

STATES OF JERSEY

OFFICIAL REPORT

TUESDAY, 28th NOVEMBER 2017

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[9:30]

The Roll was called and the Greffier of the States led the Assembly in Prayer.

COMMUNICATIONS BY THE PRESIDING OFFICER

1. Appreciation of former Deputy of St. Saviour – the late Mr. Leonard Victor Percy Nightingale

The Bailiff:

Members may be aware that former Member, Mr. Leonard Victor Percy Nightingale recently passed away. Mr. Nightingale served in the Assembly from 1969 to 1975 as Deputy for St. Saviour No. 1, that at a time when that District was represented by a single Deputy rather than the 2 it has today. During his first term he was appointed to sit on the Island Development Committee and the Telephones Committee. Following his re-election in 1972 he was appointed to the Harbours and Airports Committee, the Telecommunications Board and the Establishment Committee. He did not stand in the elections of 1975 and he therefore retired from the Assembly in that year. Our thoughts are with Mr. Nightingale's family and I ask Members to rise for a minute in his memory. **[Silence]** May he rest in peace.

PUBLIC BUSINESS

2. Draft Budget Statement 2018 (P.90/2017)

The Bailiff:

We now come to P.90, the Budget Statement.

The Greffier of the States:

The States are asked to decide whether they are of opinion – (a) to approve, in accordance with the provisions of Article 10(3)(a) of the Public Finances (Jersey) Law 2005, the estimate of income from taxation during 2018 of £689,146,000 as set out in Summary Table A of the Budget Statement, with the sum to be raised through existing taxation measures and the proposed changes to income tax, impôts duty, goods and services tax, stamp duty, land transactions tax and vehicle emissions duty for 2018, as set out in the Budget Statement; (b) to approve, in accordance with the provisions of Articles 10(3)(c) and 11(3) of the Public Finances (Jersey) Law 2005, the appropriation of £10,424,000 in 2018 and the full year effect amounting to £9,400,000 in 2019 from the amount appropriated to growth in the Medium Term Financial Plan Addition for 2017 – 2019 (P.68/2016) to the revenue heads of expenditure of those States funded bodies as set out in the recommended allocation of growth expenditure in Summary Table B; (c) to approve, in accordance with the provisions of Article 10(3)(d) of the Public Finances (Jersey) Law 2005, a capital head of expenditure for each of the capital projects for States funded bodies to be started or continued in 2018 (other than States trading operations), as set out in the recommended programme of capital projects in Summary Table D, totalling £43,233,000; and (d) to approve, in accordance with the provisions of Article 10(3)(e) of the Public Finances (Jersey) Law 2005, each of the capital projects that are scheduled to start during 2018 in the recommended programme of capital projects for each States trading operation, as set out in Summary Table E, that require funds to be drawn from the trading funds in 2018.

2.1 Senator A.J.H. Maclean (The Minister for Treasury and Resources):

In presenting this Budget I am pleased to report that Jersey's underlying financial position is strong and has continued to strengthen during the past year, exceeding forecasts. This encouraging position has been made possible by prudent forecasting and tight fiscal controls. The Chief Minister, and this Government, have not been prepared to take easy options, instead making sometimes difficult and unpopular decisions in the long term interests of the Island. There are of course continuing domestic and international challenges. Budget 2018 builds on the decisions we have made in previous budgets to give life to the plans and ambitions we set ourselves in the Medium Term Financial Plan 2016 to 2019. A package of measures developed to facilitate investment in our public services and infrastructure. We continue to face a period of unprecedented change in the global economic landscape. We cannot easily forecast what opportunities may present themselves for our Island or indeed what potential threats we may need to manage. We have benefited from another year of strong performance from our investments, improving our ability to cope with the uncertainties that lie ahead. But there is no room for complacency. We need to retain flexibility, strengthen our reserves further, and continue to manage our finances in a prudent manner. Turning to the global economic position, this is relevant to Jersey, especially as an international finance centre trading with more than 200 countries worldwide. The International Monetary Fund's latest assessment of the world economy is that the global upswing in economic activity is strengthening. Although global growth in 2016 at 3.2 per cent was the weakest since the global financial crisis it is projected to rise to 3.6 per cent in 2017 and 3.7 per cent in 2018. The I.M.F. (International Monetary Fund) points out that the medium term risks however are still tilted to the downside. They highlight that the upturn in global activity provides an ideal opportunity to tackle key policy challenges. One of these, of course, strikes a chord for Jersey. The need to improve productivity in the face of ageing demographics. Closer to home, the I.M.F. notes that the U.K. (United Kingdom) economy is bucking the global trend and that growth is projected to be slowing to 1.7 per cent in 2017 and 1.5 per cent in 2018. The downward revision is driven by weaker than expected growth in the first half of the year as sterling's weakness held back household real income and consumption. The I.M.F. also points out that the medium term growth outlook is highly uncertain and will depend on how Brexit affects barriers to trade, migration and cross-border financial activity. A weakening U.K. economy and currency is a concern for Jersey with our close trading relationship. Turning specifically to Jersey's economic outlook. I am pleased to report that Jersey's performance against the global backdrop has remained resilient to date.

[9:45]

Employment is at an all-time high with nearly 62,000 people in paid work. This follows better than forecast growth in G.V.A. (gross value added) in 2016 of 1 per cent, the third consecutive year we have seen growth. The Fiscal Policy Panel expects the economy to grow by a further 1 per cent in 2017. If that is achieved it will be the first time that we have seen 4 consecutive years of economic growth since the year 2000. However, the panel is forecasting slower growth of around 0.5 per cent in 2018. Indeed, they continue to warn us that considerable uncertainty remains around these forecasts given the levels of external uncertainty that we face. Inflation has picked up, as it has in the U.K., however the fall in sterling will pose a challenge to growth in real earnings, which has been such a benefit in each of the last 5 years in Jersey. The outlook for future economic activity and associated employment is positive. We do, of course, need to maintain our focus on supporting productivity improvements and continue to do all we can to mitigate the uncertainty over Brexit and, indeed, prepare as best we can for its outcomes. Average earnings were up 2.6 per cent in the year to June. The housing market remains healthy and much needed additional supply of affordable homes, a key policy is being successfully overseen by our Minister for Housing and delivered by Andium Homes and, to an extent, by S.o.J.D.C. (States of Jersey Development Company). S.o.J.D.C. has now sold all 187 units in College Gardens, 107 of which are in the open

market, 40 under the shared equity scheme and a further 40 is social rented to the over-55s. They have delivered, as part of College Gardens, development of more than £2.5 million of added value for taxpayers, including 50 additional carparking spaces specifically for Janvrin School. Last Friday they launched their latest scheme “Horizon” comprising 280 units and on the first day saw 8 sell. The International Finance Centre continues to enjoy strong demand. International Finance Centre Building 1 now 74 per cent pre-let, and I.F.C. (International Finance Centre) 5 is 56 per cent pre-let. Government policies and investment continues to focus on jobs, economic growth and diversification. Developing our exciting digital sector is a key aim. Only last week I approved £525,000 of funding for Digital Jersey’s latest project out of the economic productivity and growth drawdown provision. It is to invest in an Internet of Things Lab, an exciting new concept. It will help both start-ups and our thriving telecoms industry, to develop new products and services, to solve problems locally, export abroad and attract inward investment to Jersey as a technology test bed. Supporting a strong economy is essential to keep our public finances healthy. To demonstrate that point, as the economy grows so does our States income. Total States income increased last year by £392 million. That is a 35 per cent increase, mainly through excellent returns on our investments. This is not revenue to spend but strengthens our reserves, to improve our resilience and provide a buffer against rising pension costs resulting from our ageing demographics. The Strategic Reserve grew by £104 million or 13.5 per cent. The Social Security Reserve Fund grew by £254 million or 19 per cent. General revenue income increased by £45.1 million, that is £34.4 million of which was an increase or increases in tax revenues from a strengthening economy. On the expenditure side, gross expenditure was down for the first time in many years and is down again this year to date. Overall, Jersey’s balance sheet strengthened last year, increasing from £5.7 billion to a net asset position of £6.2 billion. At the end of September this year I can report further improvement with our income above forecast and expenditure again down and our investments performing well. Indeed, our Strategic Reserve now has a total of £881 million and it has increased this year by 7.6 per cent. The Social Security Reserve Fund is £1.7 billion, an increase of 10.9 per cent this year to date. Few places, I might add, have the luxury of having a reserve fund for social security in this way. But that is down to wise decisions by our predecessors. But we cannot expect to benefit from exceptional investment returns each and every year. As I already indicated, there are domestic and international challenges on the horizon. The Fiscal Policy Panel reminds us that we should balance our budgets sustainably by 2018/2019 while continuing to support the economy in the short term until it returns to capacity. The panel has expressed concerns that this Assembly has failed to agree the main revenue raising measures as laid out in the Medium Term Financial Plan or, as yet, any sustainable alternatives. The panel cite the rejection of the proposed health charge and the deferral of waste charges, in particular. As a result, this Budget proposes a number of different revenue raising measures which, if approved by Members, will raise a total of £10.2 million. This will go some way to addressing the loss of the health charge and keep us on target to balance our budget by 2019. Waste charges, if supported by this Assembly in next year’s Budget, following further consultation, or a viable alternative, will also be necessary to avoid a structural imbalance by 2019. This means that we are not yet at the end of our fiscal challenges. It also means that we cannot yet relax our tight control, although I am pleased to say it looks like we have a small contribution coming in even this morning from the Minister for Education.

The Bailiff:

£10 from Deputy Bryans. The Minister for Education should know better really.

Senator A.J.H. Maclean:

But it also means that we cannot yet relax our tight control of public expenditure, including pay restraint, especially with Brexit uncertainties looming. Turning to Brexit: almost 18 months ago now the United Kingdom voted to leave the European Union. This year it is negotiating the terms

of the divorce; the repercussions of which we cannot easily forecast yet. That applies equally to the United Kingdom, the E.U. (European Union) and Jersey. We have of course been planning to ensure we are as prepared as possible for the risks and the opportunities as they emerge. To this end, we initially set aside £1.9 million for Brexit planning, a further £1.5 million has been ring-fenced for the same purpose. Jersey has a strong and productive relationship with the United Kingdom Government and we are confident that our interests will be taken into account during negotiations. Only last week the House of Lords E.U. Committee wrote to the Secretary of State, David Davis, asking for assurance that Jersey and the other Crown Dependencies would be actively involved in the preparation for negotiations. The Chief Minister meets with the Parliamentary Under-Secretary of State every quarter. The Minister for External Relations and Jersey officials are doing an exceptional job working with Ministers and officials across Whitehall to ensure that Jersey's interests are fully understood. For Jersey, many areas are potentially impacted by Brexit. As a key industry, financial services is a priority Brexit issue and we are working with the U.K. Government to maintain our mutually beneficial relationship. The sector has been resilient and total employment is now close to record highs seen before the global financial crisis. The industry has had to adapt to change and it is encouraging to see that employment growth and tax contributions in the last few years have been strong. It is equally encouraging that more than 300 local students were recruited each year for the past 4 years as the economy has returned to growth. Jersey's reputation as a well-regulated and transparent jurisdiction, which actively supports the development and implementation of international standards in financial services and tax administration enhances our global standing. Notwithstanding occasional negative media, often sadly misplaced and ill-informed, I am pleased that our responsible and firm approach is recognised internationally by those that truly matter. A recent example, following an intense review period, Jersey has been given the highest possible rating by the O.E.C.D.'s (Organisation for Economic Co-operation and Development) global forum on tax transparency. This is in recognition of our compliance with global standards on tax transparency and information exchange. We have been rated as compliant in all 10 of the areas that were reviewed. This places Jersey in the top rank of countries who have completed both phases of the O.E.C.D. review process. A higher rating than that of several major G20 economies, including the United Kingdom. This assessment makes it even clearer to the international community that Jersey is no safe harbour for money laundering, tax evasion, abusive tax avoidance, or any kind of rogue operators. Jersey is a professional well-regulated international finance centre, which expects those using our services to pay the tax due in the jurisdictions where it is owed. As the Chief Minister has said in 2014, and repeatedly since, we do not want and we do not need anybody or any company abusing Jersey's tax system to evade taxation by their home jurisdiction. We will continue to keep our laws, regulations, rules and procedures under review and seek to improve them if and when cases of abuse come to our attention. We will continue to work closely with overseas partners, such as the O.E.C.D. and the E.U. The next stage of that dialogue, as the Chief Minister recently indicated, will be to review the case for strengthening our approach to testing economic substance of entities seeking to do business from Jersey. Turning now to Jersey's public finances. When the Council of Ministers took office we asked this Assembly to support us in tackling many of the difficult issues which other jurisdictions have not been prepared to face. Those issues, in common with many western economies, are amplified by what some describe as the ticking time bomb of ageing demographics, which place increasing pressure on health services and pensions. It is of course wonderful that life expectancy continues to extend. The challenge for this Assembly is to see that as people live longer they do so in good health and with dignity, with a good standard of living. Our focus in recent years was to find affordable ways to fund the essential investment in our long-term infrastructure and in priority public services, such as health and education. Other countries have funded investment with eye-watering levels of public debt. That is not our approach. At the beginning of this Government's term of office in late 2014 we started with a base budget shortfall

of £28 million per annum by 2019. We recognised the need to invest an extra £62 million a year by 2019, principally in health and education. We allocated £55 million a year by 2019 as depreciation, largely for expenditure towards capital. Those 3 figures added together came to an additional funding requirement of £145 million per annum by 2019. Members will recall the media frenzy at the time, with sensational headlines of £145 million black hole in public finances. Let me be clear: there was never going to be a black hole like that.

[10:00]

Not on our watch. Our prudent approach to managing public finances required a funding plan to be agreed before agreeing that level of investment. The plan was the Medium Term Financial Plan. Members will recall it was a package of measures to fund investment by supporting a strong economy, delivering efficiencies in the public sector, cutting costs and introducing some appropriate revenue-raising measures to recover the cost of service delivery where appropriate, a plan which was approved by this Assembly, something that all Members should be rightly proud of. We all shared an aim to plan and invest for the future for our children and our grandchildren and this Budget continues to move funds into the priority areas that we agreed. It supports investment that boosts economic growth and productivity. There are few places that are prepared to limit their public spending to what they can reasonably afford but I am committed to maintaining that principle. Budget 2018 maintains a balanced approach, preserving fiscal responsibility, investing in the skills and infrastructure that will support jobs for the future. It increases tax-free allowances, leaving more Islanders exempt from paying income tax and the vast majority keeping more in their pockets. It asks a small number of the very largest, most profitable companies in the finance and retail sectors to pay tax on their profits for the first time since we introduced the Zero/Ten regime and it asks future high-value residents to pay a little more too. Of course, some difficult decisions still remain. This Assembly rejected the proposed health charge and agreed to defer the decision on business waste charges. We need to progress the waste charge next year or find an alternative revenue-raising measure. Now is the time to take a more realistic and pragmatic approach to how we pay for the services that we consume. We have low tax rates and very high-quality services compared to most other countries. Those services need to be paid for and it cannot always be right in the case of waste charges that they are paid out of the pockets of the general taxpayer when they are largely enjoyed by businesses. If we are to keep our taxes low, then we do need to introduce some charges which reflect the true cost of providing services to those who use them and can afford them. Turning to the key budget proposals. With regard to the specific tax measures which I am proposing this year, firstly, in relation to personal tax, I propose to increase the tax-free allowance for working-age people by the June R.P.I. (Retail Price Index) figure of 2.5 per cent and that will benefit 35,000 taxpayers. It will reduce a single person's annual tax bill by £91 and that of a married couple or civil partnership by £156. Additionally, I am proposing to increase the second earner's allowance by £850 to £5,850. This will benefit 12,000 households. It is an additional tax-free allowance to married couples aimed at fairness and an incentive to increase participation in the workforce. It also eliminates the inequity in the allowances available for married couples and civil partnerships on the one hand and co-habiting couples on the other. Jersey's personal tax-free allowance will rise to £14,900 for a single person. That compares to Guernsey's allowance of £10,500, the United Kingdom's of £11,500 and the Isle of Man's at £12,500. Following a review into the high-value residents and the recommendations that review gave, I am proposing to increase the minimum annual tax payable by new high-value residents to £145,000 from January 2018 and to review this figure regularly from 2025. Turning to company tax. Following the review I announced last year in last year's Budget, I am extending the definition of a financial services company so that more pay tax at the 10 per cent tax rate. This will include companies that lend money, insurance businesses and company registrars bringing us more into line with competing jurisdictions. I expect this measure to raise around £3 million a year. I am also

proposing to increase I.S.E. (International Service Entity) fees paid by businesses that do not pay G.S.T. (Goods and Services Tax) and to require more companies to pay them. These fees currently raise more than £8 million a year and I estimate that this measure will raise an extra £1 million a year. The fees will for the first time specifically capture alternative investment funds businesses since they became subject to J.F.S.C. (Jersey Financial Services Commission) regulation. In last year's Budget this Assembly overwhelmingly supported Senator Ferguson's amended amendment to introduce measures to tax large retailers at 20 per cent subject to it not impacting on our Zero/Ten corporate tax regime. We have conducted a thorough review into economic and distributional impact of such a move. Following that review, I am now proposing to apply income tax at the 20 per cent rate to the profits of a small number of large retailers making at least £500,000 of profit, as agreed by the Assembly in principle last year. Proposing a positive tax rate for the retail sector in this way also brings us into line with Guernsey and the Isle of Man who have already introduced a similar retail tax. A retail tax applied only to the largest retailers also addresses previous concerns about non-locally-owned businesses not paying tax in Jersey. Because of the 20 or so businesses captured by the proposed retail tax, 75 per cent are not locally owned. It is estimated that this measure will raise £5.8 million a year. Turning now to impôts. I am proposing to increase the impôts duty payable on alcohol, petrol and diesel by R.P.I. to maintain the real value. The duty on tobacco will increase by R.P.I. plus 5 per cent with a slightly higher increase for hand-rolling tobacco to continue equalising the duty rate. On the environmental front, vehicle emissions duty is charged when vehicles are first registered in Jersey, depending on the level of CO2 emissions or engine size. The duty was introduced to encourage Islanders to choose low-emission vehicles. The Council of Ministers are accepting an amendment to the Budget measure from the Constable of Grouville to amend the V.E.D. (Vehicle Emission Duty) bands. This means people will pay more when first registering a car in Jersey. V.E.D. is primarily aimed at changing consumer behaviour and encouraging people to choose less polluting vehicles. There are limitations to V.E.D. as it does nothing to address the many older polluting vehicles in our Island. A review will need to look at the longer-term effectiveness of V.E.D. in delivering our broader environmental objectives. However, it is encouraging to note that we are seeing a gradual move to electric and hybrid vehicles in Jersey. In 2011 there were 82 new registrations of such vehicles. That rose to 148 in 2016 and in the first 8 months of this year we have seen 140 registrations. Turning now to growth proposals. This is the funding allocated for investment in key public services in 2018. In the first Medium Term Financial Plan the majority of the growth allocation for departments was awarded upfront. This time we made it clear that this Medium Term Financial Plan was a package and that the funding for growth or investment would only be awarded annually at each budget. Furthermore, any such funding would be dependent on departments firstly delivering their savings, efficiencies and user-pays charges. As a result of good work by departments last year this Budget is able to allocate more than £10 million of growth funding for 2018, largely to invest in priority services. Almost £8 million will be invested in health and social services, although £2.1 million has had to be reallocated to cover the cost to the Department for Infrastructure of the deferral of the liquid waste charges for 2018. There is £11 million of growth funding set aside for 2019 that will be allocated in next year's Budget. However, the Council of Ministers is recommending that this growth funding should depend on the prior approval of £11 million of waste charges or an equivalent revenue-raising measure for 2019. Now turning to the capital programme. The Medium Term Financial Plan allocated £168 million to capital projects over the 4 years of that plan. It included £55 million for schools, £43 million for sewage works and £21 million for I.T. (Information Technology) systems. In the plan it allocated £43 million to capital projects for 2018. Since then new capital funding pressures have emerged, together with increases to some project costs, adding a further £14.85 million for 2018. Increasing project costs include £5.6 million extra for the new Les Quennevais School, an extra £4 million for Grainville School and an extra £1 million for St. Mary's Primary School. In addition, new priority projects

