housing:

Given the forthcoming new Island Plan, will the Minister explain what progress, if any, has been made towards the taxing of windfall profits which arise when land is re-zoned for housing?

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

I am fully committed to the principle of re-distributing some of the windfall profits from land re-zoning. The Treasury has been looking at the impact of a land development tax and, as I am sure Members will be aware, it is not entirely straightforward. I believe, and will say to the Deputy, that there is, I think, a better alternative and more far reaching alternative for the use of planning obligations. Members will have been briefed last week on the Island Plan, which we publish later this week, and that plan contains radical proposals for the use of planning obligations for all residential land in Jersey and not only on re-zoned sites. This will contribute to the community's needs for affordable housing. There are limited opportunities for land development, as the Island Plan will make clear, and I do not believe that a tax on windfall gains would raise, in the longer term, significant or even stable sums of money. I believe that the alternative more radical approach is to use planning obligations.

4.10.1 Deputy T.M. Pitman:

A supplementary, Sir. I thank the Minister for his answer but in considering his alternatives, does he have any concerns that there is potential for abuse in this area and what checks and balances will he be putting in place to ensure that there is no such abuse?

Senator P.F.C. Ozouf:

I think the issue with a windfall tax is probably even more complicated than the issue of the use of planning obligations. There are established procedures and arrangements in place now in the United Kingdom using planning obligations. The Deputy may be familiar with section 106 obligations where they are consistently applied and where there is good communication, which I am sure there will be between the Planning Department and other departments of the States. I believe that the disadvantages can be dealt with but, moreover, that this Assembly is capable of approving policies that deliver hundreds of affordable homes through the use of the planning system.

4.10.2 Deputy M. Tadier:

First of all, in the first part of this question, the Minister said that he would be quite happy for some profits to be used. What proportion are we talking there and then, secondly, if I may, why are planning obligations and windfall taxes mutually exclusive? Surely, you would expect basic obligations to be met when planning permission is given and also windfall tax could be applied after that, if deemed desirable.

Senator P.F.C. Ozouf:

They are not necessarily mutually exclusive but I am sure that the Deputy will understand that important policies take enormous amounts of time to bring forward to

this Assembly and to implement, and I hope that the Deputy would agree with me that a windfall gain on re-zoned land - which is what Deputy Pitman asked me in his question - deals just with re-zoned land. Our proposals for the use of planning obligations extend to more than just simply re-zoned land but deals with all residential development in Jersey and I would hope that he would welcome such a more radical approach in dealing with this. I cannot answer what the percentage of gain is because that is an issue to be taken on a site by site basis. I want to see affordable homes delivered on all residential sites as they get developed in the next few years.

4.10.3 The Deputy of Grouville:

I would agree with Deputy Tadier that they are not related. Planning gains and windfall taxes are 2 completely different things and I would like to ask the Minister why proposals for windfall taxes were not considered before we re-zoned 60 vergées of our countryside last year?

Senator P.F.C. Ozouf:

I am afraid that I am as one with many of the Deputies opposite in wanting to see affordable homes delivered in Jersey. In relation to windfall gains on re-zoned sites, the Assembly will be aware of the re-zoning propositions that are available in the Island Plan and such is the limited scale of re-zoning in the forthcoming Island Plan that we need to find other ways of delivering affordable homes. I believe - and I think that she has asked questions in the Assembly before - that it is the use of planning obligations which are going to need an awful lot of work, which are going to be fiercely resisted by landowners and are going to be a better way of delivering affordable homes to our community. In relation to the previous re-zoning, I can stand in this Assembly proudly and say that I was the one that suggested originally planning obligations be brought in and had the States not have agreed with planning obligations, we would not have seen hundreds of units of affordable homes delivered to social rented landlords in the last few years. I have done my bit. I hope the Assembly is going to support the furtherance of those policies.

4.10.4 The Deputy of Grouville:

Sir, he did not answer my question and it was my proposition last April that brought forward the template for section 106, which this Assembly approved and which we have yet to see. Now he is telling us that we have got to wait more years for the Island Plan to be approved. Could he please answer my question and that is, why did we re-zone 60 vergées of our countryside last year before bringing in windfall taxes?

