

## **2.12 Deputy T.M. Pitman of the Minister for Treasury and Resources regarding the tax requirement for 1(1)(k) category residents:**

Will the Minister state what the increase in revenue would be if the tax requirement for the present number of 1(1)(k) category residents was increased to a minimum of £200,000 per annum and advise what hard evidence, if any, he has to indicate that tax breaks for the most wealthy benefit the rest of the Island's taxpayers?

### **Deputy E.J. Noel (Assistant Minister for Treasury and Resources - rapporteur):**

This point has been rehearsed time and time again. If I may remind the Deputy that existing 1(1)(k)s either pay tax on all of their taxable income at 20 per cent if they arrived in Jersey before 2005 or at 20, 10 and 1 per cent rates for those who arrived post-2005. Some do in fact pay significantly in excess of £200,000 per year, but to insist that each of these taxpayers does so is simply not appropriate. In some instances, this would result in a tax bill of more than their income and, in many cases, an extremely high effective rate of tax. It would make Jersey uncompetitive and encourage people to leave. Changes of this nature to our tax policy would give a clear indication of instability and discourage new entrants. It would reduce rather than increase tax revenues. This is based on a detailed and thorough review and independent advice. I would suggest to the Deputy that the hard evidence of the benefit of providing tax breaks, as he put it, for the most wealthy is the £13.5 million of direct tax they contribute to our coffers each year, and this is from a small population of about 130 people. Let us put that in context. That is equivalent to almost 1 per cent on G.S.T. (Goods and Services Tax) if they were to disappear. So that excludes the £50 million to £70 million that it is estimated that they contribute to the economy through their spending, their investment and their charitable activities. I for one welcome their very valuable contribution to our economy and believe that the Deputy is in a very small minority in this Assembly, and in the Island, in being unable or simply unwilling to share that view.

### **2.12.1 Deputy T.M. Pitman:**

So no evidence then? Could perhaps the Assistant Minister explain that given that the award-winning economist Ha-Joon Chang highlights that since pro-rich reforms really began in the 1980s according to World Bank data, the world economy used to grow in per capita terms of over 3 per cent between the 1960s and the 1970s and has been growing at the rate of 1.4 per cent per year - that is 1980 to 2009. Thus despite giving the rich a bigger slice of the pie globally to create more wealth, this in fact has not happened and it is not only morally bankrupt but is redundant and demonstrably so, and is he willing to lead the way in overturning this redundant thinking?

### **Deputy E.J. Noel:**

The Deputy and I are at different ends of the political spectrum. These very valuable 130 individuals and their families contribute £13.5 million to our taxes each year. On top of that, they contribute a further £50 million to £70 million in investment, charitable donations and their spending within the economy. I for one welcome them and I wish we had 130 more. **[Approbation]**

### **2.12.2 The Deputy of St. Mary:**

Yes, notwithstanding the wonderful rhetoric of the Assistant Minister, I remember quite clearly some months ago the Minister on the same line of questioning promising a cost benefit analysis of what 1(1)(k)s contributed to the economy and the damage

that they might do in various ways. I will not spell those out because he is surely aware of these things, but I remember him promising that this study would be done and I wonder if he could tell us where it is.

**Deputy E.J. Noel:**

I have already given the benefits. I would like to turn the question around. What are the costs? In my opinion, there are no costs. These individuals do no harm. They do not send their children to States schools. They do not partake of our health service. They have private health insurance. They do not claim income support. They do not drain on our economy. They are givers to our economy, not takers.

**2.12.3 The Deputy of St. Mary:**

May I ask a supplementary? It is that very answer which shows why a cost benefits analysis is necessary and will the Assistant Minister undertake to look at the question of possible harm as well as possible benefits?

**Deputy E.J. Noel:**

I repeat, I have given the benefits. I can see no harm.

**2.12.4 Deputy M.R. Higgins:**

Judging by the lack of information the Assistant Minister has given regarding sources of income derived from companies, both through financial intermediation and otherwise, what confidence can Members take in his estimate of £50 million to £70 million being generated by these people in the economy? They have not got the figures and unless he is prepared to detail those figures, no one is going to believe a word he says. Is that not true?

**Deputy E.J. Noel:**

Whether people believe me in this Chamber is up to them. All I can say is that that figure has been independently verified and has come from external policies to the Island.

**2.12.5 Deputy S. Pitman of St. Helier:**

I am a middle-income earner and I would like to ask the Assistant Minister, if I increase my donations to charities, would my tax decrease?

**Deputy E.J. Noel:**

No, but I am sure those charities will accept your money.

**2.12.6 Senator T.J. Le Main:**

Having been very involved with decision-making in regard to 1(1)(k)s over 11 years, will the Assistant Minister confirm that 1(1)(k)s generally give millions and millions of pounds to local charities, including one 1(1)(k) who gives £1 million a year at Christmas to old age pensioners? **[Approbation]** Will he personally now stand up and confirm and thank all those multi-millionaires who come in, who provide employment, provide huge sums of money which I know of to local charities and say what a great benefit and asset they are to the people of Jersey? I know that the elderly people value that very much.

**Deputy E.J. Noel:**

I think the good Senator has done it for me.

**2.12.7 Deputy G.P. Southern:**

The Assistant Minister stated very firmly that his figure of £50 million to £70 million of revenue generated by 1(1)(k)s had been externally verified. Who made that estimate and who is he saying verified it?

**Deputy E.J. Noel:**

Without naming the firm, it was a London-based firm of lawyers. They undertook independent research and reported directly to the Director of Tax Policy.

**2.12.8 Deputy G.P. Southern:**

Will the Assistant Minister permit the tax agent that he just mentioned to release that information to the House?

**Deputy E.J. Noel:**

I will speak to the Director of Tax Policy to see if under the contract that we have with that legal firm whether or not we are allowed to issue that information on at all.

[11:00]

**2.12.9 Deputy T.M. Pitman:**

In asking my question, I should point out that I welcome 1(1)(k)s and the £13.5 million. I just would like the rest of it, please. But given that Deputy Southern has highlighted in the past how generally personal taxation has rocketed in contrast to the contributions of business and companies, *et cetera*, could the Assistant Minister clarify how his department feels that asking individuals to pay 50 per cent less than they were a decade and a half ago is compatible to the Council of Ministers' stated commitment to a fairer and more equal society?

**Deputy E.J. Noel:**

Having a fair and equal society is not all about tax. These individuals come here and bring their families and their wealth and it is to the benefit of this Island. I am going to repeat it again. They give us £13.5 million a year. That is equivalent to 1 per cent G.S.T. I welcome these 130 individuals and I wish we had 130 more. **[Approbation]**