for the health and social services account for an additional £3.85 million, and these include Orchard House and Autism. The additional capital has been funded by redistributing existing resources largely from schemes that are not yet ready to commence, as well as from capital underspends accrued on completed projects. Funding essential infrastructure projects from within existing resources is a responsible approach to take. £57.85 million of capital expenditure is therefore allocated in this Budget for 2018, expenditure that will support the economy and provide benefit for Islanders for generations to come. Together, this brings £45 million of investment in the new school at Les Quennevais, more than £8.4 million at Grainville, £6.5 million refurbishing St. Mary's, £8 million for the next phase of the prison masterplan and £14 million for highways, sea defences and drainage works, including £7 million for liquid waste treatment. I am proud that this Government has allocated more capital investment for this community's long-term future than any government before. The funding to invest in improving public services would not have been possible without reforming the way the public sector operates. The Council of Ministers has led a major programme of public sector reform, a reformed public sector that can better respond to the demands of Islanders with more modern public services designed around their needs and at an affordable cost. We also recognise the need to continue to modernise our policies, our planning, our infrastructure so that Jersey can continue to attract and retain the businesses and the wealth they create, that we rely upon to pay for our way of life. We started our programme of public sector reform in 2015 with a narrow focus on driving costs and waste out of our system as an essential part of our package of measures for balancing public finances by 2019. Since 2015 we have saved £48 million as departments have worked hard to find better ways to deliver services at a lower cost. We are delivering better value for money for taxpayers and eliminating wasteful expenditure, but there is much more to do. During 2018 and 2019 a further £29 million of savings will be delivered but the reform programme is about more than just cost efficiencies. It is also about doing things better. It is about reduced waiting time at the hospital. It is about treating more people in the community. It is about improved Children's Services and better-quality social housing. It is about using technology, providing services that are always available 24/7 so people can access them when they want not just when our offices happen to be open. It is about Love Jersey, allowing Islanders to report problems immediately. It is about bus tracker showing the real-time location of buses.

[10:15]

It is about mobile carparking app showing real-time carpark availability. It is about Active Jersey app allowing people to book classes and hire facilities at our sport centres. Tell Us Once, sharing information given to one department with others that need to know so you only have to register a birth or a death once and we can now pay to park using our phones. Sometimes it is also about stopping doing things and having them done by others. Our parks and gardens and cleaning services are now being run privately at a lower cost to taxpayers. A modern public service is created, innovative, flexible and dynamic and it should pull together and work together as one government to serve one Island. We do not currently have that in Jersey, which is why we launched Workforce Modernisation as an integral part of our reform programme to create one public sector serving one government. We have just proposed the biggest change to pay and conditions for a generation. We are streamlining 10 different sets of terms and conditions across the States into one and reducing 75 pay grades into just 10. The new system is simpler, more transparent and fairer. Employees doing the same kind of work will be treated in the same way across the organisation. We need to do things differently, both to deliver better services and to plan and deliver policies and infrastructure that supports our future economic and social success. That is what our new chief executive will be focusing on: developing a single public service to deliver public services comparable to the best in the world, building on the solid foundations of the public sector reform programme, except from 2018 we will see the pace of change accelerate. One government responsible and accountable with all parts working together to serve the needs of all

Islanders. Alongside today's Budget I undertook to address an important issue for the young people of this Island. I am delighted to be announcing our plans for the future funding of higher education for Jersey students. These have been formulated jointly between myself and the Minister for Education with the support of the Council of Ministers in response to the issues currently facing Jersey students and their families when it comes to the cost of accessing higher education. There is clear evidence that families in Jersey are suffering significant hardship while putting their children through university and others who do not because they cannot afford it, and that cannot be right. While additional funding has been provided by the Council of Ministers of £2 million per annum by 2019, and the Education Department is doing fantastic work in widening the offering at University College Jersey and promoting overseas opportunities, more clearly needs to be done. So to the high-level outline of what we are proposing. After careful consideration of a number of options, I am pleased to be able to announce today that I am intending to extend the access to grants for tuition fees to all eligible students. Those students in households with income of less than £150,000 will have access to a grant for 100 per cent of their tuition fees. For those in households with income of £150,000 and above, the grant will cover 50 per cent of the tuition fees. This grant will extend to the maximum cost of a standard U.K. degree, currently £9,500 in 2018, with additional sums for courses such as medicine courses in line with the current scheme. This provides students with a choice of locations at which to study: University College Jersey, a U.K. university or indeed a European university. All but the most expensive fees will be paid through a States grant. In addition, I plan to extend the current means-tested maintenance grant which contributes towards living expenses to more students and their families. At present students from a household with an income above £63,500 receive no maintenance grant to assist with living expenses. I plan to increase that threshold to £95,000. **[Approbation]** Currently the higher-rate child allowance is provided to parents of students in higher education. The allowance is currently worth £3.5 million per annum and I plan to announce the removal of this allowance in next year's Budget. This money will go directly towards funding student grants from 2021 onwards. I believe that extending Jersey's current grant-based system is a better option than the introduction of a loan scheme. We will avoid burdening our students and their families with additional debt, incurring the cost of administration and adding further borrowing to the States balance sheet. The plans that I have announced today will go out to consultation, including the local student population and their families. Consultation with students and their families is of course a vital part of the process. The Minister for Education is keen to commence that consultation as soon as possible. Overall, this extra investment in our children will be found from within existing resources in 2018 and 2019. On an ongoing basis additional funds will have to be found at about £4 million per annum and would need to be agreed by the next States Assembly. Ahead of the next Medium Term Financial Plan a rigorous examination of spending levels, underspends and levels of contingencies will be undertaken. Members must be clear that while from this examination some of this funding gap may well be resolved, this is on the basis that the current level of spend is not added to in the remaining period of the Medium Term Financial Plan and that outstanding measures in the current package or viable alternatives are delivered, most particularly the revenue-raising measures in this Budget and waste charges or an alternative. I would like States Members to bear this in mind when considering the amendments in front of them today, amendments which reduce the tax take or add to expenditure will make funding solutions to fund this investment in our children that bit more difficult to achieve. In conclusion, Budget 2018 contains a package of measures that continues our prudent and responsible management of public finances while continuing to invest in the future. It is a fine balancing act to keep a sharp focus on short-term financial imperatives while also protecting and investing in the interests of the generations to come. That is why we are proposing to ask a smaller number of businesses and future high-value residents to pay a little bit more. The post-Brexit world is an uncertain one, but Brexit is not the only challenge that we face. The digitalisation of financial services, the fourth industrial revolution, financial inclusion and our

ageing demographics are all real issues that we have to address. Thankfully our economy is in a strong position to deal with most challenges that are likely to emerge. With our considerable reserves, minimal debt and net assets in excess of £6.2 billion our public finances are more robust than those in most other places in the world. We want to protect that position and this Budget maintains the investment that will support our economy, create jobs and help improve the living standards for all of us in Jersey and it does so in a way that is responsible and sustainable. Funding for public services in the future can be delivered through taxes, borrowing or stronger economic growth. Only the latter, economic growth, is a long-term sustainable solution for Jersey. It will ensure higher real wages and increased living standards. Higher taxes, on the other hand, will slow growth, undermine our competitiveness and cost jobs which is why I want to keep taxes as low, broad, simple and fair as is possible. We are already borrowing to provide socially-valued amenities and affordable housing. We will shortly be proposing borrowing for a new hospital, but we have firm plans in place to repay our borrowing without the need to ask for a direct taxpayer contribution. But borrowing to fund ongoing consumption is simply asking the next generation to pay for something that we want to consume today but are not prepared to pay for ourselves and that is not acceptable. We remain committed to controlling spending, growing our economy and balancing our budgets; in other words, living within our means. I strongly believe that we can continue delivering economic security, prosperity and a positive future for all who live in this remarkable Island. I commend this Budget to the Assembly. **[Approbation]**

The Bailiff:

Is the proposition seconded? **[Seconded]**

Senator A.K.F. Green:

Before we proceed, although he has been here patiently waiting, can I lift the défaut on Senator Ozouf, please?

Deputy K.C. Lewis of St. Saviour:

Also Deputy Doublet, please.

The Bailiff:

I propose the défaut be raised on Senator Ozouf and Deputy Doublet. The défaut is raised.

Deputy S.Y. Mézec:

Could we raise the défaut on Deputy Tadier, please?

The Bailiff:

Also Deputy Tadier. The défaut is raised.

2.2 Draft Budget Statement 2018 (P.90/2017): second amendment (P.90/2017 Amd.(2))

The Bailiff:

Well we now come to the second amendment which is lodged by the Connétable of Grouville and I ask the Greffier to read the amendment.

The Greffier of the States:

1. Page 2, paragraph (a), after the words “as set out in the Budget Statement”, insert the words - “except that, in relation to vehicle emissions duty, rates shall be increased by 5 per cent”. 2. Page 2, paragraph (a), after the words “as set out in the Budget Statement”, insert the words - “except that the estimate of income from taxation during 2018 shall be increased by £2,100,000 by amending the band limits which apply to the application of vehicle emissions duty in relation to the manufacturer’s CO2 emission specifications in line with the table set out in the amendment.

2.2.1 Connétable J.E. Le Maistre of Grouville:

My amendments have been accepted by the Council of Ministers, so I hope Members will also vote in favour of them. I agree with their comments paper that vehicle emission duty is limited in its influence over improving air quality and so in the future I would ask the Council of Ministers to look at measures that would also address the NO_x and the SO_x, that is the nitrous oxides and the sulphur oxides, which are equally, if not more, harmful to health and the environment than CO₂. I am pleased that the Minister this morning has announced that he will have a review into this duty. My own view is that V.E.D. is not high enough to make people choose less polluting cars but I would accept the criticism that even the increases that I am proposing do not go far enough. So again I look to the Council of Ministers to treat vehicle emission duty similar to that of cigarettes and bring forward a policy that would propose increasing V.E.D. on higher polluting cars year on year by more than the cost of living. This could be done by adding a duty on the other pollutants that I have mentioned. The primary purpose for proposing these amendments was to improve the air quality for pedestrians and other road users but any measure that helps reduce carbon emissions will also help us reduce our carbon footprint. I am told that 97 per cent of climate change scientists believe that CO₂ emissions from human activity have led to climate change. In my view, Jersey would be irresponsible if we do nothing to reduce carbon emissions. For anyone who does not accept that climate change is being affected by human activity, surely they would not want Jersey to look irresponsible in the eyes of the rest of the world, but the main driver behind these proposals is to improve air quality for the general public. I am lucky I live out in the countryside and it is only when I come into St. Helier that I am likely to be exposed to pollutants from vehicles. But for those living and working in St. Helier or being brought up in St. Helier they will be exposed to pollutants on a regular basis and this simply cannot be fair. There are 2 amendments that I am proposing. The first calls for an increase to 5 per cent as opposed to the Minister's proposed 2.5 per cent; 2.5 per cent is in line with R.P.I. and therefore not a real increase in real terms. The second part calls for all bands to be lowered effectively by 50 grams of CO₂ per kilometre.

[10:30]

The Minister for Treasury and Resources acknowledges in his report that car manufacturers are improving engines so that they are less polluting and that is one reason he proposed the lowering of the lower level of the first paying band. I, in this part of the amendment, am following his reasoning and logic by lowering all bands. Nearly all car manufacturers are aiming to only produce all electric cars by 2040. At that stage things will improve dramatically but we do not have to wait that long. We can encourage small improvements now and introducing these amendments should make a small difference. I ask Members to support both amendments.

The Bailiff:

Is the proposition seconded? [**Seconded**] Does any Member wish to speak?

2.2.2 Connétable C.H. Taylor of St. John:

This is a proposition which sounds very good, but one must remember that there are 3 phases in a car's life: the manufacturing of the car, the usage of the car and the scrapping of the car and at each phase there are emissions. People tend to look solely at the middle phase, which is the usage of the car and the carbon emissions while the car is being used. If one was to look at the manufacturing stage, you get quite an alarmingly different picture. My learned colleague drives an electric car and he is to be congratulated for that except that I could drive my Land Rover approximately 60,000 miles, having bought it new, before it emits the same amount of carbon as his brand-new car coming out of the garage because of the emissions created when manufacturing batteries. Batteries cause an enormous volume of emissions during their manufacturing process. There is then also the scrapping area. Governments across Europe have accepted that we need to modernise the fleet of

cars on the roads. That is the aim: the more modern the cars we can get on the roads because modern cars generally as a rule of thumb are lower in emissions. Therefore, governments are giving encouragements to people to scrap their old cars and buy a more modern car, which is less polluting. It is called the scrappage scheme. My learned colleague's proposition unfortunately is getting the carrot and the stick a little muddled. We all know that you dangle a carrot in front of a donkey to make him move forward and if he does not you beat him with a stick. What we are doing with this proposition is beating the carrot because what is being suggested is that with a scrappage scheme the effect of it is being nullified by paying a higher price for a new car and therefore what is the point? The scrappage schemes themselves are working and are giving positive effects across Europe in getting newer cars on the road. This is a scheme that works but this proposition unfortunately is counterproductive to that scheme. What we need to do is work together as an industry and encourage the industry - and this is what governments should be doing - is encouraging the industry to reduce carbon emissions through scrappage schemes and through schemes that are proven to work. I suggest that this scheme is, as I have said, beating the carrot with the stick which leaves us consumers when we buy a car a little confused. Thank you.

2.2.3 Connétable J.M. Refault of St. Peter:

Just for the avoidance of doubt, I will be bound by the collective responsibility of the Council of Ministers and will be voting with the Council of Ministers on this proposition. However, I just wanted to bring to Members' attention, I am very pleased the Constable of St. John raised the point a moment earlier about the whole-life carbon footprint of everything and that is one thing that we tend to forget. In some cases I am slightly fortunate, I have a 105 year-old car so the whole-life carbon footprint of that is extremely low even though it only does around 10 or 12 miles to the gallon but that is another point altogether. I think for me I have to say that I was disappointed by this amendment only because it does not do what it says on the tin. People tend to think that a V.E.D. stands for a way of improving the environment and they see the E as "environment" rather than "emissions". I think most of the public, if they thought that the money was going to go to some sort of environmental improvement which they could see a benefit of, there would be no issue whatsoever with that at all, but generally speaking that is not the case. As part of Treasury I am delighted that if this gets passed that there will be an extra £2.2 million coming into Treasury coffers to help support things that currently are not particularly funded for, so in that regard it is a money-making option, if you wish. But I also have to question, should we raise taxes without a definite end use for those taxes or are we just raising money for the sake of it because it is not doing what it says on the tin. So those are my concerns I wanted to talk about but also extend the whole issue of fossil fuels, across the whole range of fossil fuels, which we see being consumed in Jersey. We do not talk anything about the boats in the harbour, the pleasure craft and the emissions on those and do we put an emission duty on those, for example? Boat engines particularly running high revs at high powers can be some of the worst polluting or most consuming of fossil fuels. Also, what are we doing about central heating systems running on diesels and via fins, many of which are 20 and even 30 years old? The one in our Parish church is over 30 years old; what are we doing to encourage people to take away those inefficient heating systems and change to far more efficient condensing boilers, particularly in the homes? For me there is a missing piece in here. If we are really looking at making people choose things better, we have got to enable them to do that for themselves, to be more targeted. If, for example, that £2.2 million benefit from this tax if it gets passed was going to be put in to help sponsor people's change of habits, then I would fully support it and not have any reservations. Thank you very much.

2.2.4 Deputy M. Tadier of St. Brelade:

To contextualise this let us start off by the fact that the Council of Ministers have an absolutely shocking track record when it comes to effecting environmental change in this Island. Their

integrated transport policy is virtually non-existent, and it is completely incoherent and not joined up. This is evidenced by the fact that we have been told that driving in Jersey, parking is too cheap, and we know that some people, not looking around anywhere, get free parking with their jobs; others have to pay for it. It is more expensive for some people to use public transport than it is to run their own car, so why on earth would they do that? Yet at the same time the Minister for Infrastructure has allowed for bus fares to go up. The cash fare used to be, I think, £1.50; now it is £2 and many people who want to use the bus occasionally or who do not necessarily have an AvanchiCard or enough money to top it up on a regular basis because they are from lower economic quartiles simply have to pay more. Now, there is a quote from a professor called Professor Guy McPherson and he says: “If you think the economy is more important than the environment, try holding your breath while counting your money.” Of course, the more money you have got probably the more difficult you will find that. It is interesting that the Constable, who I think brings a very laudable amendment here, which interestingly is supported by the Council of Ministers, talks about pollution in town. He says it is fine if you live in the countryside and you can get away with not breathing in many pollutants. Of course, I think the countryside in Jersey is becoming increasingly polluted if we look at the amount of traffic that goes around the back lanes from heavy vehicles. I do not think anyone is immune from it in Jersey. But you could change the quote and say: “Try holding your breath while you go through the tunnel” whether it is from Green Street to the Weighbridge or vice versa and you probably will not be able to do it. Yet, despite the fact that that is the single-most area of polluted air in Jersey, I think we can all agree on that; we do not need a study which we asked for from the Minister for Infrastructure to tell us that, until recently they did not have any signs on the tunnel because they had such contempt for public safety that the signs were allowed to be removed. It is only when a humble Back-Bencher said: “By the way, where are the signs that used to be there?” they were put back saying: “During peak times the air quality in this tunnel is poor.” Well of course that goes without saying yet they do not do anything. The point I am making is that of course it is laudable to say: “Let us use these fiscal levers that we can to try and effect behavioural change.” But when the Government does nothing to safeguard the public’s welfare in the single-most polluted area in town which of course is home to St. Helier residents by and large walking through the tunnel, pushing their children in prams between 7.00 a.m. and 9.00 a.m. in the morning, whatever times, and that surely is the point to start. But this Council of Ministers do not care about the public health of the poorer people who live in St. Helier; that is the sad reality of it. So by all means let us pass this today but if we really want to be serious about the environment, let us start with the low-hanging fruit and let us sort out the pollution in St. Helier because the reality of it is that many people choose to use cars because this Government has completely and singularly failed to provide effective and cost-efficient alternatives for most people to choose to leave their cars at home.