[Approbation]

Senator P.F.C. Ozouf:

The Deputy is right to say that she brought the proposition for section 106 but she must not also, if I may say, re-invent history. Section 106 arrangements are planning obligations. They have been in place for a number of years and they are successful despite, I have to say, fierce opposition from landowners at the time and I was the president of Environment and Public Services having to deal with some of the fierce opposition. That is the way that you deliver affordable homes and if she would like to meet with the planning authority to discuss how the planning obligations are going to work in relation to the 60 vergées of land she cites, then I am sure that the Planning Department will be willing to meet her and to see the scale and the intensity of discussion that is going on to deliver hundreds of affordable homes on those sites. It

is not fair to say that there is no planning gain effectively being taken out of windfall sites. That is not the case.

4.10.5 Senator S. Syvret:

The Minister mentioned that these kinds of policies do take a great deal of time to develop. Certainly, that can be true. What a pity he did not vote in favour of my proposition in 2004 to study and examine all of these kinds of taxation and fundraising revenues and instead was raising opposition to it. But, nevertheless, will he carry out the promise made by his predecessor on several occasions over a period of several years to develop and bring to this Assembly for discussion a detailed study of principles and uses of land value taxation in Jersey?

Senator P.F.C. Ozouf:

This is not complicated and, indeed, I will be, in the next few months, having to review a number of aspects of taxation in Jersey as the Island understands and we fully digest the implications of the global slowdown. As far as I am concerned, a number of taxation elements are going to have to be looked at, but there is no point in me promising or indeed raising expectations that millions of pounds are going to be able to be delivered by windfall and capital gains taxes. I want to see affordable homes delivered and I believe that the use of planning obligations is going to be the fastest and most efficient way of delivering them.

4.10.6 Senator S. Syvret:

A supplementary, if I may, Sir. This line of questioning is not about affordable homes, contrary to the kind of spin that the Minister is putting on this. This is about making some kind of taxation revenue from the white elephant in the room; the monster that none of us ever acknowledge which is Jersey's accommodation industry. Now will the Minister bring to the Assembly a study examining land value taxation? No one is asking him to promise millions and millions of pounds from it. Would he just do the work and bring the document to the Assembly for discussion and debate?

Senator P.F.C. Ozouf:

I have explained my position in relation to land development tax and I do not think I can add anything further.

4.10.7 The Deputy of St. Mary:

We are getting a lot of obfuscation in terms of affordable homes and planning obligations when the question is about the tax on the unearned gain in land value and I just want to put it to the Minister - and we got away from the point - does he not agree that there is a real problem with public perception about land values that rocket from one day to the next because of a zoning proposal, wherever it comes from, and is there not a problem here and would he not acknowledge that there is a problem?

Senator P.F.C. Ozouf:

The question is very clear. It asked me about introducing a windfall tax on land for re-zoning. It cannot be retrospective and so, therefore, in the event of an Island Plan which has very limited forms of re-zoning, I am not prepared to spend time on introducing a new tax on the limited amount of re-zoning for land. Members, I think, do not want to see large amounts of land in the Island re-zoned and, therefore, it follows that if there is not a huge amount of re-zoning in the Island Plan, then we had better spend our time on dealing with how we can extract value out of the existing

planning system with the use of planning obligations. I think my answers were absolutely linked and that this Assembly would want us to concentrate on something that is going to deliver something.

The Deputy of St. Mary:

Could I have a supplementary to that, Sir?

The Bailiff:

Yes.

4.10.8 The Deputy of St. Mary:

Is there any way of perhaps looking at changes in land ownership relating to this zoning that is going to be in the Island Plan?

Senator P.F.C. Ozouf:

I am not sure that I understand the question.

The Deputy of St. Mary:

As I understand it, the Island Plan does re-zone or suggest re-zoning of certain properties or certain land and I am just asking the Minister whether there is no way of looking at changes in ownership of those pieces of land in order to look at this issue?

Senator P.F.C. Ozouf:

The Deputy is going to have to help me a little more because I do not understand what ownership has got to do with it. If the Assembly is interested, then I will ask the Minister for Planning and Environment if we can put on some sort of seminar for Members about the issue of planning obligations. I think, clearly, we are all of one mind in this Assembly on wanting to extract the value out of the planning system. The debate is how we should do it and how we should do it in the context of the Island Plan. I have indicated that I would like to bring some expertise to the Island and perhaps somebody of the stature of Kate Barker, former adviser of the U.K. (United Kingdom) Prime Minister and member of the M.P.C. (Monetary Policy Committee) on how we can use the planning system to achieve our political objectives in this regard. If that helps to have a sensible debate on it, then I will help to organise something like that.

