1240/5(6121)

WRITTEN QUESTION TO THE MINISTER FOR TREASURY AND RESOURCES BY DEPUTY G.P. SOUTHERN OF ST. HELIER ANSWER TO BE TABLED ON TUESDAY 15th MARCH 2011

Question

Can the Minister supply estimates for the gaps in the following table (taken from the States Financial Report & Accounts) for the years 2008 and 2009 and an estimate for the sums to be raised in 2011 from finance and non-finance companies in the absence of any further measures?

Year	Company Income Tax £,m	Non Finance	Finance
2000	208	51	157
2001	227	70	165
2002	215	65	150
2003	216	65	151
2004	212	71	141
2005	202	71	131
2006	217	78	139
2007	238	82	156
2008	233	-	-
2009	218	-	-
2010	79	19	50.4
2011	65	-	-

Will he further confirm that the figure of £50.4 million tax raised from the finance sector in 2010 represents an effective tax rate of 6.3% on 2009 profits of £809 million?

Can the Minister explain why this tax rate is less than the published rate of 10% and whether he has any plans to increase revenue from this sector by targeting any avoidance measures that this lower rate may represent and, if so, what these measures might be?

Answer

Part 1

As previously notified to the Deputy, the States has adopted Generally Accepted Accounting Principles (UK GAAP) under which the Treasury accounts for tax at the point of assessment. This means that the basis used to report taxation income up until 2007 changed. There is a fundamental difference between tax charged for a specific year of assessment and tax accounted for in a financial year. In order to provide meaningful information, the Deputy's table has been restated below. In addition, unfortunately, the Deputy's table contained a number of inaccuracies and incorrect assumptions:

Changes have been made for the following reasons:

- The figures quoted in the Deputy's table do not show income tax assessed on companies, but rather tax assessed on all sole traders, partnerships and companies carrying on a trade.

- The figures shown under the heading of "finance" in the Deputy's table relate to all businesses carrying on a trade classed as "financial intermediation" by the Taxes Office. This includes businesses, such as insurance providers, that are subject to tax at the rate of 0% under 0/10.

- As a result of a change to the way the States Accounts were presented in 2008, the Deputy's figures show tax assessed for the years of assessment 2000 to 2006, but revenue collected in the calendar years 2008 onwards.

- The figures shown in the Deputy's table for 2003 to 2007 should instead be shown as tax assessed in respect of the previous year of assessment (e.g. the figures shown for 2003 are instead the 2002 figures).

- The figures shown in the Deputy's table for 2001 and 2010 did not sum.

The table below contains data which the Minister for Treasury and Resources considers to have been produced on a more sound basis.

Year of assessment	Income tax assessed on all trades £,m	Income tax assessed on all trades other than financial intermediation	Income tax assessed on financial intermediation businesses
2001	227	61	166
2002	215	64	151
2003	212	71	141
2004	202	71	131
2005	217	78	139
2006	238	82	156
2007	248	93	155
2008	269	99	170
2009*	128	54	74

Assessments for the year of assessment 2010 were issued at the end of February 2011 and are subject to appeal for a period of 40 days. At this time it is therefore not possible to give a firm figure for the tax assessed by industry for the year of assessment 2010. The 2011 assessment will be based on companies' profits in the financial period ending in 2011. Assessments will be issued in 2012, so no firm information is available at present.

* The figures for tax assessed for the year of assessment 2009 and collected in 2010 are provisional and subject to audit. Final figures for tax revenues recognised will be provided in the States Accounts for 2010 which will be issued shortly.

Parts 2 and 3
The figure quoted for profits earned by the finance sector includes all companies in Jersey's financial services industry, not all of which are subject to tax at the 10% rate under 0/10. It is meaningless to compare the profits of the broader "finance sector" with the tax paid by the much more narrow class of "financial services companies" subject to tax at 10%, as defined in the Income Tax (Jersey) Law. This therefore results in an effective tax rate of lower than 10%. This is not considered to be caused by tax avoidance activity. The Taxes Office review all tax returns submitted and would challenge such activity if identified.