

4.3 Deputy T.M. Pitman of the Minister for Treasury and Resources regarding an increased rate of taxation for those earning over £100,000:

Will the Minister inform the Assembly whether, following the public consultation, the final decision not to proceed with the option of an increased rate of taxation for those earning over £100,000, was taken based on his judgment alone, a joint decision with the full agreement of the Council of Ministers or simply due to the strength of feeling expressed within those responding to the consultation document? Thank you.

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

The decision not to propose a higher rate of income tax in the 2011 budget was a unanimous one made by the Council of Ministers. Just over 1,000 individual groups and businesses took the time to respond fully to the consultation on personal tax, and for all of those responses I was very grateful. The responses highlighted the positive and negative effects that respondents thought that a higher rate of income tax would have on Jersey as a place to live, work and do business. This information helped the Council of Ministers to make this decision. This has been discussed at length in the Assembly and I have noted that no amendments to the budget have been received in proposing a higher rate of tax. I have to say that I consider this to be a matter that the States have accepted - that the position of the 20 per cent rate is going to be maintained - and that, in my view, concludes the matter.

4.3.1 Deputy T.M. Pitman:

Supplementary, Sir? I accept that I am always going to probably disagree with the Minister for Treasury and Resources slightly. However, does the Minister accept the opinion of the States former Economic Adviser that there is no evidence whatsoever that high earning individuals will depart the Island if rates of taxation become progressive and, as a consequence, does he agree that such a decision as he has taken, not to introduce progressive taxation, will always be based on a simple judgment call, whether collectively with his colleagues or simple political ideology rather than based on hard fact?

Senator P.F.C. Ozouf:

I am pleased that the Deputy said that we only disagree on a few things, and I look forward to his agreement in relation to the majority of matters in the budget debated in the next few days. Of course there are political differences in relation to perhaps the Deputy's stance and mine in relation to progressive taxes and clearly there is no simple mathematical formula that could give either of us the answer as to whether or not the economy would be damaged or there would be a loss of revenue. It is my judgment based upon the consultation that I have received, and that is judgment backed up by the Council of Ministers of which a number of Ministers were very open, in fact even previously supportive perhaps of a higher rate of tax. It is a judgment issue. It is a judgment issue that I have made but I note again that there have been no proposals to introduce a higher rate of tax in this year's budget and I thought that was important.

4.3.2 Deputy G.P. Southern of St. Helier:

Does the Minister not consider that the absence of any proposal to introduce a higher rate of tax for those earning over £100,000, was due to the fact that the proposal in the consultation paper was flawed in that given the structure of our Income Tax Law it would have discriminated against married couples versus those co-habiting?

Senator P.F.C. Ozouf:

No, I do not. I think the proposal was well discussed and well understood and indeed the consultation itself gave respondents the opportunity of commenting on other proposals. Whether or not the proposal is for a married couple or for a household or for an individual, the responses, I have to say, and the conclusion that I have reached, and I believe the conclusion of the Council of Ministers has been the same and that is that a higher rate of tax on incomes £100,000 would be overall detrimental for the economy.

4.3.3 Deputy G.P. Southern:

Supplementary, Sir, if I may? Since the Minister for Treasury and Resources seems to be at an advantage to us, because he has seen all of the results and the analysis thereof, will he agree to release the analysis of the overall results achieved by the consultation for examination by the Chamber?

Senator P.F.C. Ozouf:

There has already been an independent analysis by Involve, the charity set up to do just that of the report on the personal tax consultation, and I think that that clearly explains and documents independently the analysis. Deputy Southern and I will not agree on this issue so we can exchange views across the Assembly and I would also say that as far as the consultation is concerned, it is not only the written consultation that was important but it was also the many meetings, the public meetings and other ones to ones that I had which made me conclude that situation.

4.3.4 Deputy M. Tadier:

I asked the question of my own constituents once to do with residents' parking and I got a very mixed response. In fact it was my fault because the question itself was not very clear; they did not know what was meant by that question. Does the Minister acknowledge that there is exactly the same problem here, that in fact the respondents simply did not know what the implications for them would be of a higher income tax rate, even to the point where his own Assistant Minister, under questioning in this very Chamber, could not tell us whether the £100,000 limit would apply to married couples or to individual's earnings? That is possibly why it was a meaningless question to ask.

Senator P.F.C. Ozouf:

I think Deputy Tadier, again, is one those Members that wants me to say that introducing a higher rate of tax on £100,000 incomes would be absolutely benign, indeed positive for the economy. Nothing I am going to say in these answers is going to convince him. The fact is, is that I was very clear in the consultation exercise that I carried out, that people knew exactly what the question was. That is why I held public meetings. I think that Deputy Tadier might have even been at the one that was almost rained on out in his part of the Island, where it was very clearly explained. I answered questions about it where you debated and ventilated the issue of householding accounts and it was very clear.

4.3.5 Deputy M. Tadier:

The Minister has once again done his classic distraction policy. It has nothing to do with me or whether I agree with the Minister and I do not want him to say anything. But what I do want him to acknowledge is that the question was not clear and if it was

clear why could not his own Assistant Minister, while the consultation was going on, give the House an answer as to whether it was to apply to married couples or to individuals? He could not do that. How could the ordinary individual member of the public be expected to understand the question when his own Assistant Minister could not even give us an answer?

Senator P.F.C. Ozouf:

I cannot remember that particular answer by my Assistant Minister but I have full confidence that he understands the tax system equally as well as any other Member so I think he understood it... it may well have been under questioning. But let us be clear, the response in terms of the consultation, what was being proposed was clear, a variance of what was being proposed was clear. Again, I have to say directly, yes, the consultation was clear and the follow-up questions were also clear.

[15:15]

4.3.6 Deputy T.M. Pitman:

Let us be clear indeed. G.S.T. (Goods and Services Tax) is not benign either but as my question has really been stolen could I just say to the Minister, could he please release that analysis because then it might prevent a proposal for the next budget of an increase to taxation rate because if we can all be educated perhaps we will see the light and we will not go down this route? Thank you.

Senator P.F.C. Ozouf:

I do not think I can add anything else on what I have already said in relation to the consultation. Involve have published their report and I have answered subsequent questions about that report. I do not think there is any more information. I do not think the Deputy is going to find anything else which is going to give him the clinching arguments that he wants. As far as he is suggesting that there could be further proposals, certainly from my point of view, after having consulted on this issue, raised the question, been open to it and I regard the matter as being closed. I think that it is important that we send out a message in tomorrow's budget debate that there is now certainty in relation to tax. Yes, there are some difficult decisions to be taken but one thing our success has been built on is stability and certainty in terms of tax. I think we need to deal with the issue of G.S.T. and I think we need to deal with the issue of a higher rate of tax.

4.3.7 Deputy T.M. Pitman:

Can I just ask the Minister to clarify part of his answer? When he says he considers the matter closed does he mean closed *per se*, for ever, or just relating to this budget? I think the message is a bit confusing.

Senator P.F.C. Ozouf:

I consider the matter, as far as I am concerned in my tenure - the 3-year appointment that I have had subject to the States pleasure - in terms of the matter to be closed. I do not intend to reopen the issue of a higher rate of tax for the period of time that I am the Minister for Treasury and Resources. I think we need to send out a message so that these issues are debated, they are consulted upon, we consider the answers and then we close the matter and move on.