2.2.5 Deputy S.M. Brée of St. Clement:

At first glance this amendment is quite attractive. It is aimed at reducing pollution, it is aimed at cleaning up the environment. The problem is I believe that there is a fundamental flaw in this amendment because it is naïve to think that this will change anybody’s buying behaviour because it increases the price of a new vehicle with lower emissions, so pushes it further out of most people’s pockets. One has to ask: “Well is that the right thing to be doing if you want to move people away from more heavily polluting vehicles to a new vehicle?” Now, again, most people that I speak to cannot afford to buy a brand-new vehicle; they have to buy a second-hand car. Now, with the best will in the world, increasing the price of a new, lower-emissions vehicle is not going to change the type of cars we see on our roads. So what is the solution? Well I would say that the solution is twofold: firstly, vehicle emissions duty. Now, the public, who pay this in the price of their new car, should they be able to afford one, expect that that duty is somehow being used to improve the environment we live in, but it is not; it is going into general revenue. So, this whole idea that

vehicle emissions duty equals improving the environment falls down at the first hurdle because we have a Government and a Minister for Treasury and Resources who does not wish to either ring-fence or hypothecate, as it is called, any form of tax to be used for the purpose that people think it should be used for. Now, we pay duty on fuel. Now the idea was I think in a lot of people's minds that that somehow went to maintaining the roads. It does not; it goes into general revenue. So exactly the same problem lies with the vehicle emissions duty. If this Government would accept the principle of ring-fencing or hypothecation to go: "We are earning this amount of money out of this duty which is designed to improve the environment and that money is being used on these projects" I think the public, the taxpayer, would understand it a lot better. So what is the answer really? This amendment itself, as I said, I do not think works. Personally I would say if we wish to reduce car usage and the pollutant effect that has on our environment, there is only one answer and that is to improve public transport. Invest in public transport and reduce the cost of using public transport because that is the only way.

[10:45]

You have to have a viable, credible alternative to car usage. That is the only way. On an Island 9 miles by 5, I find it very hard to believe that we cannot do a lot more in the area of public transport and reducing the usage costs to the public of that. So this amendment, I think, while attractive at first glance, when one starts thinking about it you are having the opposite effect by increasing the price of those vehicles that you are trying to get the public to buy. It is very naïve, and I would suggest it is not going to work in the way that the Connétable of Grouville is intending it to. Thank you.

2.2.6 Senator S.C. Ferguson:

What is worse is that perhaps there is questionable scientific validity. The Connétable makes a number of sweeping statements regarding air pollution but there is no reference to any of the scientific analyses. There is a vague reference to nitrous oxide, NO₂, and to carbon dioxide but none to the particulates emitted by diesel engines. Now, this is arguably the most polluting part of vehicular traffic. But most of our delivery vehicles and lorries are diesel engines so this particular amendment, as the Connétable of St. John and Deputy Brée have said, will discourage people from buying new lorries or new buses or new utility vehicles, new rubbish lorries and so on and these contribute the most pollution on the road. I dare not refer to the vehicles parked in the Bailiff's parking space outside the door. I rather suspect they are diesel as well. **[Laughter]** With respect, Sir. But where are the latest analyses? Diesel engines are much cleaner now than they were 5 years ago, just as petrol engines are. We are getting there. I concur with the Connétable of St. John when he talks about the pollution from the batteries and the manufacture thereof, but we should not start imposing measures like this without considering the evidence. I suggest that this is a well-intentioned proposal, but we should look at the genuine scientific evidence. Until that is produced, I recommend that we do not approve this ad hoc amendment. As the Connétable of St. Peter said, it feels more like a revenue-raising move rather than a genuine anti-pollution measure.

2.2.7 Deputy J.A. Martin of St. Helier:

I was looking at this earlier and I was not sure really which way to go. I thought of speaking after the speech of Deputy Tadier because, on the surface, are we supporting green? Well I would say yes. Live in St. Helier, I wanted the Hoppa bus, everything else, not happened. But then you read the Council of Ministers. Again, I listened to the Constable of St. Peter who is the Assistant Minister. But I get really suspicious because he, sort of in a little side out of the mouth, warned us that this is not what is written on the tin, but he said: "Of course it is the Council of Minister's policy" and he will support it. No, it is not. The Council of Ministers did 2.5 per cent at R.P.I. This is a: "Grab your money where you can. Oh, look, the Constable of Grouville has offered ..."

and do not forget it is £2.1 million coming out of somebody's pocket and I would say that is the majority of low earners. So I say to them behind me, think very much before you support this. Or question yourself: are you green all the way in the environment sense or are you that green where the Council of Ministers says: "Thank you very much. Constables bringing us another £2.1 million in and we support it." It is not their policy. I say to the Constable of St. Peter, you can vote against this amendment and still vote with the proposition because that is your policy. The Council of Minister's policy was to raise it by 2.5 per cent but the eyes went to the signs of pounds and this is where it is. Let me read what the Council of Ministers also say in their comments: "The Council of Ministers also recognises that the current V.E.D. regime has limitations in terms of achieving broader environmental objectives. The V.E.D. regime does not actively incentivise consumers to replace an existing, more polluting vehicle with a less polluting vehicle" especially if that £200 or £300 is going to make you decide whether you are going to buy the new car or hang on to the glugging one for an extra year to take the kids to school or that you need it. So, it looks like this is a Council of Minister's quick win and not a policy of the Council of Ministers and why would they not? If a Back-Bencher is going to sit there and say on a very bad policy that is not, in their own words, achieving what they want, give them a £2.1 million boost, sorry I cannot support it. I will listen to the summing-up to see if he can change my mind because I like to remain open. But at the moment I think even he knows what he is trying to achieve is good, but it is not working. So just shoving more money in the pot, as Deputy Brée has said, for them to spend on what? No, sorry. Thank you.

2.2.8 Senator P.F.C. Ozouf:

Just to redress the balance. Sometimes people think I might be giving a bit of a hard time, but the previous speaker spoke about the cars in the Bailiff's carparking space. May I congratulate you for what I think is a hybrid battery vehicle and in fact if ever there was a model for others to follow then perhaps it is the Bailiff's parking spaces because both of them are, I understand, hybrid models. Well done, Sir, if I may say.

Deputy M. Tadier:

Senator, could it be said to have a dual role? **[Laughter]**

Senator P.F.C. Ozouf:

The Member makes an excellent point. It is an excellent dual role and goes to the heart of what in fact this amendment is being made, so I just thought that Senator Ferguson should get her facts straight. Now, I know that Senator Ferguson has particular views on environmental issues, which I have never really agreed with nor have I never really understood. I think that the Constable of Grouville is to be commended to bringing this proposition. I want to remind Members that it was at an end of a very, very long Budget debate, I cannot remember how many years ago, where V.E.D. replaced V.R.D. (Vehicle Registration Duty). In almost the click of a voting button, £7 million was lost in terms of tax raised by the purchase of vehicles by a proposition of the then Deputy of St. Ouen. I do not know quite why that happened, but I know that for years we have been dealing with the consequences of that. The world is changing in terms of cars. I agree with Deputy Tadier about the issue of the poorer members of society and I hope that he is going to be thinking about that when he considers my amendments later because he is right about the poorer members of society. They are not going to be the ones to buy the new cars, they are going to be buying second-hand cars, but they are here anyway. Those second-hand cars are here anyway. What we are trying to do is we are trying to incentivise behaviour for people purchasing new vehicles and what this does is this provides that incentive. There are reports which are acknowledged to be credible that by 2035 electric cars - that is even an evolution to yours, Sir - that is completely electric cars, will account for more than 90 per cent of car sales. Obviously electric

vehicles have CO2 emissions which are, I think, almost nil, if anything at all. So, in fact the world is going to change and going to change very, very rapidly. So, while we can, first of all, it is right to try and incentivise. The air quality of Jersey can be dramatically improved by tilting and encouraging activities that have less pollution vehicles. So if this Assembly can do anything to incentivise the purchase of new vehicles to being the less polluting ones then I would think the Assembly should do that. Now the question then is: is anybody with a second-hand car going to be less likely to buy a new car as a result of this? Well frankly with the rates of V.E.D. that we are talking about compared to V.A.T. (Value Added Tax) in the U.K. and the other duties that they have, I do not think that that is the case. It is really quite small. The Treasury in the longer term has got a real dilemma because if it is true that we are going to be all buying electric cars in 2035; sounds a long time away, does it not, but it is not that far. If anywhere is going to be seen to be accelerating the move towards electric cars, Jersey probably is. We are probably one of the best places in the world to have electric cars because of the length of our journeys, because of the short nature of our journeys and also, more than that, to be the test bed for driverless cars. I was talking to an 87 year-old yesterday and explained to him about what a driverless car might mean, and he said: "I am worried about the Constable is going to take my driving licence away when I am 90." I said: "Well, do you know what? In Jersey, we might have driverless cars that might be available for you by your 90th birthday in 3 years' time." So the world could be dramatically better for us in Jersey and this is the test bed of Jersey. This is where we can be almost a leader. That is going to help our tourism industry, that is going to help our town residents who suffer unacceptable high air pollution problems, so all of this points towards me supporting. I would not have thought about it myself, but I think the Constable of Grouville has done us a huge service in, where we can, applying a tax on the purchase of new vehicles in a way that is going to incentivise the right behaviour. There is a lot more work to be done in relation to creating the environment for where we can encourage electric cars and driverless vehicles, et cetera, but the Constable I think has got an excellent amendment. I know the Council of Ministers could be accused of saying: "Oh, there is some money, we will have it" but I am not voting because of that. I am voting in the spirit of the Deputy of Grouville's views of environment of which she was correct, and we have been speaking about recently in terms of her views about encouraging electric and self-generation because it is going to be the case you can self-generate your own electricity at your own home, generating for your electric car. We have finally got the right incentive. This is the right incentive and that is the reason why I am going to be voting for it. I congratulate the Constable for bringing forward a really good amendment.

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

I am reminded of the debates that we are not having today when people start criticising the initiative from the Constable. The Constable is correct in saying: "Let us increase vehicle emission duties by 5 per cent and change the banding to generate a greater incentive to be less polluting." This of course meets arguments from all around the place. The Constable of St. Peter says it is the wrong proposition, it does not do boats; it does not do central heating. The Deputy from St. Clements, Deputy Brée, says: "Why is it not ring-fenced?"

[11:00]

Why are we not ring-fencing this for some environmental benefit like the bus service? Why indeed is this £2.1 million extra not subsidising a Hoppa bus, says Deputy Martin. I would support that. But to all of those arguments I say, well, hang on, it is the wrong target. Here is an initiative made in good faith that does not do what you want it to do so, I am listening, where is your amendment? Because every Back-Bencher in this Assembly can amend and achieve their aims, should they wish and have the debate on the bus service, why is it not being subsidised by an extra £1 million or £2 million, Hoppa Bus, why are we not funding that? That certainly would be a benefit. The answer

is: amend. Go ahead. But do not use that as a reason to vote against what is on the paper. Despite Senator Ferguson's denial of the facts, as she usually every year comes out with, there is absolutely no reason why we should not be voting for this, even though in some people's opinion it is not the right target. The answer is: where was your amendment to make it the right target, and why are we not having a debate on the bus, the Hoppa bus, and boat emissions? We could be doing that today.

2.2.10 Connétable M.P.S. Le Troquer of St. Martin:

I will only speak briefly. All I would say is that every little bit counts. Yes, some revenue is going to be gained but that revenue is not going to be lost, it is going to be used, the Government is going to use it. If it is £2 million, yes, it is going to be used somewhere else, it is not put in a bank and hidden away. Jersey might be a small player on the size of the Island, but we are a big player in the international scene, and I think every little bit counts if we lead by example and we are saving some pollution. I just look at myself really, and it is just ironic I suppose, about 45 years ago when I became a vegetarian my father said to me: "You are not going to make no difference at all by not eating meat." Well then, 45 years later and you look at those dozens of cows and pigs and thousands of chickens that have been saved, we could do that. This Island can save something. Let us just support this proposition. I think that is really all I have to say. It is money not wasted, it is going to be used for something else, and we can be leading by example in this small jurisdiction.

2.2.11 Deputy M.J. Norton of St. Brelade:

I, like I suspect a few other Members in here today, could have been swayed either way by this argument, and during this debate I have moved from one side to the other of this simply by listening to what people had to say. I was just about to say exactly what had been said by the previous speaker and that is: it is a step in the right direction. It may be only a very small step in the right direction but it does seem like a step in the right direction. But I pick up on some of the points that have been made previously, that there are many, many ways that we can reduce the carbon footprint of, let us say, St. Helier. Study after study after study, and I was reading one from the *Environmental Science & Technology* biweekly review, which is published by the American Chemical Society, as I am sure you know. There are many ways in which you can reduce your carbon footprint, and they came up with 4 which they say are the most pertinent. Firstly, use smart meters wherever you can; optimise buildings, harness solar energy, and develop better public transport. That was one of the key drivers in reducing the carbon footprint of many cities and will be going forward, but having said that - not ignoring this proposition - it is a step in the right direction. It is a small step. If it discourages one - and it may not be me or it may not be one of my colleagues who has said to me: "I could not afford to buy a new vehicle anyway" - but if it discourages one person from buying a high emission diesel or non-diesel car because the price on the V.E.D. is slightly larger, then perhaps it is a step in the right direction. That is where I stand on it. So I applaud the Connétable for bringing a small step in the right direction and I will be supporting it.

2.2.12 Deputy E.J. Noel of St. Lawrence:

Members are correct that V.E.D. is not perfect and we need to review it to make it better than it currently is. I thank the Constable for his amendment because it encourages that debate and, therefore I, along with the rest of the Council of Ministers, will be accepting it. In fact, the Constable in his speech asked for more work to be done on top of his amendment in the future, and he is correct; we do need to look at V.E.D. and its purpose. But just for clarity, V.E.D. is not just about the purchase of new cars, it is about any car newly registered in Jersey and there are many, many hundreds of cars each year brought into the Island that are not new, that are first registered. It is to encourage Islanders and the industry to bring in less polluting vehicles than they might otherwise do. It is a signal; it is not necessarily going to change behaviour but it is a signal for at

least people to start thinking about it and to encourage Islanders to think before they buy. On a personal note, I would hypothecate V.E.D. and have those funds ploughed back into our environment and to reduce the pollution in our air. It was 2 years ago that we brought, through the Budget, changes to V.E.D. that started this process to bring it into line to start to do what it says on the tin, and to start to change behaviour by bringing it to people's minds to think about the emissions of a vehicle when they are looking to change. Clean air does matter and it matters to myself and the Minister for the Environment, who cannot be with us at this particular moment for reasons he has already explained. But if he was here he would be countering Deputy Tadier's speech and advising Members, as I can, that bus ridership is up 30 per cent. With the AvanchiCard you can travel on the bus at, I believe, the same fare levels as 2010, some 7 years ago. We already subsidise the bus service over £4 million a year and we work closely with our partners, LibertyBus, to provide an excellent bus service for this Island which has won accolades outside of this Island, and indeed in the House of Commons and the House of Lords, and won national awards for the bus service in the U.K. So we are doing substantial amounts to improve our sustainable transport, to make it cleaner, to make it less polluted; and this is one small step, this is one signal by the Constable to improve on what was brought forward by the Council of Ministers. I ask Members to support it.

The Bailiff:

Does any other Members wish to speak. Then I call on the Connétable to reply.

2.2.13 The Connétable of Grouville:

I thank all Members for their contribution. I will start off with the Constable of St. John and the Constable of St. Peter, and they were speaking about overall admissions. As I said in my speech, my prime driver for bringing this forward is to improve the quality of air in and around St. Helier at rush hour time, particularly in the tunnel. Like Deputy Tadier, I would like to see those signs come down sooner rather than later. This, to some extent, is about choice. You can choose lower polluting vehicles. Emissions from various marks vary, some are better than others. I happened to put in my report - if anybody read it - that Range Rover have just brought out what is known in the trade as a P.H.E.V. (Plug-in Hybrid Electric Vehicle) which is a petrol/electric hybrid vehicle. It is a lower band vehicle as opposed to the other Range Rovers, absolutely perfect for Jersey. I am pleased to hear, Sir, that you are driving hybrid vehicles. You probably come in a similar way to me into St. Helier. This morning, leaving the Parish Hall, it takes me a couple of minutes to get to Longueville Manor and from there I sit in a queue, and if I was going to Sand Street Car Park it is about just over a mile doing 4 miles per hour, most of the time stationary. If you put it in electric mode you are not producing any emissions whatsoever. If every vehicle was like that the cyclists cycling through the tunnel, instead of being exposed to very high levels of pollution, will be able to cycle through there and breathe fresh air. This is really about choice. Where the money goes: a number of people talked about hypothecation; absolutely. I really like the electric bicycle initiative which I think ran out of money and then more money was found. Put it towards that, put it towards the buses; there is nothing to stop that happening. As we say, the States do not tend to hypothecate but let us do it, I do not have a problem with that. I think everybody had a letter from the Motor Trade Association, they made 2 points really: firstly that this was inflationary; and I do not really accept that putting this duty up by an extra 2.5 per cent is particularly inflationary. I do not know what proportion of the element of R.P.I. vehicle emission duty is, but I would imagine it is very small. Certainly the change in the price of fuel by 5 pence either way would have a much, much bigger impact than this simple duty, which is only payable on new vehicles. Deputy Martin was worried about low earners, and I would suggest to her that low earners will not be buying cars in the higher brackets, the Range Rovers, the whatever else, but they would probably be buying a second-hand car where they will not be paying this duty. Really, as a St. Helier Deputy, what I was

hoping to appeal to her was that it is going to improve the air quality for the people, pedestrians walking around, the children enjoying themselves on a Saturday. That is really what this is targeted at. It might surprise people to know I was not really thinking too much about generating extra income; it was all about trying to improve the air quality for people. But as the Constable of St. Martin says, it will generate some income, and in this particular climate that is not a bad thing. Deputy Norton is another one who thought we should perhaps hypothecate and spend more money on public transport. The fact that we are debating it at all is a good thing because it might make people out there think: "I am going to buy a new car and look at various options they have." Because, as I say, quite often you can buy a car of a similar performance and a similar quality, but it will be in a lower band and it might just make them think. I accept that this is not a Draconian increase in duty, and I think we should send out a message that this will be increasing more and more in the future and that will encourage people, rather perversely, to buy a car this year because they might think the duty is going to be even more next year. So that might counter the second point from the Motor Trade that they are worried about car sales. I hope I have covered everything. I did say I would take it in 2 parts, as 2 amendments, and I ask for the appel.

