

3.17 The Deputy of St. Mary of the Minister for Treasury and Resources regarding tax harmonisation:

Following the introduction of a zero rate for corporation tax in Jersey and the consequential reduction in tax revenues, can the Minister advise what work, if any, is being undertaken to explore tax harmonisation with other jurisdictions similarly placed to Jersey and if it is not being done, will he explain why?

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

I am not exactly clear what the Deputy means by “jurisdictions similarly placed to Jersey”. I am assuming that he could mean our closest friends in Guernsey and in the Isle of Man but of course he also could be referring to other low tax jurisdictions; the United Arab Emirates, Hong Kong, overseas territories, Malta, Estonia and all ranges of jurisdictions. Jersey’s tax system is very similar to the tax regimes of those 2 first jurisdictions that I mentioned, in Guernsey and the Isle of Man, although there are some important differences. The Treasury does monitor tax developments in other jurisdictions on an ongoing basis and we will continue to do so in the best interests of Jersey. Ultimately, tax is a matter for this elective Assembly in this jurisdiction.

3.17.1 The Deputy of St. Mary:

That was a fascinating answer. The Minister monitors what other jurisdictions are doing with regard to corporation tax. The question was would he explore with those other jurisdictions the possibility of working together so that we do not all end up with no tax from corporations, which benefits the corporations but not the residents of any of the jurisdictions?

Senator P.F.C. Ozouf:

First of all, I do do my best to monitor international developments on tax and, as far as building bilateral relations with other jurisdictions, that is of course the important reason why the Chief Minister has appointed the Assistant Chief Minister, to build better relations with all sorts of different relations. The Chief Minister and I do what we can but we do need to do more in terms of building relationships. So, ultimately, while I am content to have discussions, I am sceptical about whether or not, ultimately, we will ever lead to a situation of a tax harmonisation among jurisdictions. I cannot see it happening. At the end of the day, there will continue to be competition across the Atlantic with the U.S. (United States) and Europe and so will continue to be the case in relation to small jurisdictions with well-run financial services industries.

3.17.2 Deputy M.R. Higgins:

Following on from this, will the Minister outline the current state of play with Guernsey and the Isle of Man? Obviously, on Zero/Ten, he was working in step with the Isle of Man, but Guernsey appeared to be out of step. Can he tell us what the current state of the relationship is between the 3 islands and their view on this matter?

Senator P.F.C. Ozouf:

I will be lodging later today amendments to the Income Tax Law to deal with the issue of the attribution and deemed distribution in order to remove the issue which the co-group has come forward and found harmful. That will be lodged later today. I continue to engage with discussions in relation to the common position that Jersey has with the Isle of Man, and I am hopeful that we are going to be able to reopen discussions on the tax issues with our friends and colleagues in Guernsey. But of

course I cannot speak for the Guernsey line in respect of Zero/Ten and what their reaction will be to us finding a solution to Zero/Ten and our confidence that Zero/Ten will be found to be compliant after having made the changes on deemed distribution and attribution.

3.17.3 Senator S.C. Ferguson:

Will the Minister name the number of jurisdictions which he was monitoring? He neglected to include Singapore, which is perhaps the one most like ourselves, although on the other side of the world. Would he explain how much notice is taken of what is happening in Singapore?

Senator P.F.C. Ozouf:

I think the Senator makes an important point, which is that the world of competition in terms of financial services is fierce and I often refer to Hong Kong but she is right that Singapore is developing their own financial services sector. They have a trust law, which is probably vying for an equivalent status in our much respected trust law - and, indeed, the first law - and we must be ever-vigilant of competition of other jurisdictions seeking to compete with us in the quality area of financial services. Singapore is one of those jurisdictions that we must be watching with interest in terms of competing against Jersey but I am confident that we will compete even with Singapore.

3.17.4 Deputy G.P. Southern:

Competing on the downward spiral to the bottom. Is the Minister in any position to inform Members what progress he has made on mechanisms to replace the zero rate in Zero/Ten and, if not, when will he report to the House?

Senator P.F.C. Ozouf:

I am not going to be proposing a replacement to zero-rating because at the heart of the Zero/Ten debate, which has been rehearsed in this Assembly many times, the general rate of tax for Jersey is zero with the special rate for financial services at 10 per cent and 20 per cent for utilities. What this Assembly has charged me to do is to come up with alternative proposals to raise revenue for non-local entities. Work on that is being somewhat delayed because of the Zero/Ten discussions but I will be making the commitment in advance of the budget, and that is going to be a subject which will be discussed in the budget later on this year as is the normal rhythm of decisions on tax in Jersey.

3.17.5 The Deputy of St. Mary:

Does the Minister accept that the present situation where he goes on and on about competition and the result is that corporations are now paying nothing while the individual taxpayer pays, I think, nearly 90 per cent of the tax take for Jersey ... does he not accept that there is something wrong about this imbalance and will he undertake to make sure that he rebalances the tax take so the individual taxpayers in Jersey pay less and corporations pay more?

Senator P.F.C. Ozouf:

I realise that later on today we are going to have a debate about food exemptions and, no doubt, the accusations will be made again that somehow we can raise more money from corporates and we can therefore undo some of the decisions on spending and indeed on taxes. I am afraid that we needed to rebalance our income. The Island was

too dependent on income tax and corporate tax in order to run its affairs. We have been through a difficult - and I understand just how difficult it has been – rebalancing, but we are here now and we have got a balanced, sustainable model for taxation. I am looking forward to a corporate taxes increase in Jersey at the 10 per cent when interest rates recover but it will take some time. But I am afraid that I cannot promise - and I will not promise - that there is some sort of Atlantis or some sort of easy solution to raise revenue to pay for public services. We need to pay for public services out of consumption and income tax on competitive taxes and that is what we have done and we are going to take as much of the upward turn of growth as we can on that model and long may it continue.