

### **3.10 Deputy M. Tadier of the Minister for Treasury and Resources regarding increasing the upper limit of income tax:**

Following the announcement this week that the U.K. Chancellor will be increasing the upper limit of income tax to 50 per cent and given the urgent need for Jersey to consolidate its tax base in coming years, will the Minister advise the Assembly if he would consider a similar policy for Jersey, albeit at a much lower rate, so that those who can contribute more will be able to do so?

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

I have answered the Deputy and others on a number of occasions on this issue and the answer is from me an emphatic no. I consider the 20 per cent rate of tax in Jersey to be sacrosanct and I believe it to be the foundation of our prosperity. I would remind the Deputy that the recent fiscal strategy approved by this Assembly phased-out tax allowances for high earners, something that I was very interested to see the U.K. Chancellor - perhaps that is something that we agree on - announce in his budget last week. I believe that it would be extremely unwise to change Jersey's tax system. I believe that we now need a period of stability. I intend to focus my energies on dealing with the downturn, protecting the jobs of Jersey people and improving the efficiency of State's departments, not tinkering with the tax system.

#### **3.10.1 Deputy M. Tadier:**

A supplementary; notwithstanding the discord within the Council of Ministers regarding the sacrosanct nature of the 20 per cent tax level, is the real reason not that, even were the Minister minded to increase the upper tax rate, we have created so many tax avoidance mechanisms in Jersey that we would effectively be hoisted by our own petard?

#### **Senator P.F.C. Ozouf:**

I think it is very clear that the U.K. Chancellor will want to review the outcome. I understand the U.K. Labour Party view that they want to symbolically put in a 50 per cent rate of tax, but there are some hard questions about the amount which it is going to raise. I repeat to the Deputy, I believe that our low tax system is the foundation of our success and I have no intention of bringing forward to this Assembly proposals to engage in tax policies that other governments have shown, to their cost, wrecks their economies.

#### **Deputy M. Tadier:**

With due respect, I would suggest it is the source of the Senator's success.

#### **The Deputy Bailiff:**

Deputy, please, when I am speaking will you cease speaking. You have asked 2 questions already. It is now somebody else's turn.

#### **3.10.2 Deputy G.P. Southern:**

Does the Minister not accept the growing body of evidence that the success of any society on any social measure whatsoever is directly linked to the degree of equality in that society? What measures does the Minister for Treasury and Resources envisage in the Strategic Plan to create a more equal society in Jersey?

#### **Senator P.F.C. Ozouf:**

I intend to continue the policy of the previous Minister for Treasury and Resources and the previous Council of Ministers. I would remind the Deputy that we have put substantial benefits in place - increases in benefits - for the less well-off in the income support system. My job as Minister for Treasury and Resources is to ensure that we can continue to afford that low income support, afford a pension system which other governments would dream of in terms of setting pension rates and earnings instead of inflation and other issues which are the foundation of our prosperous society of which we share with low income families.

**3.10.3 Deputy G.P. Southern:**

Does the Minister, nevertheless, wish to answer the question; does he accept the growing body of evidence that the most successful societies in the world are linked to the high degree of equality in those societies?

**Senator P.F.C. Ozouf:**

I believe in equality. I believe in ensuring that we have a successful economy which means that we can fund low income support and benefit from the less well-off. I would have thought there is a growing body of evidence which suggests the Deputy's type of politics is ruinous to economies as I think has been found out in the U.K. at the moment.

**3.10.4 The Deputy of St. John:**

In the forthcoming budget will the Minister give serious thought to raising the tax threshold so that middle Jersey who are suffering greatly at the moment can have some benefits?

**Senator P.F.C. Ozouf:**

I am grateful for the Deputy's question because there are strong representations being made about the issue of '20 means 20' and the effects that has been the case, and I would remind the Deputy that the fiscal strategy had within it the introduction of G.S.T. (Goods and Services Tax) but also the eliminating of allowances for middle and higher earners, and I think the situation that was put in agreed policy of the States was that we would put in place a broadly progressive tax system which the '20 means 20' system, which meant that you pay '20 means 20' and your whole of income is part of the overall package, so I will give consideration to it and obviously it will be a matter for the States but I have got no plans to defer any of the '20 means 20' arrangements in the short term, as I think I have explained the reasons why.

**3.10.5 Senator S.C. Ferguson:**

Does the Minister agree that it is the equality of opportunity that we should be offering and not the equality of this world's goods, and would he further agree that you cannot make the poor richer by making the rich poorer?

**Senator P.F.C. Ozouf:**

I think I agree with what the Senator is saying. **[Laughter]**

**3.10.6 Deputy T.M. Pitman:**

Just referring back to the answer given to Deputy Southern; does the Minister not concede that in reality his political philosophy is bankrupting much of the world and leading us to ruin?

**Senator P.F.C. Ozouf:**

If the Deputy is suggesting and aligning himself with those commentators in recent weeks that are seeking to cast offshore centres, such as Jersey, at the heart of the economic difficulties then I have to say that he is wrong. Clearly his views are known - his views of Jersey as an international finance centre - and I do not share them.

**3.10.7 Deputy T.M. Pitman:**

Could I just ask if the Minister could clarify whether he would not concede that free market capitalism is bankrupt?

**Senator P.F.C. Ozouf:**

I am not sure that this is testing the boundaries of the original answer. What is clear is that there is a reappraisal of the way that governments are interacting with their economies. What is clear is that in terms of the U.K. I would not wish to be a Finance Minister of a jurisdiction which is borrowing in order to stimulate their economies and promising taxpayers and users of public services the hangover of debt for the next 10 years, as we are seeing in the United Kingdom. I hope that that is not what the Deputy is suggesting we should do because it is a diversity of what we see, which is an Island that can afford strong public services and sharing with those people who cannot take part in the economic growth themselves.

**3.10.8 Deputy R.G. Le Hérisier:**

The phrase “middle Jersey” is used a lot by both sides of this argument; could the Minister define in tax terms who he sees as middle Jersey?

**The Deputy Bailiff:**

I think that is going too far away from the original question. [Laughter] Deputy Tadier, final question.

**3.10.9 Deputy M. Tadier:**

I would just ask, would greater redistribution of wealth in the first place not be the ultimate solution so that we have true equality, so that we do not have to fund those on low income because there would be less of a divide in the first place?

**Senator P.F.C. Ozouf:**

Jersey is built upon an economy which has approximately 24 per cent of government spending in terms of total G.D.P. (Gross Domestic Product). We have some of the best funded public services of any jurisdiction in the world. Is he really, and are the other people that have questioned me in this oral question, really suggesting we start Kango-hammering up the foundations of our prosperity and success? I do not want to do that.

**Deputy S. Pitman:**

Sir, I did have my light on before Deputy Tadier.

**The Deputy Bailiff:**

I am sorry, Deputy, but we have to move on.