Deputy J.M. Martin:

Can I just ask the Constable to clarify something? I do not think he meant to mislead, he said that this is just a 2.5 per cent rise and it is not above inflation, but it is on top of the 2.5 per cent from the Council of Ministers, so it is 5 per cent in total.

The Connétable of Grouville:

Absolutely, yes.

The Bailiff:

The appel is called for. I invite Members to return to their seats. We take first the vote on part 1 of the amendment, to increase the vehicle emissions duty rates by 5 per cent, and I ask the Greffier to open the voting. If all Members have had the opportunity of voting I ask the Greffier to close the voting. This amendment has been adopted: 35 votes in favour and 8 votes against. [INSERT VOTE TABLE]

The Greffier of the States:

The 8 against: Senator Ferguson; the Constables of St. Clement, St. Ouen, St. John; and Deputies Martin, Kevin Lewis, Andrew Lewis and Brée.

The Bailiff:

We now come to the second amendment, which is to vary the band limits. I ask the Greffier to reset and open the voting. If all Members have had the opportunity of voting I ask the Greffier to close the voting. This amendment has also been adopted: 33 votes in favour, 10 votes against. [INSERT VOTE TABLE] Before we go on to the next amendment can I just announce that there are 2 amendments which have been lodged, the Jersey Infrastructure Levy: approval in principle, P.100/2017, an amendment lodged by Deputy Le Fondré; and the Draft Howard Davis Farm (Arrangements for Further Abrogation of Covenant) (Jersey) Law, an amendment for P.105/2017, also lodged by Deputy Le Fondré.

2.3 Draft Budget Statement 2018 (P.90/2017): fourth amendment (P.90/2017 Amd.(4))

The Bailiff:

We now come to the fourth amendment to the Budget, lodged by Senator Ozouf, and I ask the Greffier to read the amendment.

[11:15]

The Greffier of the States:

Page 2, paragraph (a) - At the end of paragraph (a) insert the following words - “except that - (i) the inbound duty-free allowance for cigarettes is reduced to 40 (and, for tobacco products, to 50g) with effect from 3rd April 2018, raising estimated additional income of £1,500,000, (ii) a 10 per cent rate of tax is applied to Class 1 bookmakers, raising estimated additional income of £250,000, (iii) the new Income Tax levied on large retailers is applied to large liquor vendors, raising estimated additional income of £450,000, (iv) a new Stamp Duty rate of 10 per cent is introduced for residential properties sold for more than £10 million to people newly arrived in the Island, raising estimated additional income which will depend on the number of properties purchased, and (v) the new Income Tax levied on large retailers is levied at the rate of 10 per cent rather than 20 per cent, reducing estimated income by £2,800,000;”.

2.3.1 Senator P.F.C. Ozouf:

My primary motivation in moving this amendment is to effectively provide the resources for part (v) of my amendment. I wish to state now that while there have been some discussions with Treasury, which I am going to try and reflect during my remarks, I will be taking a vote. I cannot withdraw any part of the amendment, I am advised, but I will be asking for a vote on each one of them, although I have learnt some information which may be relevant to Members' consideration on each one of the votes. So can I just confirm that it is my right to have an individual vote, but a vote must be taken.

The Bailiff:

Indeed, you can choose to take it in parts on (i) to (v).

Senator P.F.C. Ozouf:

Yes, but I cannot withdraw it.

The Bailiff:

You can withdraw the whole lot but you cannot withdraw part of it.

Senator P.F.C. Ozouf:

That is fine. It is on that basis that I am proceeding. My primary motivation is to ensure that there is a sufficient ... and this Assembly has a tradition and a practice of encouraging Budget amendments which are costs; in other words that do not effectively leave the Treasury with an unfunded proposal. There is some difference in timings in terms of the different elements of my proposals. My problem is that I recognise the Treasury's need to raise revenue. I recognise the Treasury challenge has been made more acute in raising revenue because of this Assembly's right to defer the waste charge and to reject the health charge. I want to do nothing, however, that effectively raises the standard of living for Islanders. Last year the Assembly approved the principle of a retail tax and I understand the reasons why, however, upon evidence I am concerned that the effect of the retail tax will be detrimental to Islanders and particularly Islanders on low incomes and those that cannot travel, that need to purchase goods not online. At a meeting of retailers, which some Members heard earlier this morning, it was very clear that the imposition of a 20 per cent corporate tax on retailers would, in some cases, mean that prices would go up 3 per cent to 5 per cent. I appreciate the Treasury has attached a report. They effectively accept that there is a risk of that, and I also accept that of course some households with high incomes and wealth levels means that they will be insensitive to price levels. They have got sufficient money to pay for additional price increases should they occur. So the reality is that companies collect tax. They collect tax on behalf of either their shareholders, their customers or their employees. Putting it a different way is that tax is simply regarded by business as a cost and it is a cost that they have to

pay for, and they either pay for it by taking a lower dividend or increasing their prices, or reducing the wages to their staff. I know that this Assembly's intention has always been effectively to want to tax the shareholders of non-locally owned companies, and I understand that and I totally respect that. The question that we have to consider is: is that going to happen as a result of the measures that are being put forward to us today? Retailers have, whatever tax rate is approved, whether or not it is 10 per cent or 20 per cent, they will have that cost. The question is: who will bear that cost? Small retailers obviously are unaffected. The reality is that retailers that are online or who sell goods that you can buy online either by shopping in King Street or online, are in a competitive market base - and we are going to come on to the issue of V.A.T. - they are probably going to find it most difficult to pass on those costs because if the purchaser does not want those goods immediately for a birthday or whatever, or to wear immediately, they can buy them online. The difficulty is that the sector that has got the lowest margins is the grocery sector, and it is also the grocery sector that at the same time is the market that you cannot buy goods online. While I realise that there is Amazon Fresh and there are all these other online abilities that you can now purchase groceries online, the reality is that we are going to continue ... even though the world of electric cars we have been talking about recently is going to change, the reality is we may be going to the supermarket in a driverless car, or we may be buying the goods on our iPads and they will be delivered to our home in a driverless car, but the reality is that groceries and perishables are going to be purchased from stores that are going to be in Jersey. That is what my principle concern is. Have I got evidence for my concern? Well, Guernsey has introduced a retail tax of 20 per cent and in fact the retailers have said that they have increased their price levels, of course it is not across the board, retailers are price pointing different goods at different levels at different weeks and different offers to attract customers in, in the complex role of retailers. But the reality is that overall they have risen their prices in the grocer sector by 3 per cent to 5 per cent. Further evidence is perhaps most telling by the reaction of Co-op. Currently the Co-op is a part mutual. Some customers at the Co-op give their share number and they are a member of a mutual, and the tradition is - perhaps it is a bygone concept and perhaps the U.K. has not updated its mutual legislation because of the demise of mutual because most building societies demutualised - that you do not tax mutuals on the basis on the basic principle that you cannot tax yourself. Now, to the extent that a member of a shareholder account - and I declare the interest that I have got a shareholder account - is involved in the business is debatable. But what we do know is that Jersey's retail inflation has been until 2005 much higher than that of the U.K., and recently it has also ticked up. Any price hike is likely to compound the inequality which so many Members have much difficulty with. I am going to repeat that. Any price hike is going to make income inequality worse rather than better, because it is going to be those at the lower end of the income scale that use a bigger proportion of their budgets for groceries, that if I am right in my argument that this is going to be passed on - and I am sure that it will be - they are going to suffer the most or they are going to be impacted the most. Therefore, the solution to that would be to then compensate them by some other way, or just leave them in a worse position. But they are going to see a falling standard of living. I also cannot see how a 20 per cent rate of tax is the right level of tax. We have a 10 per cent rate for financial services, we have a special rate for utilities - the majority of which we own so you could say it is almost like an accounting transaction - but basically we have a general rate of tax of zero per cent and a special rate of tax of 10 per cent for financial services. The retail industry in their representations they are wondering: "Why are we being asked to pay this higher rate of tax than the finance industry?" Because that is what is being proposed. When this issue was agreed last year I do not think it was made perhaps clear enough to Members that while the tax on retail in Guernsey is 20 per cent, it is 10 per cent in the Isle of Man. Guernsey does not have G.S.T. and there are obviously very different factors at work. The Isle of Man has V.A.T., the same duty rates as the U.K., but they brought it in at 10 per cent. Guernsey has brought it in at 20 per cent. I wish to say nothing about our fellow Islanders but I think every Member of this Assembly who has visited Guernsey and the

Isle of Man would recognise the fact that we do have a splendid retail offering compared to most towns or cities or small island of our nature. **[Approbation]** It is one of the things that is the joy of most visitors that come to see me, that they go into town and we say: “What are we doing over the weekend?” and they come into town and they walk up and down King Street and they are just absolutely astonished at the range of businesses and the range of goods that are on sale in Jersey; almost disproportionately to the size of our Island. I do not think that this Assembly should do anything or wants to do anything which would inhibit and prevent or threaten that retail offer. I have to say, I take great pleasure in hearing the fact that many Guernsey people fly to Jersey or take a boat to Jersey to come and do their Christmas shopping because we have such a diverse retail offering. I think that is wonderful. The Isle of Man also has a much, much less diverse retail offering. Basically the dilemma I think that Members have is that is this 20 per cent rate of tax going to impair ... I believe in long-term decision making. It is quite easy, yes, I fully appreciate the 20 per cent could be brought in and it will be collected - I do not know whether the Minister is correct in saying it will be £5.8 million - but I am concerned about the long-term impact on the Jersey economy and its retail offer. I believe that a 20 per cent rate of tax, which is going to be higher than the standard rate of corporate tax in the U.K. I am going to say that again. A 20 per cent rate of corporate tax on retailers is going to be higher than the corporate rate of tax in the U.K., which is already lower than 20 per cent, and the U.K. - and reaffirmed by the Chancellor in his statement last week - is going down to 15 per cent. Does Jersey want to send out the message that we are a high corporate tax centre? Is that the right message to send out when we are trying to defend Zero/Ten and protect our finance industry, which as the Minister so eloquently said in his remarks is doing so “unbelievable well”; the only offshore centre that today has more people in work in business and professional services than any other of our comparable competitors - and we have lost 3.5 jobs in that sector - a sector which is diversifying into tech. I am delighted to the Minister for Treasury and Resource’s approval of things like the Internet of Things in Digital. The only place in the world that has fibre to the home. We have got a really good story to tell, but is that story going to be enhanced by a message to say that if we can get away with it we will tax businesses at 20 per cent. Of course, it is not businesses that pay tax, it is one of the 3 classes of people that are involved in businesses: shareholders, consumers or their customers. I have spoken to this amendment and I have made most of the remarks because it is about the corporate rate of tax; that is the fundamental reason why I have proposed this amendment, and to find a responsible way, which I believe that I should have done, a funded way to basically justify and to give Members the option to basically fund that. So I speak now to my measures that I have proposed. Firstly, part (i) is a proposal to reduce the duty free allowance for cigarettes to 40. The Island has a tobacco strategy. I do not think there is anybody in this Assembly that would not agree it is an excellent tobacco strategy. I do not think any Member would agree that tobacco is good for you. I am not a prohibitionist - I respect those people’s right to smoke - but I think we certainly as legislators, as decision makers, have a responsibility to incentivise behaviour and certainly deal with the consequences of tobacco.

[11:30]

There are 140 people who die prematurely every year in this Island because of tobacco. Tobacco is addictive and the costs to the families of the loss of life and the illness that people who smoke are significant. There are 1,000 hospital admissions as a result of tobacco every year. The strategy has 3 main elements: prevention, protection and cessation. The problem is that the duty free allowance is totally contrary to the tobacco policy. Not only to the tobacco policy of Jersey, but the tobacco policy of anywhere, because if price is to enable revenue to be collected to partly pay for the difficulties that smoking causes, but also more importantly to incentivise behaviour, then it drives a coach and horses through that. That is why countries around the world have been looking at - and there is an international convention by the W.T.O. (World Trade Organisation) which Jersey is not

a signatory of but the U.K. is - on the control or the issues to do with tobacco. One of those is effectively the ending of duty free. Duty free has ended within Europe and all members of the European Union are members of this treaty and they comply with the treaty because the vast majority of people moving in and out of the U.K. come from the European Union. When the U.K. leaves the European Union they are going to have a dilemma. I do not think it will happen overnight, we cannot tell the U.K. what to do, but I do know from all the conversations I have had with Ministers that this is an issue which is seizing their attention. I also say to Members, and Members will know, that Australia is often regarded as being a country which has been at the vanguard of tobacco control. They are the place that has, I think, introduced smoking free environments first. They were the first ones to put revised arrangements into selling tobacco under the shelf. They were the first place that produced the packets with the horrible pictures on them, and they were also in 2012 the first country to reduce the duty free allowance, and they brought it down to 50. When I speak about "tobacco" I am using the generic cigarettes but I use the 20 packet of cigarettes and I mean the corresponding equals of the other tobacco products. I do not really understand, I am not a smoker myself, but cigars and rolls ups and all the rest of it. But effectively I am saying 20 and all the equivalents. Now, Australia brought in a limit in 2012 of 56 because tobacco there is sold in packs of 25, not 20. It was so successful that it was adopted by New Zealand 2 years later. It has been so successful that in this year's Budget they have reduced it down to 25, to one packet. Australia is seen as one of the most successful jurisdictions, almost like a test bed of anti-tobacco control mechanisms. It is on the basis of that, that I know that this duty free reduction of 40 is possible. Where I have got a slight difficulty, and I am sorry the Minister for Treasury and Resources is not here to listen to this, my amendment says, and I have mentioned this before and I had legal advice about the ... you cannot do away with duty free completely, you can only basically reduce the amount of it because of something called the International Customs Union. So you cannot abolish it, unless you are an economic trading bloc like the E.U. (European Union). If you are an independent country - which to the extent of this region we are - you cannot basically just have no duty free at all, you can just reduce the limits, which is what Australia has done. My amendment proposes that this would take effect on 3rd April. The Minister has suggested an amendment, and I understand why he amended it, because again according to our rules - and I think the Constable of Trinity criticised me for sort of not sticking to the rules - our rules on amendments to Budgets are to restrain us from kind of trying to find solutions, which I think we might have found a solution in very helpful discussions facilitated by the Chief Minister. My amendment is brought into effect on 3rd April 2018. I met with Customs yesterday with the Assistant Minister for Home Affairs, who I am very grateful for her time and her senior officer's time, and they explained to me their concerns about the fact that, yes, they can do it but they do not know how much it is going to cost to do it. What I do know is that I have been extremely conservative about the additional revenue raised, and I will just explain very simply, the total duty raised on tobacco is £15 million, we believe a reasonable assessment on the amount of duty free smoked in Jersey is about 25 per cent. So 25 per cent, if you were to move all of the smoking in Jersey from duty free products and you forced all those people to buy those products in Jersey, then you would raise £3.75 million, and you would raise more with G.S.T. I have put in less than half, 35 per cent of the displacement value, so I have been extremely prudent in the amount of revenues that I am basically proposing. I understand that the Customs and Immigration Department would like a longer lead in time to do this to do some more work, and if possible maybe find a solution to work with Guernsey. What I can say to Members is that what happens in Australia normally after 2 or 3 years happens around the world. We have seen that in virtually all of the areas of the tobacco control that they have done. The fact that they have reduced the duty free allowance in this year's Budget in July down to 25 indicates that is ... and having the benefit of being able to speak French and German, I know that, reading French and German newspapers, that there is a live debate as to whether or not the E.U. should impose a new lower limit for inbound outside of the E.U. This is an

alive issue being debated by parliamentarians around the world as to what to do with the dilemma. This 200 limit is a relic of the past. It was 200 when people did not realise the damage of smoking. That is what it was and it has never been changed. It is only Australia that has done something about it. Of course the E.U. abolished it completely within their trading bloc. I think that I have got a slight problem because I now accept ... I want to see this done, I think it is a jolly good idea, I think it would be great for our tobacco strategy, I think it would be good for the revenues for the Treasury. The problem is the date I think is wrong, but I cannot lodge an amendment. So probably in part (i) I would like Members to comment about what they think about it during the debate, but effectively I accept that there should be a review and it can come in later. It can also come in later without causing the Treasury problem because the taxation that I am dealing with in (iv) is paid in 2019. So the revenue that the Treasury would get from either the 20 per cent or 10 per cent comes in 2019, not 2018, whereas if the duty free thing came in then the Treasury would get the benefit of the additional revenue I have offered them in there. So I was doing my friend the Minister for Treasury and Resources a favour by getting him some early money to deal with some of his other problems, although as he said he has not got so many problems as we thought because the black hole is not quite what it is. I do not want to dwell on any more of the issues to do with tobacco, apart from to say there is an unshakeable destiny in the duty free allowance being reduced. It is a relic of the past, it drives a coach and horses through our tobacco strategies both here and around the world. We know smoking kills and basically anything that can be done to incentivise behaviour is a good thing, and Jersey can be an excellent place to adopt it. I remind Members that we introduced some tobacco control legislation in terms of raising the age of tobacco products before the U.K., and we are a great test bed to do it. That is why I wanted to do it and get on with it. I was impatient, I thought: "Fantastic idea, we can get this done." But if Customs want a review, if Treasury wants a review, it does not impair the revenues, I am happy if it can come in a year later. Bookmakers, I think that if there is any class of companies that there is an opportunity ... and again I will be the one to defend Zero/Ten outside, this does not conflict with anything to do with Zero/Ten, it will not tip us into undermining the zero rate of tax, so no problems. I am proposing to tax bookmakers. Many people have said to me their response to this proposal has been that they are surprised that they are not taxed because they are a regulated activity. Remember that it is the 10 per cent financial services that applies to regulated financial services businesses, so many people when I have asked them have said: "I would have thought that would have been taxed anyway." The revenue is relatively small. I would invite Members to vote on that as they see fit. In relation to (iii) the Treasury have said: "Yes, this might be quite a good idea" but they want to do a review. Now, funnily enough, that aligns brilliantly with another amendment of mine because I have got an amendment which says a C.I.C.R.A. (Channel Islands Competition and Regulatory Authorities) review. I have had a real wire brushing this morning from one of the managing directors of one of the on-licence businesses, and I have spoken to the chief executive of the other one, and they both welcome the review. Excellent. We all agree, we want to have a review. We want to deal with this ... it is like a carry on alcohol duty farce debate every year where it is up and down like the proverbial ... something else. **[Laughter]**

The Bailiff:

I think you are talking about balloons probably.

