

2019.03.26

## **5 Deputy M.R. Higgins of the Chief Minister regarding decisions in respect of the level of taxes and charges levied by the Government of Jersey: [OQ.90/2019]**

Further to his recent statements to the Institute of Directors, will the Chief Minister advise whether he has ruled out any changes to the 20 per cent income tax rate, but not to the long-term care charges, or social security contributions; and, if so, will he explain how such decisions allow for a fundamental review of Jersey's tax system, or for open discussions to take place about the Government's future spending and taxation plans?

### **Senator J.A.N. Le Fondré (The Chief Minister):**

We do have to accept that in a digital world, businesses, and in particular those in the finance sector, are increasingly mobile. So, personal tax rates are an important part of business location decisions. But to answer the Deputy's question directly. Decisions regarding this Government's future spending and revenue raising have not yet been made. Those decisions get made in the Government Plan, which comes to this Assembly later this year. On the revenue aspects, I am about to finalise the terms of reference for a revenue policy development board. That is to give greater political direction to future work on the Island's tax system. There are various strands of work. Last week we received the F.P.P.'s (Fiscal Policy Panel) economic assumptions, so they are being updated by the income forecasting group. There have also been comments from the F.P.P. around potential increases to the long-term care contribution rates. We also received the actuaries' report on the social security and health insurance funds, which were broadly positive, but there are some issues to consider there. Obviously, the Minister for Treasury and Resources, sitting right behind the Deputy, is doing ongoing work on the future of the personal income tax system.

[10:15]

If you bring all those strands together, which is what is going to have to happen, alongside our work on the efficiencies, delivery of the strategic priorities and that will be done in the Government Plan that will be debated in this Assembly later this year. I hope that helps to answer the Deputy's question.

### **3.5.1 Deputy M.R. Higgins:**

No, it does not, because my question was really asking the Chief Minister whether his views - he is after all the Chief Minister and he will be leading all the discussions - is his view about not increasing certain taxes and being minded to increase others going to stop having an objective review?

### **Senator J.A.N. Le Fondré:**

What I said is that in times of economic uncertainty, particularly around Brexit, it is incredibly important and my personal view was it was incredibly important that stability was maintained and that also included stability around our headline income tax rate. Bearing in mind the other areas I have identified and also bearing in mind that I am very keen to look at, for example, interaction between tax and income support in terms of where their core services are, I think there is still a lot of scope within those parameters to have a proper discussion. I also made the point that I am one vote in this Assembly and it is a matter for this Assembly, ultimately.

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

Does the Chief Minister agree that income tax is the fairest form of raising revenue, or certainly one of the fairest forms, and in ruling it out he is necessarily going to be relying on more regressive forms of taxation to balance the books in future?

**Senator J.A.N. Le Fondré:**

I think the point there, is it is all about the package of measures. We saw that some time ago when G.S.T. (goods and services tax) I believe is regarded as marginally regressive, but we put in a package ... the then Assembly put in a package. I thought I would get Deputy Southern smiling. We put in a package of income support measures to offset that measure. It is not quite as straightforward as the Deputy would allude to.

**3.5.3 Deputy M. Tadier:**

It is also possible, of course, to increase income tax at the highest rate for the highest earners and that would, of course, ensure stability - stability in terms of our public services going forward in the future - so that all of the Island can enjoy public services, no matter what their incomes are. Is that not also a form of stability which the Chief Minister values, especially today when we are seeing strike action from some of our biggest employers?

**Senator J.A.N. Le Fondré:**

Stability can be defined in all sorts of ways, obviously the stability I am somewhat focused on in answering the original part of the question was around stability of the economy, which obviously pays for all the services that we carry and that is why we always have a balance - to allude to the comments from the Deputy - between the desires of the public sector and the needs of the wider workforce. Therefore, we must recognise that people have a choice on this Island in terms of the large contributors to our tax base, which pay for the public services. If we get too expensive, they can go elsewhere; that is the balance that people have. It is exactly the same principle, on a different level, to where do you go to buy your tin of beans? Do you go to the shop that gives you wonderful service and has a certain price, or do you go to the cheaper area? Some people go for the service but at a point there is a cut-off and they will say: "It is too expensive, we will go elsewhere." That is always the balance when we are competing for market and for the economy and that is one of the things we have got to worry about. There are a whole measure of things, but one is around the ability for [indistinct] tax rates at the moment.

**3.5.4 Deputy K.F. Morel of St. Lawrence:**

The Chief Minister mentioned the importance of looking at the whole package of measures. Does he, therefore, share my concern that the Minister for Treasury and Resources's review of taxation is only looking at personal taxation and is not looking at the whole package of potential measures of the wider scope of taxation that the Minister for Treasury and Resources could look at?

**Senator J.A.N. Le Fondré:**

Not entirely. I understand the point the Deputy is making, I think we need to just see the results of the consultation and how that all comes together. But there is the initial review that I believe that the Minister for Treasury and Resources is performing and whether the terms of reference I am putting together will be slightly wider is a matter, as we will just see how it develops. It is important, though. There are matters within the income tax system at the moment, as has been alluded to by various members of the Scrutiny Panel, which do need addressing somewhat more imminently.

**3.5.5 Deputy G.P. Southern of St. Helier:**

Having spent several hours trying to persuade Members that in the overall plan the aim should be, I think, to reduce income inequality, can the Chief Minister say what impact that commitment, made by him, will have in terms of his review of taxation?

**Senator J.A.N. Le Fondré:**

As I have said, and that would be an important piece of work I do want to see happening, is to understand there are anomalies and the fact we have identified one or 2 out of the population in a piece of work, which will come to Members in the next few weeks, where you have some odd outcomes in terms of the rules that we have under income support. I am given to understand there are similarly odd outcomes occasionally happen between the interaction between income support and income tax and those, I think, we need to identify and then address.

**3.5.6 Deputy G.P. Southern:**

These factors, this interaction between income tax and sometimes overlap between income tax and income support, which is absolutely ridiculous, we have been aware of for the last 5 years. Will the Minister make a serious commitment to addressing this, at long last?

**Senator J.A.N. Le Fondré:**

I am absolutely committed to understanding them and identifying them. Once you identify what the problem is, yes, if we can address them, we will do. The point I make, though, is I would never like to commit when I do not know what I am committing to but, as a principle, if we can identify them and they are capable of being addressed then we will do it.

**3.5.7 Deputy M.R. Higgins:**

I am pleased with the Chief Minister's final statement because, again, like him, I want to have the facts before we make decisions. We have been promised a fundamental tax review, looking at all taxes and before we come up with the States plan, or agree the Government Plan, we need to have that information. Will the Chief Minister give an undertaking he will be open and transparent and let all Members see all the data going through, so we are fully informed for the debate?

**Senator J.A.N. Le Fondré:**

For the Government Plan and bear in mind we then move on to our annual plans, which then allows changes to happen, I am not entirely sure whether the output will be a fundamental review of income tax, of the whole taxation system, in time for lodging in, let us say, June. However, one of the longer-term pieces of work that this is about is about understanding the interactions I have referred to. I absolutely agree that once that data is identified - and I will have a model which we have done on the migration side - that once that data is ready, we should be providing it to Members because that is about being in a position to have an informed decision and an informed discussion.