

**WRITTEN QUESTION TO THE MINISTER FOR TREASURY AND RESOURCES  
BY DEPUTY T.M. PITMAN OF ST. HELIER  
ANSWER TO BE TABLED ON TUESDAY 16th NOVEMBER 2010**

**Question**

“Would the Minister indicate how much increased income from taxation would result by increasing the tax rate to those with incomes over £120,000 to 25%; further still, what factual evidence, if any, exists to indicate that such an increase would result in such individuals leaving the Island?”

**Answer**

There seems to be an assumption that an increase in the income tax rate will result in a directly comparable increase in tax revenues. This assumption is fundamentally flawed.

The amount of income chargeable to tax over £120,000 for individuals for the last complete set of assessments i.e. 2008 is £251 million. Assuming an increase to 25% for these taxpayers did not result in a change in taxpayer behaviour, such an increase would yield an extra £12.6 million. But in reality, it is more likely to result in a decrease in tax revenues.

To repeat what I said in the budget launch speech:

*“I recognise there is a clear disparity within the population between those who feel that a higher rate of tax will be fair, and those who think it would seriously damage our economy. Those who favour a higher rate of tax believe we can tax the better off significantly more, without any impact on the Island as a whole. This fails to recognise the mobility of international business. If business moves elsewhere, this would result in a loss of jobs and a loss of tax revenue, leaving a higher tax burden for the rest of us. It is now clear that our closest neighbour and one of our competitors will retain a 20% income tax rate.*

*The Council of Ministers has given careful consideration to the arguments for and against the higher rate of tax - and has concluded that 20% makes a clear statement of stability. 20% has formed one of the island's key elements of stability and economic success for more than 60 years and I believe the States Assembly should send out a strong and powerful message that Jersey will maintain the 20% rate”*

Whilst it is difficult to prove the extent to which individuals affected by such an increase would leave the Island, there is a considerable feedback from the Finance Industry, other bodies and media correspondence that the “headline” 20% tax rate in Jersey remains a significant attraction for businesses and individuals alike. This is a critical time for the Island in retaining its most lucrative businesses and individuals – we must demonstrate that we wish to keep them if we are not to see a drift away of our primary sources of tax revenues. Once lost those individuals and businesses would be much harder to attract back.