Senator P.F.C. Ozouf:

Balloons, definitely balloons, yes, definitely balloons. But certainly this Assembly has not half made some odd decisions from year to year in relation to alcohol duties. Sometimes we have had none, sometimes we have had lots, sometimes we have had a little bit. We need to sort this out. We need to have a proper policy based on proper advice, and I want to get to the bottom of this issue of the statistic of the standard pint. I invite Members to turn to my amendment and to look at

that chart brought on page 8 from the Treasury's own document, and invite them to look please at that second line right at the bottom of page 8 and look at that pint of standard beer. A pint of standard beer - and this must be right because it is the Statistics Unit, it is not my figures, and it is the O.N.S. (Office for National Statistics) - is £3.56 in a pub in Jersey. Of course there is going to be a range, whether or not it is a higher class or a working man's or working woman's or different types of taverns, et cetera. But on average it is £3.56. Jersey duty is 36 pence, G.S.T. is at 17 pence. You take £3.56 minus 36 pence, minus 17 pence, and you end up at a net price of £3.03. Now look at the U.K. The average price of a pint, okay, yes, it is across the U.K. and it will be different in London versus central and there will be different types of establishment, but it is an average so it is reasonable, average is £3.06; U.K. duty of 49 pence, U.K. V.A.T. at 51 pence, and a net price of £2.06. That is a difference of 97 pence. Now, I want to know why that is the case. Everybody knows our head of statistics and how brilliant he is and how well served by our Statistics Unit, I want to know why it is that this issue ... and I have put the chart from 2011 above, and the *J.E.P.* (*Jersey Evening Post*) editorial said they challenge Senator Ozouf to put his money where his mouth is. Well, now as a Back-Bencher I can put my money more where my mouth is and open my mouth and bring forward propositions without collective responsibility, so I am doing it. I am proposing a full C.I.C.R.A. review to get to the bottom of this issue. To me there is a problem. Where is it? Is it a lack of competition? Is it because of the Licensing Assembly - no criticism to you, Sir - is it because of the prohibition of office, is there some other factor? Is it a cartel? What is it? Let us get to the bottom of it so that we can make some sensible decision. All I know is that the people of Jersey are not being served fairly or appropriately with this kind of margin differential.

[11:45]

I do note to Members, if I may say, the experience of ... there is a blip in figure 4.2 from 2011. From between 2011 and 2018 we have eliminated the net price of tobacco because we made signals to the tobacco industry that we were going to make new arrangements for their import arrangement, so basically competition sorted it out. I can now stop my war on the tobacco net margin because there is not one. There is not one in a bottle of whiskey and I have vodka and gin as well, there is not. Markets are working, the net price of both of those products is virtually the same. Petrol, I will not go there today, the subject of lots of other discussions and a court case so I am not going to say anything about it, but the figures are there for Members to see. But in terms of beer there is a problem. There is a problem with our on-licence trade and we need to do it. Why is that relevant to the argument of this amendment? I agree with the Treasury that there should be a review, because my amendment wanted to increase and extend the scope of the retail tax to the on-licence and off-licence trade. But if they want to do a review then I am perfectly happy for that to happen, more than happy; in fact I proposed the detailed terms of reference of it. It is up to Members to know how they want to vote on it and perhaps during the course of the debate we will work out how to do it, because in fact it does not say a date in either my part (ii) or (iii). I did want to make sure that my amendment was fully funded and so I put the additional proposal of the 10 per cent over £10 million. I have been very clear; I think that stamp duty is a friction on ordinary homes and I think that it is a friction that should be reduced. I asked the Minister for Housing yesterday to lobby her friend, the Minister for Treasury and Resources, to lobby for stamp duty changes to facilitate the friction of people downsizing, to incentivise people with bigger homes to downsize. There are all sorts of things you can do. But I am afraid I have absolutely no shame, none whatsoever, in proposing a 10 per cent rate for properties over £10 million for newly arrived residents. The Council of Ministers have said in their opposition that they think that is unfair. Well, sorry, but what you do is you change new rules for new arrivals and they will be clear. The 10 per cent over £10 million for a limited period of time, I have put an avoidance provision in just because it is their first property. We have seen the splendid strength of Jersey's economy by the

evidence of the scale of some really, really expensive property prices in Jersey. When I was a child my grandmother used to say: "Goodness me, that house has sold for £1 million." Well that house that she was referring to has recently changed hands for £12.5 million. We are going to see, because of the attractiveness of Jersey and because of the confidence in Jersey, people investing and willing to buy houses of tens of millions of pounds. On the arrival in I think we should collect some tax from them, and that is not a friction. The more we raise from that the better it is and more easy it is going to be dealing with the unwinding ... the Chancellor of the Exchequer announced what we have got last week, he is going to give first-time buyers free stamp duty. We could have told him to do that a number of years ago, but there again the U.K. are following us, great, fantastic. But we need to do more to de-friction the housing market. That is why I am proposing (iv) because I think it is the right thing to do and I think it will raise revenue, and in the longer term, if successful, I do not think it will prevent people from coming to Jersey. I do not think that at all. I do not think it will provide a disincentive at all, and people can argue that. Of course I have made my arguments in relation to (v). I really think there is an offer on the table here where there has been a meeting of minds. The Minister for Treasury and Resources has proposed his ... sorry, Senator Ferguson is gesticulating at me.

Senator S.C. Ferguson:

Yes, it was just that when the Senator turns around to speak to us he is not speaking into the microphone and, therefore, his words may be lost to the general public.

Senator P.F.C. Ozouf:

I thought that my voice was loud enough but I thank the Senator for making that observation and I will try not to look at her then. I have made my arguments in relation to the harm, I believe, of the 20 per cent rate of tax on retail. I understand the Minister for Treasury and Resources needs to raise revenue to fund essential services in health, which is effectively the vast majority of the requirement for revenue. This week we have seen parties from across the U.K. say the N.H.S. (National Health Service) is broken. We are not broken, we are fixing, and fixing means raising revenue to invest and that money needs to come from somewhere. I have to say my final comment is I was absolutely delighted, but somewhat surprised, that the retail industry have accepted the fact that they believe a 10 per cent retail tax is fair and they would accept it. I have to say I thought that there would be a huge resistance to even having any tax at all. On the contrary I have heard some of the most responsible comments from retailers, some of which Members met this morning, I have spoken to lots of them, and they said: "Yes, we are willing to play our part and, yes, we are willing to buy productivity improvement where possible." Of course some of them will not be able to pass it on, they will have to take lower dividends, but they are willing to play their part and they are willing to play their part in the same way that the finance industry pays at 10 per cent. But 20 per cent is too high and a step too far. I urge Members to support my amendment. I hope that my remarks may have persuaded the Minister for Treasury and Resources to ... with the remarks that I have made in relation to the acceptance of the reviews, and the fact that the wording does not have dates and actually allows the reviews to happen - because of course enact the legislation later - for him to consider withdrawing his proposition so we can have that debate, which is the debate we really must have about whether the retail tax is at 20 per cent or 10 per cent. I would say to Members doing nothing is the wrong thing to do, particularly when the retail sector have said: "Yes, we are prepared to play our part, but on a fair basis." I move my proposition.

The Bailiff:

Is the amendment seconded? [**Seconded**] We now have the amendment to the amendment, which has been lodged by the Minister for Treasury and Resources, and I ask the Greffier to read the amendment.

Senator L.J. Farnham:

I would like to withdraw this amendment, if I may, and I would like to just explain very briefly to Members the reason why I propose to withdraw it. There have been discussions with Senator Ozouf and the Chief Minister, and quite simply there are some procedural issues which mean that although Senator Ozouf is prepared to accept a review on part (i) and part (iii), of course he cannot do that without going to a vote. The other issue that has arisen is that by having this as one package it does not allow Members the opportunity to vote on the retail tax option, which Senator Ozouf has put forward in his amendment. I think to be fair to Members they should have that option. For the avoidance of doubt, the Council of Ministers do not support the reduction from 20 per cent to 10 per cent but, nevertheless, they believe a debate on that option is something that is in the interests of Members and the Island, so that debate should happen; by withdrawing my amendment that can allow this debate to go ahead. But the Council of Ministers reject all of the parts of Senator Ozouf's amendment. We are undertaking reviews on (i), (ii) and (iii) and, therefore, would ask Members to reject it on that basis. As I have explained, we do not believe in the other elements either.

The Bailiff:

Well, before you get into the detail of the objections you are in danger of losing a speech. We note that you have withdrawn the amendment. We continue with the debate on Senator Ozouf's amendment.

2.3.2 Senator L.J. Farnham:

The development of a taxation policy is not something that should be done on the hoof or in a fragmented way. Although some of these ideas may have been discussed in the past, there is certainly no evidence that I am aware of that the proposed rate of new taxes, or any of the other outcomes, would generate the projected return. For example, in relation to cigarettes, and I too am anti-smoking, I have never smoked ... well, I tell a lie, I puffed a few cigarettes in my younger days but I do not smoke, I abhor it. But if other people want to smoke that is up to them, although I support the tobacco strategy. An ideal position for me would be that very, very few people smoked in the years ahead. But just back to reality, whether we like it or not ... and I find this difficult to on one hand peddle the moral rights about smoking or not; it is the sort of hypocrisy that goes with the States owning through the Ports of Jersey the largest duty free shop in the Channel Islands. That is something I have difficulty in reconciling. Of course we have to understand that whether we like it or not this will cause damage to the visitor economy, maybe not an awful lot but it will make the Jersey offer less attractive to some people. It will also damage, maybe not in a big way, but provide financial damage to air and sea carriers. It is un-policeable. What are we going to do, stop people: "How many cigarettes have you got?" "Well I have got 40 but I have got a packet open and I have got another 20 there." While I appreciate that the majority of us are law abiding and will stick to the rules, there is an awful lot who will not and it is un-policeable. I think the additional resource required to make it policeable would be unrealistic, given the financial restraints we are working within. I have to say that while I accept the position of collective responsibility I did try and persuade the Council of Ministers that setting the retail tax at 20 per cent was too high, preferring instead a rate of 10 per cent. I am in agreement with Senator Ozouf on that, which is in line with regulated entities and leaves room for manoeuvre if needed, dependant on Brexit and negotiations in relation to corporate tax. I think we all have a feeling, if we are honest, that this could well be an issue in the years ahead. The 20 per cent rate also means that our corporate tax rate will be higher than the U.K.'s rate, which is currently set at 19 per cent and - so I understand - may likely drop further, rendering us less competitive. Also I think the tax retail industry is concerning because it could well see an investment in the town centre, and we know 2 centres - or high streets as they are called outside of Jersey - are struggling because the retail offer is so much

bigger now for consumers on the internet. But nevertheless, Jersey's town centre continues to punch above its weight, and we have tens of millions of pounds of investment in recent years. Those businesses made their investment under the current regime, and I am not sure they expected this. Having said that; I know my position here as a member of the Council of Ministers. I am concerned about retail because we collect an awful lot of G.S.T. receipts through the retail sector. It is all right comparing the corporate tax rate with Guernsey but Guernsey does not have G.S.T. and G.S.T. at 5 per cent collected by the retail sector - and I know an awful lot of retailers because I used to be one - absorb a lot of that margin or at least some of that G.S.T. in their margins, some retailers 1 per cent or 2 per cent, some 2 per cent or 3 per cent, some all of it. So if we do not support retail and we discourage investment then that could go on to have an impact on the sector, which could lead to fewer jobs and less G.S.T. being collected. Of course I am speculating, but that is the concern of the sector. Moving on to large liquor vendors, and I - as I always do during the budget - declare an interest as a director of a local hotel. But I am not sure what the definition of a large liquor vendor is here, so is it a large business who sell a small amount of alcohol, or a small business that sells a lot of alcohol, or a big business that sells quite a large amount of alcohol but it is still a minority of its overall business. Is the proposal to tax the profits on everything? There is a lot of working up of this idea that needs to be considered. I am also concerned that it is another tax on the hospitality sector. For the avoidance of doubt in the future, once the definition of what is a large liquor vendor in future debates could result in me not participating in line with my interest, if, of course, it is applicable. There has been no impact assessment of the consequences of such taxes to individual businesses or the sectors of commerce in which they operate and these proposals single out different types of businesses for specific treatment. I believe that the proposed changes should, therefore, be the subject of formal consultation, allowing affected parties to have the opportunity to provide considered views with supporting evidence. I am pleased agreement has been reached, that we will go to review with Senator Ozouf's amendments; that is very important. I refer to the Fiscal Policy Panel's Annual Report October 2017 in which the panel urges us to remain strategic in moving forward. That report points out that since the failure to approve the health charge and the deferral by the States of the waste charges, revenue-raising measures in the 2018 Budget appear to have become more ad hoc and that a more strategic approach should be adopted in future budgets, and that is no criticism of the excellent Budget that the Minister for Treasury and Resources presents today but it is something that we need to consider. Taxation on the hoof is never good; it needs to be properly considered. The report also recommends that a strategy should be developed that looks at what is realistic in terms of further efficiency savings, as opposed to expenditure reductions and whether further revenue-raising measures will be required. We are starting a new chapter at Cyril Le Marquand House with the appointment of the new chief executive and it is going to run right across the public sector, and I hope Members will provide full support to the new team there. I think this is going to present the Island with a great opportunity to improve our productivity in our excellent public sector. I have to say that some of the proposal and amendments contained within the Budget could be seen to be a bit of a knee-jerk reaction, as opposed to the considered medium to long-term thinking that is required to ensure the future prosperity of our Island, the continued success of which will be largely dependent upon the fact that our taxes remain low, are broad and fair; that is the position to which I hope we can all subscribe.

The Bailiff:

I perhaps should have said before the debate that the Senator has made it plain that this is one debate on all 5 propositions within it. Although the vote will be taken separately, Senator Ozouf has requested if any Member is speaking you need to speak on whichever of those passages that you want to. I do not think there is another debate coming later on. Senator Ferguson, you kept a marvellous *san foire(?)* there but the reaction of those around you suggest that it was your machine

that bleeped. **[Laughter]** In the light of your comments earlier about my motor vehicle, I take no pleasure at all obviously in saying that you should please pay up. Thank you.

Senator S.C. Ferguson:

Indeed, Sir. Yes, I had better apologise in public for slandering your vehicle, Sir, or slandering your choice of vehicle.

The Bailiff:

I think it is me, rather than my vehicle, is it not?

2.3.3 Senator S.C. Ferguson:

I assume that the good Senator is following John Maynard Keynes with his amendment regarding the retail tax, when Keynes said: “When the facts change, I change my mind.” Because I notice that the voting was almost unanimous on the proposition, the budget last year, apart from those Members who ... there were a few out of the Island or ill and head of the list was our good Senator. Yes, if the facts change we should perhaps change our minds. But, please, can I have some evidence to support that? He talks about the duty free on cigarettes. I do have a problem when the Government is dictating to people how they should live their lives. It is a real sort of dichotomy. We talk about Australia. I understand that it was the 1990s when we started getting those lurid pictures on the packets of what can happen to you if you smoke. This, apparently, had a much greater effect than the plain packets. The effect of the plain packets was just the lurid pictures getting more and more into people’s psyche: “I do not want to smoke because look at the health aspect.” The stamp duty, as Senator Farnham has said, where is the economic impact study to see what happens with that and so forth? I really feel that we do need the evidence before we start just slinging things here and there because, again, as Senator Farnham has already pointed out, the Fiscal Policy Panel are getting somewhat concerned to see so many ad hoc charges being added to the revenue-raising measures of the States, so I am a little exercised by this particular amendment.

2.3.4 Connétable D.W. Mezbourian of St. Lawrence:

I really want to address part (i) of Senator Ozouf’s amendment. I believe, in his speech, he said that he accepted the Treasury’s stance of a review, as proposed in the amendment that has subsequently been withdrawn by the Minister for Treasury and Resources. I understand that a review will be taking place as part of the tobacco strategy and the Minister for Health and Social Services clearly will be able to address the health issues and implications that would arise from a reduction in the amount of cigarettes that could be imported through duty free. But it would be remiss of me just to not highlight that if this amendment to the Budget is accepted, the one proposed by Senator Ozouf, that there would be implications for the Jersey Customs and Immigration Service. The Senator referred in his opening remarks to a meeting that we had yesterday, that it was an amicable meeting and discussion. It gave my senior officers the opportunity to remind the Senator of the implications on the service, if this was to be introduced. I would just like to highlight some of those implications because if the amendment is accepted, a 40-stick duty-free cigarette allowance for Jersey would be a challenge to police at the borders, as even with additional resources. Duty-free shops at U.K. airports would continue to sell cigarettes in cartons of 200 to Jersey-bound travellers who would, of course, attempt to bring them into the Island. There are some logistical issues that need to be carefully considered here, issues which would, of course, be considered during the review. As I mentioned, duty-free shops at U.K. airports do not sell below 200, so in reality the proposition is for a zero duty-free allowance for travellers arriving at Jersey Airport. As we know, cartons of 200 cigarettes are easy to conceal in carry-on baggage or particularly if broken down into individual packets; they are easily concealed within pockets and handbags. I suspect that concealments would increase with a very low duty-free allowance. Should the officers from the Customs and Immigration Service be required to increase

checks on arriving passengers to a level that would properly police such a low duty-free allowance, the customer experience for innocent travellers arriving at the ports would, I fear, be far from positive. Another implication of accepting this amendment by the Senator is that a very low-level duty-free allowance could increase commercial smuggling and also result in counterfeit cigarettes finding their way on to the local market and something that we have, as yet, not encountered, although we know it is a problem within the U.K. I turn now to the review as part of the tobacco strategy and that review would need to ensure that sufficient resources for the Customs and Immigration Service were available. Of course, as part of that review, J.C.I.S. (Jersey Customs and Immigration Service) would be involved very closely with the review and would be able to clearly put these points forward. The review would also allow engagement with key stakeholders, such as duty-free shops, the carrying companies and, of course, the trade. I will finish there by saying it is of particular importance to me that the review ensures full consultation with our Customs and Immigration Service, to ensure that any increase in resources would be appropriately identified. One thing that we did discuss at the meeting yesterday with the Senator was that until such a review has taken place, we are unable to identify the additional resources that would be required. However, clearly, with a reduction to 40 sticks per person, the resources would be needed and so we would need to make sure, as an Assembly, that the service was appropriately funded. Members will recall my speech during the Medium Term Financial Plan warning those here of the impact in the reduction of funding to the service and my highlighting the fact that the service has, for many years, been the forgotten service, in my opinion. They serve well and they are under-resourced, as far as I am concerned, financially. If they were to require to undertake further checks on passengers arriving within the Island, they would need to have additional funding to allow the resources. I make that reference solely to item (i) of the amendment, as proposed by Senator Ozouf.