The Deputy of St. Mary:

Does the Minister have no moral withhold about a situation where we are, first of all ...

The Bailiff:

Deputy, you have asked a couple of questions already. I thought you were going to just clarify a point. Deputy Southern.

4.10.9 Deputy G.P. Southern:

Can I return to the wider issue of land value tax, which the Minister refused to give a decent answer to Senator Syvret previously? It is a wider issue than land development tax; it is a wider issue than windfall tax. Will the Minister come to this House with a report outlining the pros and cons of implementing a land value tax system in Jersey? Yes or no and by when?

Senator P.F.C. Ozouf:

I think we are going to have to do some education of States Members, if I may, about different types of taxes because Members are interposing different concepts such as windfall taxes and land value taxes. There is a land value tax in Jersey. It is called the foncier rate under the rating system but if Members want a proper seminar on the type of taxes you can have for land, then I am happy to organise that too.

4.10.10 Deputy G.P. Southern:

If I may, Sir? Will that seminar include the pros and cons of adapting land value taxes to the Jersey situation?

Senator P.F.C. Ozouf:

We have land value tax. It is the foncier rate that exists and has existed in Jersey for years. The Deputy is confusing, I think, the concept of land value tax, of which this Assembly could have an influence on the Constables, if they want to raise it, versus a windfall tax for re-zoned land, which I am afraid to say I do not believe would raise significant or stable amounts of money to the Exchequer every year.

4.10.11 The Deputy of Grouville:

Okay. Can the Minister forget planning gain and could he answer my question? Does he not accept the States missed the opportunity and lost out on millions of pounds [**Approbation**] of revenue last year by re-zoning 60 vergées of our countryside and not having introduced a windfall tax? Does he not accept that?

Senator P.F.C. Ozouf:

The answer is emphatically no because I believe that it is with the use of planning obligations that you can capture some of the uplift in value, and the fact is we have not seen the full extent of the planning obligations that we are going to see on the 60 vergées of land. The Deputy can shake her head but the reality is that we have changed dramatically policies of land use by introducing planning obligations. They were difficult, they were tough and in relation to the 60 vergées of land, they are going to get a lot further and if she does not think it is going to be difficult for landowners to accept it, then perhaps she will come to the Planning Department and see the fierce opposition of the planning obligations that have been put forward.

The Deputy of Grouville:

I do but I was not talking about planning gain. I was talking about windfall taxes.

Senator P.F.C. Ozouf:

It is the same thing. At the point of a re-zoning proposition, there is an uplift in value and the States can either impose a tax or can impose obligations and use those obligations effectively to payments to put into community and affordable homes. Members clearly need some understanding of exactly what the objectives are. They are common and we share the objectives.

4.10.12 Deputy M. Tadier:

I think I heard correctly. I am not sure but the Senator seems to be saying that he was in favour of affordable housing for Jersey. I think I heard that at least once and here is the question. Surely the Minister must realise that it is actually speculation in Jersey which is fuelling the spiralling house prices and the whole point of whether you want to call it a windfall tax or effectively a capital gains tax does not matter at which point, whether it is at the re-zoning or when the houses are sold. It is not just

about raising revenue; it is also to curb the speculation. So would the Minister not favour that as one of the weapons in his armoury to fight house inflation?

Senator P.F.C. Ozouf:

I think that the increase in house prices, which has been one of the issues that the Island has had to deal with in the last few years - and I think we are way off the point now - has effectively been a function in the last few years of effectively the era of loose credit where banks, not only in this jurisdiction but in other places, lent people too much money. That is what fuelled house prices together with the strong economic performance we saw. Do we need to do more work in relation to understanding the housing market of Jersey? Yes, we do.

4.10.13 Deputy T.M. Pitman:

It seems like several months ago we started this. As there seems to be quite a lot of difference of opinion of what is windfall tax and what is land value tax, could the Minister agree to bring forward a seminar for all of us before the end of the year so we can all educate ourselves and all take the Island forward?

Senator P.F.C. Ozouf:

The policies set out in the Island Plan should ensure that there is going to be a vigorous public debate about planning obligations and certainly we should, as Members, organise a seminar so that we can understand some of these important issues to deliver what I think the objective is, which is a dramatic improvement in the affordability of homes for a significant number of Islanders. So the answer is yes.