

**WRITTEN QUESTION TO THE MINISTER FOR TREASURY AND RESOURCES
BY DEPUTY G.P. SOUTHERN OF ST. HELIER**

ANSWER TO BE TABLED ON TUESDAY 16th MAY 2006

Question

Following the publication of the Zero/Ten Design Proposal (R.37/2006) on 5th May 2006, would the Minister –

- a) inform members whether the new proposals mean that the previous proposals on look-through have been abandoned?
- b) give members a breakdown of the revenues that are now expected to be gathered from each of the taxes or charges contained in the new zero/ten design proposal and, in particular, state how much will be generated from the Regulation of Undertakings and Development (RUDL) charge and whether the new proposals to replace look-through will produce the same amounts as the previous proposals?
- c) state whether the proposed RUDL charge is, in effect, a tax on jobs and what impact, if any, it is anticipated to have on job creation and economic growth in the non-finance sector?
- d) reassure members that, as the proposals have been designed by finance experts, they have not been designed solely to suit the finance sector?
- e) indicate whether the mechanisms for Foreign Incorporated Investment Companies will meet the requirements of the EU code on Business Taxation?

Answer

- (a) The previous proposals on look-through have not been abandoned but merely reduced in scope in aiming to strike the balance between the need for 'look-through' mechanisms which allow for anti-avoidance provisions pertaining to personal tax payers (Jersey based shareholders) and both the practicality of administering such mechanisms and the wish to permit a degree of re-investment by Island based businesses consistent with our economic growth objectives.
- (b) These are only proposals at the current time, so only a rough analysis of the tax yield from the Regulation of Undertakings and Development (Jersey) Law 1973, (RUDL), charge has been undertaken. This suggests a yield in the range between £ 5 - 7 million. If the proposals are agreed, the exact detail will be determined and the yield calculation refined. For those who do not opt to trade through the Limited Trading Partnership (LTP) vehicle and who thereby become subject to the distribution provisions, I can confirm that eventually all the tax on their profits enjoyed by shareholders as personal income will be collected, albeit with a timing difference. As a consequence of continuing 'look-through' on investment holding companies, and the tax charged on those who now choose to trade through a Limited Trading Partnership rather than being subject to the distribution provisions for a zero rate trading corporate vehicle, it is estimated that overall income in these areas will ultimately be broadly the same as under previous outline proposals.
- (c) The proposed RUDL charge is not a tax on jobs but a charge reflecting a licence to operate in the Island. Where shareholder taxes are paid these can be used to reduce or eliminate the impact of the RUDL charge. This can occur either through 'look through' to the shareholders of companies with such employees, or by those businesses registering as Limited Trading Partnerships subject to normal Jersey Income Tax provisions. The primary intention behind the RUDL charge is to ensure that those wishing to set up businesses in Jersey, using the Island's scarce resources, but without Jersey connections, do make some contribution to the running costs of the Island. This they will do either by registering as an LTP, or

by paying the RUDL charge; the choice is theirs.

- (d) The proposals have been designed by people who understand the complexities of taxations systems in Jersey and elsewhere. Like many other jurisdictions, including the United Kingdom, Jersey has utilised the best expertise in both the public and private sectors to ensure that the 0/10 design proposals are the very best solution for Jersey as a community. To have done otherwise would have been a dereliction of duty and I am confident that the policy now presented for consultation gives a balanced solution to address both the competition issues facing us as well as ensuring voluntary compliance with Ecofin requirements. In particular, it endeavours to level the playing field between those who currently pay their taxes to help support the running costs of the Island and those who, because of their location, would not. Accordingly, I can confirm that these proposals were not designed solely to suit the finance sector.
- (e) Yes. These companies will be zero rate vehicles but will pay an annual corporate residence fee, not a tax, in a similar fashion to Jersey incorporated companies. As this is a mechanism concerned with incorporation fees rather than a tax it is actually outside the remit of the EU Code of Conduct on Business Taxation.