2.3.5 The Connétable of St. John:

I congratulate the Senator for bringing this forward because it does open up some debate. But there are 5 very varied propositions or amendments within one amendment, which rather reminds me of my dear dog's dinner and watching my Labrador tuck into his dinner in the evening, which consists of the leftovers of the day. His tail wags like mad when he gets to the roast beef and pork chops and so on but the poor lad's face drops enormously when he gets to the cucumber, tomatoes and lettuce because that is not something he likes. We start, if I may, with the first, part (i), the duty-free allowance on cigarettes. There are 2 issues here, is it revenue-raising or is it control of health?

[12:15]

I am confused because we are debating the Budget today. If we want a health debate, then it should be a health debate. If we want a Budget debate, which we are doing today, then it needs to be on the Budget. I cannot support this because my very learned Constable of St. Lawrence has summed up the impracticalities of this particular amendment with regards customs. But I think it is important we have a debate at some time in the future, and I understand the Minister for Treasury and Resources has agreed to that. The second amendment is a 10 per cent rate of tax on bookmakers; this, I think, is reasonable. It brings an additional group of traders on the Island into the tax group and I would support that. The new income tax levied on large retailers should be applied to large liquor vendors but that, again, I cannot support; the reason being is that we are looking at the whole licensing trade. We have yet to have their report, it was lodged and removed. But until we get to grips with the whole liquor licensing trade, I think trying to snap at things in bits and pieces ends up in disco-ordinated Government and this is one of the big mistakes that this Assembly is guilty of in the past. Four, a new stamp duty of 10 per cent introduced on residential properties for more than £10 million, being a Constable most purchases cross my desk and most of those purchases are in the names of companies that would not be paying the stamp duty anyway, if

it is a company selling to a company. I think it would be far better that perhaps stamp duty should apply to all property transactions, rather than just a small narrow band. Finally, the income tax levied on large retailers of 10 per cent, rather than 20 per cent, this, I feel, has legs. The current proposition by the Minister of 20 per cent on large retailers is, first of all, targeted, rather than broad, simple and fair, which is his motto. I would be opposing the 20 per cent but 10 per cent, it has the support of the industry. They recognise that they should contribute towards the Island's needs and they also recognise that 10 per cent is in line with what the finance industry pays. It is unreasonable to expect people to pay more than the finance industry. I will be supporting some of these but not all of them and I thank the Senator for bringing them forward.

2.3.6 Senator A.K.F. Green:

I hope, Sir, that you will allow me some leeway because I would like to concentrate on tobacco and alcohol but I intend only to speak once on tobacco in this debate and not in the main debate. I would hope that you will allow me to cover some points around that. I would like to thank the Senator, for a start, for his amendment because I think this debate is very important. We are looking at reducing the duty-free allowances for tobacco products; I am talking about (i) in his amendment. I regard the issue of access to low-priced tobacco through the duty free as being something of really high importance and something that we should be reviewing. This is why I support the commitment to review the costs and benefits of reducing access to duty free within our tobacco strategy. But I will add a rider to that; I would like that review to be carried out and presented to us before May, before the election. I would like that review to be done within that time. I continue to support this review and my colleagues on the Council of Ministers feel the same. We need that comprehensive report to make an informed decision. Members, this may not be popular but I have to say it and I believe it, not only as an individual but as a Minister for Health and Social Services, Members received a letter from the Channel Islands Tobacco Importers and Manufacturers Association, which represents the largest global tobacco industry companies. I ask Members to exercise caution. These companies have a clear vested interest in tobacco sales and consumption. They have a very strong history of multi-pound investment and below-the-belt tactics for attempting to deny, divert and delay evidence-based action. History shows that for decades this industry has misrepresented the facts and information on which any Government policy, which aims to reduce harm to our community from smoking but will, in turn, object to this because it reduces their profits, it has to be said. We must support this review and the impact on our duty-free allowances. But I would urge the Minister to go further and look at it and I think Senator Farnham mentioned this, the appropriateness of us sponsoring shops selling at the airport duty-free tobacco products; it is just so hypocritical. The proposed reductions in allowances would both reduce accessibility and increase the cost of tobacco to many smokers, not popular, I know, but this will have an impact on smokers considering stopping. It will reduce further the potential of young people experimenting with, yes, a deadly product because that is what it is. To the tobacco industry I say, no more. Jersey should change and must change. It is unethical for us to simply support the current position when we know beyond any doubt the harm of these deadly products. We must act as a Government. We must do all that we can to reduce tobacco consumption. We must support our States Strategic Plan priority in improving health and wellbeing through the tobacco strategy. I would remind Members that there are a number of actions within that strategy that just do not rely on these 2 high-level actions. It is a 5-year strategy, it was issued as a report and, therefore, the breadth of activity is prioritised across the 5 years. One of those key actions currently being advanced by Public Health Law Officers is the standardisation of tobacco packaging. Our States of Jersey Strategic Plan has a commitment to improving health and wellbeing of our Islanders. Over this political term much of the focus and commitment has been towards healthcare; we have seen that in investments in budget after budget. However, we must recognise the importance of prevention and the impact that health behaviours have on the burden of

disease. Both alcohol and tobacco continue to remain as 2 of the most significant behavioural factors for preventable disease and death. Collectively, they are estimated to cause wider social economic costs of £56.5 million a year. Both alcohol and tobacco are now regarded as having no safe level of consumption. They both carry increasing risks for the future development of disease, based on levels of consumption. Taxing these products currently has 2 outcomes, firstly, I am absolutely convinced and I continue to be convinced of the international evidence that increasing the price will help to support reduction in use, as well as reducing the uptake of these risky behaviours among the Island's youngest people. Secondly, it does help, and this is only a small part, to recoup some of the health and social cost to our Island's services and economy. Our current States of Jersey tobacco strategy aims to reduce the known and well-established harms. They are known, they are well-established and they harm our community. The proposals within the budget are consistent with the strategy. It recognises the importance of price and consumption. The approach of increasing price is particularly important to our strategy's aspiration of a smoke-free generation. Increasing prices in tobacco makes it less accessible to our Island's young people. This has a strong role, a really strong role in reducing the uptake of smoking. I thank our colleagues in the Corporate Services Scrutiny Panel for their most recent report on price mechanisms and import duties on alcohol and tobacco. Of note is the 2017 study of the 28 European countries using data over a 10-year period that modelled the impact of price on the consumption and health. It concluded that a 10 per cent rise in cigarette prices would significantly reduce cigarette consumption, as well as the total death toll caused by smoking in all of the observed countries. Duty free undermines price policies, price policies that are supported internationally as a robust mechanism for catalysing smokers to quit. This is important because we know from our local 2015 smoking profile that around 67 per cent of adults who smoke, at least occasionally, said that they wanted to quit in the last year. In addition, we know that increasing prices also reduces the uptake of smoking among our youngest. We do need to ensure that we do all we can to support our young people to continue to be smoke-free. There is good evidence that the longer you delay smoking, the risks of becoming a lifelong smoker are reduced. This is important because of the increasing strength and challenge of nicotine addiction in entrenched smoking. We see this challenge in slow changes in the adult-smoking rate but this is why our strategy for targeting Help to Quit supports on key groups who are most vulnerable to smoking. The U.K. Budget has also seen a similar duty price last week. With all the information that we have to hand, I remain convinced that pricing, as part of the broader strategic action supported by our tobacco strategy, is right. We are seeing an increased rate of success among young people. Our school surveys finally show that over a 15-year period the number of young people that have never smoked at ages 14 to 15 has increased recently from 28 per cent in the past to 64 per cent now. This is important, no one wants to see our Island's children recruited into lifelong habit of smoking, smoking that kills prematurely half of its users. The tobacco strategy has its measure of the number of never-smokers at age 15 as one of its key success indicators. We need to take all the measures possible to support this. Our children and young people are our future; we need to protect them from this deadly product. If this product was new to the market today it would never see the light of day. The World Health Organisation recommends pricing as a robust evidence measure to reducing young people. In essence, we must keep up the pace of controls. We must invest and support people in reducing their smoking. We must encourage our young people never to take up the habit. I very much look forward to hearing back from the Island's young people on what they think reduces smoking in their mind because they are working with the Youth Service at the present time. I ask Members, this is a strange phenomenon, to reject amendment part (i) on the understanding that the Council of Ministers and the Minister for Treasury and Resources will carry out this review, this is most important. But I would just like to focus, very shortly, on alcohol. I am disappointed that we have not gone further with the taxation on alcohol and I know why we have not done it, and I am party to that, because we are carrying out a full review into the licensing

policy and I accept that and support that. But only R.P.I. increases, I struggle with this, as the Minister for Health and Social Services. But I urge Members again, it is right that we carry out the review on the licensing trade as a whole. I ask Members, again, to follow the guide from the Minister for Treasury and Resources, and that is to reject this amendment on alcohol but on the understanding that he is going to carry out that review. It is a bizarre situation we find ourselves in. But I urge Members, there is so much evidence out there in both tobacco and alcohol. Please, do not waste this opportunity for the health of our community but particularly for the health of our young people.

The Bailiff:

Can I remind Members that if they are to communicate with their neighbours they should do so quietly, please, because otherwise there is a buzz that affects the debate? Thank you.

Deputy M. Tadier:

Sir, may I ask a point of order? I did not want to interrupt at the beginning when Senator Ozouf was opening his speech. But I understand that the ruling from the Chair is that although the Articles 1 to 5, if I can call them Articles, can be voted on separately, they cannot be withdrawn and that seems slightly counterintuitive. Would the Chair be able to explain the rationale for that?

The Bailiff:

It is one amendment, Deputy, that is why. The amendment could have been framed as 5 different amendments but has been framed as one amendment and the Senator is, therefore, left with having one amendment that he can take in the parts, which is set out below; that is the reason.

[12:30]

2.3.7 Deputy A.D. Lewis of St. Helier:

This amendment, in its entirety, is seductive. The Minister for Health and Social Services has just outlined his own views on the issues regarding smoking, many of which I share. I just still think it is quite bizarre in this day and age of trying to reduce smoking, around the world, not just in Jersey, that there are still places that sell duty free and the allowances are generally around about 200. However, what perplexes me most here is ... sorry, I am getting distracted by the anomalies that you were talking about earlier, Sir. There are some great ideas here but, as the Minister for Treasury and Resources did in his original amendment, which is now withdrawn, there is a lot of work to do in order to satisfy those that are most affected by this, that these proposals will work. I am, fundamentally, against though a tax on retailers of up to 20 per cent. I am not opposed that they should pay something. Members of the public consistently say to me: "Why is it that companies that are not owned in Jersey are not making their fair contribution?" I accept that. But earlier on Senator Ozouf clearly said, and I totally agree with him, we have a fantastic retail offering in Jersey, such a very, very small place. If you go to most small towns in the U.K. you will not have that diversity of retail in those streets, you simply will not. It is incredible that we have it in Jersey with a population so small. The reason, I believe, for that is because of some of the fiscal advantages of having a business here. If you take those away from those retailers, those major retailers, they may well decide, you know what, it is just not worth sending that container down to Jersey once a week, it really is not worth the extra aggravation. Anything you do to change that fiscal position of those retailers will gradually chip away at the reason why they might be here. Let us face it, they are here to make money. If they can make money with the taxes that are there at the moment, fine. If that changes, that tiny change - or some may see it as tiny - may well affect that corporate body and some of them are quite large groups of companies, may then just take a boardroom decision one day, tick, we are leaving. As with the finance industry, it only takes one to look at that situation for the others to think something similar. I think, at your peril,

Minister for Treasury and Resources, tamper with taxing the retailers. I am not saying do not tax them at all but I think Senator Ozouf's suggestion it should be 10 per cent is laudable for those very reasons, so I think it should be seriously considered. I would be very much in favour of perhaps voting for the last item of Senator Ozouf's proposition. Where would the money come from to fund that cut? The Constable of Grouville has very kindly already provided it with his change to V.R.D. Well done, Constable of Grouville, because that will plug the gap to a large extent. I would suggest to Members that if you are serious about this change and you feel concerned about the retail offering that Senator Ozouf is concerned about, and I am, that is your funding solution. The other funding solutions that Senator Ozouf has come up with, although well thought through to a certain extent, have simply not been well researched with those that are going to be affected, hence the Minister of Treasury and Resources' amendment that has now been withdrawn. I would urge Members to seriously consider, as Senator Ozouf has already said that he will bring these items separately for vote, to vote against the first 4 and vote for the fifth, have it funded, potentially, from the V.E.D. I would like Members to consider that. There have been some excellent things said but now is not the time, those are for another occasion when we have got the data fully in front of us. But to run the risk of damaging a vibrant retail offering that Jersey has is folly, in my opinion. People travel to destinations around the world and one of the things they now do in those destinations, as part of that trip on holiday or indeed on business, is they shop and they spend money and they go to that town, that city, that place because of the retail offering. You damage that and one of the offerings that Senator Farnham is most concerned about losing could gradually change. We are blessed with a great one now and our town centre management in St. Helier does a great job in keeping it vibrant and it would not help if that 20 per cent tax rate on those affected went through. I would also like to add that there are 2 or 3 major retailers that, in recent times, have invested huge sums of money in their facilities in Jersey, their retail outlets and they borrowed the money to do that over 5, 6, 10, 20 years, I do not know, with a view that the fiscal position might not change that much in Jersey and we are going to change it. I think that is unfair for those that have made that significant investment in the High Street in Jersey, one of which is about to open, which I will not mention but you will be familiar with it. Caution I would suggest, as I said earlier, vote down the first 4, vote for the fifth one.

2.3.8 Senator P.F. Routier:

Going through the various sections of this amendment, I am not going to spend a lot of time on the (i) to (iv) but I will just make some observations. Certainly, I am keen that the review on these tobacco products is carried out as soon as we possibly can. I share the views of the Minister for Health and Social Services and the damage that tobacco does to our community, so if we can get on with that as soon as we can, that would be really good. Number (ii) in the amendment with regard to bookmakers, I hope the review might also consider the possibility of having a 20 per cent tax. It could well be that, why should that particular type of business not have to pay a similar level of tax that locally owned businesses are currently paying? Locally owned businesses pay 20 per cent, if their shareholders are local; that is the rate that they are paying. With regard to the larger retailers and the liquor licensing trade, the Constable of St. Brelade and myself and a number of others on the Shadow Alcohol Licensing Panel have been working on a new law. Contrary to what the Constable of St. John has said that it had been withdrawn, if you look on the Order Paper today it is down for debate on 30th January, so from out of that legislation will come a policy that we will be working towards. Looking at the stamp duty item, no other Member has spoken about this as yet but certainly it has only recently been changed and I do not think it is appropriate for us to now be considering another change. We should let that settle and ensure that we can do it in a measured way. Focusing on the final item, which is probably the major item with regard to these amendments ... I should declare that, Sir, I do have an interest in a small retail business in town, so I hope I am able to contribute to this debate and to the income tax to do with it, that is the point

certainly. The smaller retailers, it is talked about, I think it was Senator Ozouf said that smaller retailers are not affected by this. Currently, they are affected because they are at an unfair disadvantage because they are paying 20 per cent tax on their profits and the larger retailers, the national retailers, are not paying any tax. It was in this Assembly last year that we agreed that there would be an introduction of a retail tax and I think it was the Deputy of Grouville who was pushing for this for many a year. She was ...

Senator S.C. Ferguson:

Point of order, Sir. I am sure that it is inadvertent but the local businesses are not paying tax.

The Bailiff:

That is not a point of order but you will ...

Senator P.F. Routier:

I am grateful to the Senator, but certainly the owners who are taking dividends from their businesses, they will be paying 20 per cent tax on that.

The Bailiff:

Senator, there is no difference between small retailers and large retailers if they are both companies.

Senator P.F. Routier:

Certainly if they are locally-owned and paying tax. Certainly. So I have always struggled with that concept that locally-owned businesses, when they take their dividends, that they are paying 20 per cent tax and the national retailers do not contribute to our Island in the same way. The comment about this being a vibrant town, certainly I agree, we do have a very vibrant town but when visitors come to this Island what they really appreciate is seeing small independent retailers and not the national ones. They do not come to our Island to see the same shops that they have in their own towns. They come because they appreciate and they really find having independent retailers of real value. I just put that other point of view forward because I know that is the case. The proposition - and we must not lose track of this - is talking about businesses that are making a profit of over £500,000 a year; £500,000. It is considered that those businesses that are making a profit - it is not their takings or anything like that, this is the profit - of £500,000 are not able to pay the tax. Well, I am sorry, they should be contributing an amount and I think we should be maintaining the 20 per cent amount.

LUNCHEON ADJOURNMENT PROPOSED

The Bailiff:

The adjournment is proposed and the States will reconvene at 2.15 p.m. this afternoon. I am sorry, before you go, there is one thing the Greffier asked me to mention, there has been a problem with the mobile app which many Members have been using to get access to States emails and therefore have not been able to do so on their iPads. Someone from the States I.T. Department is going to be in the computer room downstairs and will be able to help Members over the luncheon adjournment.

[12:43]

LUNCHEON ADJOURNMENT

[14:16]

The Bailiff:

Well, we are somewhat short of a quorum, so we cannot continue our debate on the Budget at the moment. I ask Members in the coffee room to come in straight away, please. We will call the register now, thank you. The Greffier will call the electronic call. If all Members have had the opportunity of showing whether they are present or not? Very well, there are only 22 Members present so we do not have quorum.

Senator P.F.C. Ozouf:

There is a women's conference on with female participation, I think that is where Members are hurrying back from.

The Bailiff:

I do not think it is necessarily right to blame the women. I am sure there are other people ...
[Laughter]

Senator P.F.C. Ozouf:

On the contrary, Sir. No, there are men doing it.

Deputy J.A. Martin:

I was there and I made it back and some of the others are on their way.

The Bailiff:

Very well, adjourned for 10 minutes.

ADJOURNMENT

[14:26]

The Connétable of Grouville:

I wonder if I could just explain on behalf of the Constable of St. Mary. She left the Chamber this morning on an urgent personal matter, just really for the benefit of her parishioners, she is normally very conscientious.

The Bailiff:

I was just going to take the opportunity of thanking Senator Routier, Senator Ozouf, Senator Green; the Constables of St. Clement, St. Peter, St. Laurence, St. Ouen, St. Brelade, St. Martin, Grouville and Trinity; Deputy Martin, Deputy Hilton, Deputy Kevin Lewis, Deputy Noel, the Deputy of St. Martin, Deputy Bryans, Deputy Brée, Deputy Norton, Deputy McDonald, the Deputy of St. Mary and Deputy Truscott for being present at the right time. All those who have not been thanked clearly were not. Right, we now resume the debate on the Budget.

2.3.9 Deputy M.J. Norton:

The amendment before us has 5 parts to it. I wish to focus on one of those 5 in particular, as much as been said on the others and I shall be voting accordingly. The amendment before us seems to suggest that licensed betting shops do not really pay their way. If you read the amendment it says more or less that. That they pay some licence fees but they do not really pay their way, and that they are highly damaging to our society. Because of that we should put on a punitive tax on this pariah of our High Street. For those who feel like that and supporting that, why do they not bring an amendment to repeal the law on betting shops and ban them completely, and push it all underground where it is not regulated, where there is no tax on it, where there is no licence fee. Licensed betting offices, and there are now 28 in the Island, are regulated. Not only are they regulated, they are well regulated. We have laws in place that the States Assembly put there to make sure they were regulated and that we have a permissive policy to gambling, albeit with a

small “p”, to safeguard our population by having them licensed and regulated. That is done by the Jersey Gambling Commission. Why then are we bringing in a punitive measure? Is it because we want to close all betting shops down by 1,000 cuts? Local betting shops, and the locally-owned betting shops, will be the most vulnerable to any punitive tax put on because we think they are an awful thing. The small independent bookies - not the large companies, the small independent ones.

[14:30]

These licensed betting shops pay around £20,000 each in licence fees. That is over £500,000. So the suggestion that they do not really pay very much is not fair. Of course they pay G.S.T., rents, rates, like other businesses. They employ over 70 people in the Island. In recent years we have seen 5 close. They are not growing, they are decreasing. The majority of those betting shops that closed in recent years were local independent bookies. It is the safest, most socially responsible of environments for gambling to take place, if one is to have gambling at all. Now, Senator Ozouf points out to them being - and I had trouble pronouncing this earlier on but it is a lovely word - deleterious to some people's lives. I hope I have pronounced that right. Harmful to people's lives. In the amendment I looked high and low for the evidence of it being harmful to people's lives. I could not find any. So this lunch time I went to the Jersey Gambling Commission and asked them, because I know they have a rather large budget which is available for those that would be in difficulties because of gambling addiction. It is something we see on the T.V. (television) and it is something we see in all parts of the world so surely it must happen here as well, and if it does, what instances and what evidence do they have? The Jersey Gambling Commission say they have spent a great deal of time researching this over many, many years. They have no evidence whatsoever. So if Senator Ozouf can back up his amendment with some evidence that it is so harmful to the people of this Island, then I would like to hear that in his summing up, perhaps. As a standalone proposition he says it could be argued that this is one sector that should be subject to a special rate of tax because of the impact that gambling has on society. Across the globe that might be the case; in a small Island we are extremely well-regulated by an extremely competent board, the Commission. There is no evidence. The effect ... and I am not for one minute saying that all bookies and all betting shops and all those owners are poor people, but it has 2 outcomes. One, it will close the local small independently-owned bookies. Locally, small, independently-owned, the ones that actually do pay tax. Two, it will drive gambling underground. Without doubt it will drive gambling online, unregulated in many areas and beyond the reach of our control or any taxes that we would like to put on it. Yet at the same time Senator Ozouf says he is very concerned about the growth of online gambling and the growth in that sector. That is exactly where this would push it. We are far better to have regulated gambling than we are to have unregulated gambling that happens online and beyond our control. That does not mean that gambling is a fantastic ... I, myself, apart from the odd flutter maybe when I go to the races or perhaps on Grand National day, do not gamble. But some do. Is it so damaging that people spend their entire wage on it any more than they spend their entire wage on the consumerism that is going on on our High Street day after day after day. One or 2 clothes extra that still have the tags on them in the wardrobe, it is consumerism. You pay your money, you take your choices. There will be those that need help. The Jersey Gambling Commission themselves have scant evidence of being able to help those, and if they have no evidence, and if any other Member has some, please bring it forward. I am slightly confused because when I read one of the lines within that area on gambling Senator Ozouf said he is concerned by the emergence of online gambling in this sector. I am confused because when the Senator was the Assistant Chief Minister with responsibility for digital he attended the e-gaming epic live show “Ice”. Good show it is too. He was quoted as saying: “It is extremely positive to see this sort of collaborative initiative being organised by the industry and I am fully supportive of their efforts.”

Senator P.F.C. Ozouf:

May I make a point of correction? It is fundamental, if I may. Will the Member give way?

Deputy M.J. Norton:

I will give way, yes.

Senator P.F.C. Ozouf:

I am sorry if the Assistant Minister is unaware but that quote was a quote that was drafted by a P.R. (public relations) firm and was never authorised by me. That was known by the department, is accepted by the department and therefore is a quote that went out in my name without me authorising it. I have disassociated myself to the best of my ability to do it. So those words were not ever approved by me, I would never use them. I understand why the Assistant Minister might not know that but his officials should have told him that.

Deputy M.J. Norton:

I am obliged to the Senator for that correction. I do indeed accept that. The quotes that I have - and they are from more than one publication - were that the Senator was effervescent of the online gaming industry. It was part of his remit at that time. Given that as it may, I think that being punitive on an area that is well-regulated is well-managed, is paying its way, and doing so just because you feel that you do not like gambling, probably without any evidence, is just not good enough to pass muster with me, I am afraid. So I cannot support that as I cannot support some of the other amendments that are within the (i) to (v). But the Senator does know this morning that I attended with interest to the briefing that he organised with many of the retail sector. I found myself growing more and more towards the idea that a 10 per cent rate for an industry that would welcome a 10 per cent rate, retailers who have said: "Yes, we would not mind paying our way but let us do it at a realistic rate." They said so. I am minded to support the 10 per cent rate because it is a very interesting proposition compared to a 20 per cent rate which holds very little water to me because it is higher than the U.K. rate, it will be much higher than the U.K. rate should it come down to 15 per cent, it is a rate that the retail association themselves have accepted and would accept, and so I am minded to support that. But with regard to betting shops, please, be careful what you wish for or what you vote for because you could drive gambling underground, you could drive gambling online, you could drive it beyond our control, and we have very, very good controls.

2.3.10 Connétable S.W. Pallett of St. Brelade:

I will try to be brief. I think that people that know me know I am not saint but I do not drink, I do not smoke and I do not gamble, so maybe I am. Certainly from a smoking point of view, I have seen the damage it can cause close up personally. From a drink point of view, I will be honest and say I have drunk too much myself in the past but at the age of 40 felt that it was time to stop doing that. But I am involved in a charity that sees the damage it has done or I see the damage it causes on a regular basis. As far as gambling goes, I think clearly there are issues that we need to address in Jersey in regards to gambling but I very much support the words of Deputy Norton in regards to it is a regulated industry, and I think we need to be careful about where we drive that business. But in terms of the first part of this amendment, in regards to duty-free cigarettes, I will support anything that reduces a burden on Health and Social Security. I think the words of the Minister for Health and Social Services were quite right this morning. I think we should do what we can to address that. Although I do understand some of the comments made by Senator Farnham in regards to tourism and some of those issues, but, frankly, if people are coming here on a holiday just for duty free cigarettes, I am sorry, that is not a Jersey I want to be involved with and I think we need to be very careful about thinking that way. One of my main roles within government is looking after sport. Something we do within the department and something we try to stress is keeping people fit and healthy. I think anybody that smokes is putting their health at risk. I think that is

without a doubt. We see the damage it causes within the exercise referral scheme, for example. So, again, I have seen it close up and anything we can do to reduce that I think is something that we need to support. The Minister for Health and Social Services mentioned there are no safe levels of consumptions for either smoking or drinking. Well, certainly from my point of view I cannot see any redeeming feature in smoking, I am sorry, I just cannot. I am not so sure in regards to alcohol, although looking at the figures that we received the other day from the Stats Unit, where we are drinking 12.5 litres of pure alcohol per person per head of population, that is a pretty worrying figure and one that we need to address. But whether we address it through this, I am not too sure. But in regards to cigarettes, I support the first part of amendment. Deputy Norton has in detail gone through part (ii) and I very much support what he says. There are 90-odd people that are involved in the local industry and I would much prefer to see people betting at betting shops where we can physically see them than driving them underground or online where we cannot. Again, I have seen one or 2 people personally involved in football clubs in the past that I have seen driven down to their knees by spending too much on online betting and having absolutely no support whatsoever. So I think we need to be a little bit careful with that and if we are going to go down that route, let us review it and let us consult with the industry and let us make sure we are getting it right. In regards to (iii) and (v), I think subparagraphs (iii) and (v) of this amendment would, if adopted, have the combined effect of lowering the proposed income tax on large retailers to 10 per cent and extending its application to include large liquor vendors. The decision to extend the retail tax for large liquor vendors is arguably not consistent with the policy position of the Shadow Alcohol and Policy Group but it may nevertheless impact the Shadow A.L.P.G.'s (Alcohol and Licensing Policy Group) scope to propose a new licence fee system. Several parties within the industry may react to adoption of this amendment by calling for liquor licence fees to be reduced to a level consistent with the costs of administration only. The definition of a large liquor vendor - and that was brought up this morning about what that might be and this is taken from page 139 of the actual draft Budget Statement and crossed over into licensed businesses - is that 60 per cent of its trading turnover is for retail sales to customers in Jersey and retail sales to customers in Jersey are equal to or greater than £2 million per annum. A large liquor vendor whose taxable profits exceed £500,000 a year will pay a tapered rate of tax below 10 per cent on profits, the rate will rise to 10 per cent on all profits where the total profit made exceeds £750,000 per annum. One of the largest off-licence liquor vendors in the Island is the Co-operative Society. There have been suggestions that the Co-op may not be captured by this amendment in the short term at least. It is therefore possible that certain off licence businesses may complain this amendment distorts the playing field. The anticipated revenue to be generated from the above amendment would be in the order of £450,000. Existing liquor licence fees - and we have had a debate on this only last year when we were looking at the fees and we had to withdraw that in light of forthcoming progress with the Liquor Licensing Law - currently generate income in the order of £260,000 per annum. Now, the States Assembly has requested that a new system of liquor licence fees be created in order to address the apparent inequities in the current scheme and we will do that within the regulations, if and when we get the liquor licensing law through the Assembly. A new licence fee system is due to be devised by the S.A.L.P.G. in the coming months, subject to the adoption of the draft Liquor Licensing Law hopefully toward the end of January 2018. As part of that work the Shadow Alcohol and Licensing Policy Group is due to consider whether there is scope for liquor licence fees to reflect factors other than the direct cost of administrating and determining the relevant application. Now, in saying that, again, I think there needs to be some work done - I am not saying I would not support this amendment but I think there does need to be a review and some work done in regards to what the consequences are of this to make sure that we are capturing what we need to capture within this and it fits in with the licensing policy that will be put forward at some stage by the Alcohol and Licensing Policy Group.

[14:45]

The Bailiff:

Connétable, I am sorry to interrupt you ...

Connétable S.W. Pallett:

I know I am probably wandering off ...

The Bailiff:

What I was going to say is that you have assumed that large liquor vendors will be defined in the same way as large retailers and there is no basis for knowing whether that is true or not. I have no idea what large liquor vendors means at the moment, and you are treating this as a piece of legislation and it is not. So I do not want you to mislead yourself and therefore everybody else.

Connétable S.W. Pallett:

I certainly would not want to mislead the Assembly, Sir. All I wanted to do was try to ...

Senator P.F.C. Ozouf:

Would the Member give way? Would it assist, Sir ... I understand the difficulty that you have in making those observations quite correctly, and also the difficulties that the Constable has. When a Member is amending a Budget - and this is the issue I was trying to explain to the Constable of Trinity - there is a legislative draft that is then brought forward, normally by the Minister after the Budget amendment has been done because the Finance Law enacts that.

The Bailiff:

It needs the consent of the Minister under the Finance Law to bring it forward?

Senator P.F.C. Ozouf:

That is right. So the legislation has been drafted and that is what I have spent my time on to get it right and if it would assist Members to understand exactly what the legislation would look like if it was approved, would it be helpful to the Assembly on the basis of this draft which has not approved - the Ministers and officials have seen it ...

The Bailiff:

It is not your draft, is it? I would have to ask the Minister if he agrees.

Senator P.F.C. Ozouf:

No, I have done the work on it and it has been ... well, I have done the work on it, yes. So that is what I was trying to say, if it would be assisting to the Assembly if they could see the draft legislation - and this is procedural issue - could it be circulated strictly on the basis of it being a draft? It would, I think, assist.

The Bailiff:

Minister, apparently you have a piece of legislation ready to go if this particular amendment were to be adopted. Now, if you do and if you wish that can now be circulated. If you do not wish, it seems to me it is your piece of draft legislation and it will not be circulated and therefore the Assembly will not know what is meant by large liquor vendors.

Senator A.J.H. Maclean:

Yes, there is some draft legislation but I should just emphasise it is exactly that; draft. I have no objection to it being circulated although I am not sure it will be particularly helpful for Members but if they wish to see it then that is fine from my perspective.

The Bailiff:

Greffier, I think you can circulate it, thank you.

Connétable S.W. Pallett:

Sorry, there was certainly not any intention to mislead, I have merely taken the text from page 139 within the amendment.

The Bailiff:

Connétable, it is completely understandable but it is just not necessarily the same ...

Connétable S.W. Pallett:

No, I agree. No, I do agree. I do not have a lot more to add. In regards to (iv), again, all I would say is a word of warning. Having spoken to some of those involved within the high net worth programme and including the work that Locate does, I can understand why people believe that having a duty rate of 10 per cent on property when people come into the Island that we know are very wealthy - clearly they would not meet the criteria if they were not - but I think there will be a tipping point where we make it so unattractive to come to the Island that people will start to move away and look elsewhere. I know that is a fact, I know that only a few miles across our sister Island is trying to make it extremely attractive for people to go and move there. So I think we need to be careful. I am going to support this but I think there has to be a limit on some of the criteria we put on those that are moving to the Island. We have to remember that when they are here, and again from seeing how they operate within the Island, they contribute hugely to Island life through charities and various other means, so I think we need to be a little bit careful. I will support it this time, but I am going to be very careful in future if the Treasurer or anybody, the Minister for Treasury and Resources, comes knocking on the door of high net worths looking for too much more money. I think that is all I really have to say. I do not agree with a 20 per cent rate on retail. I think there are some solutions in here, I do not think they are all correct. I think there does need to be some reviews done in regards to some of the issues brought forward by Senator Ozouf but unlike what the Constable of St. John said, this is not a dog's dinner, it is interesting, it bounces a little bit and it has been an interesting debate but it needed to be debated. I am sure there were other solutions and I think the Senator knows that, and I think we know that. But there are parts of this I will support and others that I will not.

2.3.11 The Connétable of St. Peter:

I only want to talk to 2 parts. The first part being the licensing of betting shops particularly, as I have one in St. Peter. I echo very much the sentiments of Deputy Norton and his concerns. Certainly from knowing very well the proprietor of the betting shop in St. Peter, he considers - and I consider - him to be an ethical betting shop, if there is such a thing in that he will not take credit cards and payment other than in cash to avoid people going into unnecessary debt. That does allow them that opportunity to have some socialising in the place where they enjoy having their little flutter. But, after all, whether we go into betting shops or not, we are all gamblers in one form or another, whether it is buying a lottery ticket, the U.K. lottery, even the Jersey lottery or even working on the stock market. So gambling is endemic across anybody and it is not just a few people. The other point I just wanted to clarify with Members is the proposed reduction of tax on retail outlets. Certainly as Members will know the taxes are not designed to come into effect until the retail outlet has achieved £500,000 in profits. But at £510,000 they will pay 1.2 per cent of tax, which is £6,000, and it continues upwards on a gradient. Let me just give you a couple of other figures. At £600,000 they will be paying £60,000 in tax, 10 per cent is what they will be paying at £600,000. At £750,000, three-quarters of a million, they will be paying £150,000 in tax, which is 20 per cent. So what we do not have is a cliff edge like they have in Guernsey where the

percentage kicks in at £500,000. It starts very low at 1.2 per cent at £500,000 and climbs gradually to 20 per cent when it reaches £750,000 and remains at 20 per cent at all profit margins above that. That is what I wanted to advise Members of. Thank you.

2.3.12 Deputy S.M. Brée:

First of all I feel I need to advise Members I smoke and roll duty-free tobacco, and I drink sensibly, in my opinion. Does that make me some form of social pariah? No, I do not think so, I am just an average normal person. Now, we have heard various Members speak to various parts of this amendment, which I believe is wrong, because the amendment itself is a single entity, it should stand or fall in its entirety. Why do I say that? What does this amendment seek to achieve? Effectively, in very simple terms, it is looking to substitute new income flows in order to reduce tax on large retailers. So it is a balanced amendment, you have to agree to it in its entirety for it really to make sense. Now, when I first read this amendment lodged by Senator Ozouf I did wonder if this was the result of some very successful lobbying from the Jersey Retail Association, an association which we have to remember has been given a grant of £100,000 from the Economic Development, Tourism, Sport and Culture Department. If that shows a lack of joined-up thinking then I do not know what does not. The argument being put forward as to why should we reduce the tax on large retailers - and let us be honest, that is the core of this amendment, that is what lies at the heart of this amendment - let us reduce what the Minister for Treasury and Resources has put forward of a 20 per cent tax down to 10 per cent. So that we must bear in mind at all times. The talk about whether or not gambling establishments should be taxed, whether tobacco should be taxed, whether this should be taxed, that is immaterial. What we are talking about at the heart of this amendment is a reduction in the tax for large retailers. Now, the argument put forward is that if we tax large retailers at 20 per cent there will be an impact on consumers, purchasers, i.e. it will hit the lower income households the worst. We have been told that is between a 3 and 5 per cent increase in prices on the shelf that we should expect to see. The evidence from that, well that has come from the retailers themselves. So one has to ask: "Why are we looking at this?" Well, the Senator has also talked about **[Interruption]** ... I am not sure if we have a problem. Thank you very much. So let us look at really what are we being asked to substitute that revenue from other revenue. Duty-free allowance on tobacco products is being cut drastically. Why not go after alcohol as well, if you are interested in duty free? That would make sense as well. The problem is that all of these measures about duty free, about increasing taxes on gambling, is going to hit the lower income households the most because they are the ones who have the smallest amount of disposal income after all other bills have been paid. So that little amount of disposal income they have they want to be able to spend on themselves. Now, what we have is a government who is saying: "No, we know best. We are going to change your behaviour because you are not allowed to smoke. We are going to stop smoking. You are not allowed to drink so much, we are going to stop you drinking. You are not allowed to gamble so we are going to make it more difficult for companies who are running outlets for gambling." Perfectly regulated institutions are going to have their costs go up. Therefore, are they going to be able to stay in business? So what we are being faced with is a government who is saying we are aiming to change the behaviour relating to tobacco consumption, alcohol consumption and gambling because we know best. Now, Senator Ozouf, in this speech, when proposing this amendment spoke about the corporate rate of tax. As we all know, this particular tax only applies to large retailers. It does not apply to financial institutions. So it is not all corporates. To try and suggest that somehow we are going to be sending out the wrong message about what our corporate rate of tax is is wrong. Also the Senator is looking to impose a tax on large liquor vendors because the differential in the price between Jersey and the U.K. is so great there is something wrong. We have to address this gulf. Well, in Jersey property prices are much higher, rental prices are much higher, staff costs are much higher and there used to be - certainly in the finance industry - people who came over from the U.K., their

salary was increased by what was called Jersey weighting because it was recognised that living over here is more expensive. So I am not convinced by the argument that the direct comparison between the price of a pint in the U.K. and the price of a pint in Jersey is a measurement we should follow to the letter because there are other influences on the cost of doing business in Jersey compared to an average over the U.K.

[15:00]

The Senator also expressed his surprise that the retail trade is willing to accept 10 per cent as a tax. Well, of course they are willing to accept 10 per cent, it is better than 20, is it not? I think what we are seeing here is that the large retailers over here have realised that their days of being able to effectively have tax-free profits are over and that morally they have a responsibility, like every other member of society, to pay the taxes due on their operations in the Island. There is nothing wrong with that but why should we make an exception for them? Why should large retailers not be subject to the same level of tax, the basic level of 20 per cent tax, that all the rest of us are subject to? An argument has been put forward that large retailers should be allowed to have just 10 per cent tax on their profits because it is the same as the Zero/Ten regime we live under. You are missing the point there. I would suggest that large retailers do not pay their staff very much money, therefore the personal income tax gained from those staff members is much, much lower per head than it is in the finance industry. So you cannot compare the 2. You cannot say because a financial institution, a bank, only pays 10 per cent so should a large retailer because it fails to recognise the overall contribution in tax that the financial institution makes to the Island through its personal staff income tax. So when you look at this amendment I would suggest that people should look at it as one single amendment. If you vote for it, you vote for everything in it. If you vote against it, you vote for everything against it. You cannot separate one from the other. I go back to my argument that really the basis of this amendment is purely about reducing the amount of tax that large retailers should pay. I, for one, do not believe that we should be doing that. The Minister for Treasury and Resources has put forward the proposition based on a lot of evidence that 20 per cent above a certain profit level is a right and proper level of tax that these large retailers should pay. I, for one, support the Minister for Treasury and Resources in that. Therefore, I will be voting against this amendment in its entirety and I would urge Members to do the same.

2.3.13 Deputy M. Tadier:

I am pleased to follow that speaker. Clearly what is happening here is that, for want of a better phrase, you could call this an amoral amendment although there are, of course, moral implications in it. What it is seeking to do, it starts off by a premise that is saying: "I think 20 per cent income tax for large retailers is too much, 10 per cent is the right amount, arbitrarily half of it will be okay and therefore I need to raise an extra £2.8 million. Let us look around, I have been a former Minister for Treasury and Resources, there must be some pockets that I can pull this money of it that will be generally acceptable. By doing (i), (ii), (iii) and (iv), I can come up with £2.8 million." That is what he has done and that is a laudable exercise insofar as the Senator believes in balanced budgets. I am sure that is a good fiscal approach to take. You look at it initially and you think: "This is a bit of a dog's dinner, is it not? It is a bit mad." But then you realise to yourself that maybe there is method in the Senator's madness, or rather harking back to 2 or 3 decades ago, there is Methodism in his madness. This really is a classic Methodist's budget amendment, is it not? First of all, go after tobacco, then go after the gamblers and then after that we will go after the liquor vendors. Are there any other vices? There must be some more vices that we can tackle. We do not have any brothels over here at the moment that we know of, certainly no legal ones, although there was a breaking story only a few years ago, I remember, no doubt apocryphal to a certain extent, and no doubt they would be within the Senator's targets if that were the case that they existed. Let us go after the super wealthy just to keep the socialists in the Island happy. I am

not even sure whether that works. I do not know if there is anything within this proposition that I can necessarily support. Now, I hope that at some point the Attorney General or Solicitor General will come back into the Assembly because I would like to know ... I have 2 questions, the first relates to part (i) and that is how low can you go on duty-free thresholds before it becomes a problem legally. So you could say ... the Senator is saying to me one. So he could have said: "Let us reduce it to one cigarette", I would like to see the Custom searches for that: "Come on, you must have one here somewhere, can you go through that scanning machine again, I think you have a cigarette somewhere on your person", hopefully smuggled in externally because I do not think anyone would necessarily wish to go down that route. Imagine if tobacco became such a sought after product that people will become tobacco mules into this Island. So 40, completely arbitrary. Do they make packets of 40 cigarettes or 50 grams duty free? I do not think they do. But it is okay, they do it in Australia so maybe we can start getting the Australians to package our duty-free products for us. Shipping them over to Jersey, the only place in the European area which has this limit seems quite fantastical really, if we are going to start going down that road. It seems to be a ruse to say: "Well, let us just abolish duty free completely" and that is a good, valid political debate to be had, but not to be had in this proxy format that we are having it today. The Minister for Health and Social Services stood up and talked about all the damage that smoking does - and I think that is well understood - I think he is pushing on an open door with most of us. We know these things. Even smokers know that it is terrible. You cannot avoid it nowadays, you buy a packet of cigarettes and it has these grotesque images on there of illnesses, photographic as well as the verbal warnings, and it is remarkable that people still smoke. But, of course, it is not remarkable because it is such an addictive drug, which nicotine is, that people just keep coming back for more. Oh, how we hate smoking, it is terrible but, oh, how we love the duty that the cigarettes and tobacco brings to the Treasury. Is that not right, Senator Maclean? We love the revenues and we would be hard pushed without those revenues, even though we are told by the Minister for Health and Social Services that it costs more to treat smoking related illnesses than we get in terms of the coffers. I would like to see the stats on that. I am not entirely convinced that is true in Jersey where we have a healthcare system for which smokers, who often, more than the rest of us, are plagued by illness but they cannot get to the doctor for free, they have to pay. No doubt the only time that many of these people, often lower income earners, go to see a doctor is when they have become possibly very ill, if not terminally ill and then they end up checking themselves out of this place over a short period of time. Of course during that time they have not only paid probably their social security, their taxes, but they have also paid duty on top of that. So I think a cost benefit analysis of smoking and the costs that are needed to treat smokers in the long term needs to be done in the Jersey specific context, because we do have a different healthcare system to other places around the world. I do not think it is going to achieve anything. But listening to that debate, I was very surprised that this nefarious product is even legal. I would have thought that the Minister for Health and Social Services would have a 5-year plan to somehow make sure that this very poisonous and terrible product, the most dangerous drug I think which is sold openly over the counters in our community, he does not seem to have a plan, a 5-year plan, to say: "By this particular date, it will no longer be able to be sold openly and you will need to go and see a specialist in order to get this product prescribed to you if you need it." If that were on the Council of Ministers' agenda, I could take them seriously when they talk about tackling smoking but unfortunately there is no joined-up thinking between the Treasury and the Minister for Health and Social Services. It is just this idea that if we keep on cranking up the price of cigarettes of course people are going to stop smoking. That is valid to a certain extent but you are always going to get your hard core of people, ironically those who can least afford it, who smoke. There is an issue because, of course, a lot of the tobacco that goes around the Island is duty free and the people who buy the duty free are not necessarily often the ones that smoke it. That is a conundrum which I think needs to be resolved but it is not going to be resolved by this hare-brained scheme of reducing

from 200 to 40 cigarettes. There is a very real practical issue of the effect it will have on the tourism industry, particularly on Condor, not to mention the sales at the airport. Of course there are difficult moral and ethical questions that are raised from that. Is it right that our monopoly owned ferry company does rely heavily on the duty-free sales that it gets on board, and they have sent us around the figures, which I am sure are accurate, and the fares that they charge, especially on day trips, et cetera, often have very small margins of profit on that and a lot of the money that they make comes from duty free. The reality is that it is already expensive to get off the Island and to come back, it is expensive for tourists, even if it is a day trip interisland, a day trip between France, Jersey or the other way around and people coming over from the U.K. to Jersey, it is already expensive. We are not competitive. Necessarily, if you are taking away the duty-free sales on which Condor's operational model relies very heavily, prices will necessarily go up. Again, is it right that their fees are subsidised? Should we be prepared to pay for a system? Pay a bit more for us going out of the Island? We might be prepared to pay extra to leave the Island but will tourists and business travellers be prepared to pay even more to come to what is already an expensive stretch of water to cross. I suspect that is a reasonable argument and a reasonable thought that will put people off coming to the Island, in what is an already struggling tourism industry. Where does this 10 per cent rate come from for bookmakers? Why bookmakers? It seems completely arbitrary. I do not think I need to say any more on that. If the concern is really about gambling then the Minister in charge really needs to look at machines, I think. Machines are popping up in pubs everywhere as a matter of course now. They are regulated to a certain per cent but it is the payout which is the issue there. If you have a machine that says 78 per cent maximum payout is standard, that means that every £100 that somebody puts into the machine, the machine is making £22. That is just the machine standing there, there is no work going into it. It is just money for nothing. I would suggest that is where the real issue is. Are pubs going to start to have to pay that 10 per cent to be able to have machines in there? At least it has been argued that a bookies office does provide a relatively regulated or supervisory environment, if you like. Where is the casino in Jersey, incidentally? Where do rich people go to gamble? They do not do it in bookies necessarily, they want something a bit more salubrious. If you are going to waste £1,000 online or gamble £1,000 online you can do that and you may well win and the margins are going to be much better if you gamble in a discerning way online. But where is the rooftop casino where the high rollers can go to in Jersey, where we can talk about that 10 per cent tax or a licence fee on that particular establishment, which will pay for vital services in Jersey? These things would have been taboo to even raise in an Assembly like this years ago, let alone on a hustings platform. But it seems to me the poor man and the poor woman - it tends to be the man - has got no shortages of places on the corner of every street. There is a couple in Les Quennevais Precinct, among the vacant other properties that are there, where you can go to quite happily, gamble your money away on a machine, on the horses, on the dogs, but there is not that rooftop place, possibly at Fort Regent, where you can go and enjoy a cabaret, et cetera. Maybe the Senator has got some ideas on that when he sums up. Now, the 10 per cent stamp duty rate, it seems appealing to us but first question I would ask is: is it inflationary? It is going to push the cost up for the most expensive house prices on the Island? The argument traditionally goes: "Yes, but most people cannot afford to buy them anyway." But if those house prices go up then every other run of the ladder potentially goes up. Secondly, is it right that stamp duty is paid by the purchaser and not the seller?

[15:15]

This is another question which will come up during the land transaction tax, if that is what it is called. The land development tax. It is paid by the buyer not the seller, but it is the seller who is making the profit so why are we not taxing 10 per cent on somebody when they sell a house because they are the ones getting the money, not somebody who is buying the house when they do not necessarily have the money. It, no doubt, will make Jersey less competitive and these are

arguments which, of course, you would normally expect to be hearing from the right. “Oh well, if we tax them too much they could leave, they could go to Guernsey.” Of course, the problem with going to Guernsey and buying a house in Guernsey is that you have a house in Guernsey and then you have to live there. I am sure it has some advantages. Long live Jersey, I am sure it will always be more attractive but not necessarily at the rate this Council of Ministers are going in trying to ruin the Island in everything they do. This, again, could be the straw that breaks the camel’s back, but I am more open-minded on this proposal. Just to follow on from the previous speaker, if 20 per cent is good enough for the rest of us and it is good enough for other companies, such as the utilities, and it is what is being proposed by the Minister for Treasury and Resources, why do we have this former Minister who is saying: “I think 10 per cent is the right rate.” The argument goes that of course if it is 20 per cent then that is not going to be bearable by the industry. The Minister must know what he is doing with this. He would not propose something which is ill-researched after all, would he, to this Assembly? No Minister would bring something to this Assembly which was ill-researched and of which he did not know the consequences. But the Senator is saying: “Oh, but a 10 per cent will be all right.” So at 20 per cent the industry will have to pass that on to the customer but 10 per cent they will not. We know, of course, that the utility is already taxed at 20 per cent and we know that if the utilities overnight were charged zero per cent that would result in a 20 per cent reduction in all of our bills because they are so benevolent, of course, that they would pass that saving on to us. Let us look at what happens if you are a small trader, I am not sure of the small traders in the market whether they are all sole traders but you may have a grocery seller in the market, works on his own, it is his business and he or she operates that business as a sole trader. They pay 20 per cent tax on their profits. That is quite right and they already do that. We are going to say: “If you are a small sole trader who works in a grocery stall in the market, you have to pay 20 per cent tax on your profits, but if you are a large retailer, which most people gravitate to and you have thousands of people a day coming through your supermarket, you only have to pay 10 per cent not 20 per cent.” Is that fair? It seems to me you either tax them properly or you do not tax them at all. None of this half-hearted nonsense. If it is 20 per cent tax, you charge them 20 per cent tax. If 20 per cent does not work then 10 per cent is probably not going to work either. I also wanted to ask for legal advice on what has changed. We were told that we could not tax local trading companies because it fell outside of the European rules about ring-fencing and about anti-competitive practices. Now, what has changed? Has something changed and what is the legal advice on that? I hope that at some point we can get some legal advice from one of the law officers and from the Senator when he sums up. Or is it similarly that we are taking a gamble, we are thinking that Brexit is now on the horizon and we do not think they are going to be taking too much interest in what we are doing so we just do not care anymore? If we can tax these companies, why can we not tax other companies? Why are we singling out retail companies here when there are lots of other people making significant profits in the Island. Until we tackle the fundamental issue of taxing capital and taxing profit, taxing disposable income rather than non-disposable income, I think we are going to be filling around at the edges. If (i) to (iv) were such good ideas and we are hearing all the behavioural changing ideas, then these would have been done irrespective of the £2.8 million that needs to be saved. They are completely separate issues. I think Members should give serious consideration, if they want to, to adopting (i) to (iv), by all means let us get an extra £2.8 million in the kitty so that we can spend that on a proper progressive social environment ... some of us who attended the Women in Politics programme today heard about the problem in a society where it is run by men. I am sorry if some of us were late back after the lunch break, it is because some of us had other places to attend. We all have dual roles no doubt in this Assembly. We are not just States Members who attend here, we do things outside the Assembly as well and so apologies if there were not enough Members here initially. A very good programme that was put on today by that speaker and the speakers that attended. They warned of the fact that when you have a society which is dominated right at the top by men, by an old boy’s network and by a

predominance of men in the Assembly, you get policies that are designed for men. That £2.8 million that is being raised, that could be put to good use, I would suggest, in social programmes which benefit not just women but women, children and families that work socially but also work economically because there is an economic driver when we invest in social policy. So, by all means, if people want to adopt (i) to (iv), get some more money into the pot, it is not without risk, incidentally, as I have just outlined, but certainly part (v) should be summarily rejected I would suggest.

The Bailiff:

Deputy, 2 things if I may. The first is that I have no doubt that Members were attending other events over the lunch break but the rule has always been in this Assembly that the Assembly takes priority over other events which Members might attend and therefore it is the obligation of Members to be back at the right time of 2.15. But, having said that, can I go to the 2 questions that you wanted to put to the Solicitor General. He left incidentally with my permission because the Budget debate is not a debate that the law officers customarily attend because it is a debate about what Members want the law to be or how the money ought to be applied and therefore issues of law do not normally arise. But I am sure he is available to come back and I will ask him to come back. The 2 points I think you wanted tackled were: is there some international obligation binding on Jersey which has an impact on how low you can go on the duty thresholds before there is a problem? That is the first question. The second one was: has anything changed on the E.U. Code of Conduct (Business Taxation) regarding ring-fencing or anything else which might be affected by the large retailers' point. Is that right? Thank you. Greffier, if you could get that message to the Solicitor General.

2.3.14 Deputy J.A. Martin:

I am next, thank you. Yes, this is not a hard one for me and I am just going to concentrate on should it be 20 or should it be 10. I will emphasise that I normally enjoy listening to Deputy Tadier speak, not for 3 hours I will say, but he normally is thinking about the people he represents and I did not hear any of that in his speech. When I looked at who will pay this tax, there are only 3 and it will be the shareholder owner, the employees or the consumer. Now, when does anybody - and they could be the big bad wolf, they could be the big bad retailer - say: "Oh, we will take a little bit less shares this year because we can do this." No, you know where it is going to go. What we have done over the last few years, we have introduced some High Street names into retail and I just want to concentrate on food. I will say, I do not think we have anything to do with commercial ... the shop that is named after a country gets 22,000 shoppers a week. A week. I know, I live around the corner and I can never get a park at the doctors there. But that is besides the point. It fills a great market, it fills a market at that end and they will not ... the margin is so small there it has to go up. So this is who they will hit. Again, Deputy Brée said the evidence is not there to not go down to 10. There is no evidence in the Minister's paper to go up. It is all against it, it is ifs, maybes and whats. We do not know - and I will quote - what is going to happen. They say, and this is from their economist: "If firms are able to pass the tax on in prices or reducing other costs, they may absorb the tax increase through reduced profits." They may? Come on, I live in the real world and I am a woman, Deputy, and I have just been to ... please listen to a different point of view, and it is mainly the women who do the shopping and they see how much money these things add on. So this their paper, this is the comment from the ministry. Then it says, on page 10, the penultimate paragraph: "In the absence of information on how firms are likely to respond, it is not possible to estimate the overall impact on economic output, gross value added or productivity." Then it says: "If there is some reduction in the market share by large retailers who decide to scale back activity, employment, this will often be picked up by smaller retailers." Now this is a plus, who for Deputy Tadier's information, in the Minister's comments, are unaffected by the tax. They do not pay the

tax and they will not pay the tax. Then there are other things in here saying: "Well, if they are just under the £500,000 they will not have an incentive to just go over it. Never going to employ the person from Back to Work, they are never going to put a bit more productivity and make their profits go up." So we had the choice in the comments of either choosing - this is on page 6 - Senator Ozouf's accompanying report or the Economic Unit's analyst's report as to which is economically right. Well, none of them are very positive. But when you speak to the retailers - I could afford about 20 minutes this morning because I was at a Parish Deputy's meeting earlier - these are not the great big corporate unknown faces, these have done great for our Island. Compare Guernsey, Guernsey do not have any form of G.S.T., and as the for the Isle of Man, well, let us follow someone who wiped out the whole of their tourism industry with one fell swoop and is pedalling backwards to just get it started. We are not the same. We do have a great retail industry which affects our tourism. It makes finance a great place to do business here. It makes it great for the high value residents that we bring over. Like Deputy Andrew Lewis said earlier this morning, do they just do it for the sake of bringing over the trailer once a week so we can have it. We are a very, very fine balance and this is a new tax. If you listen very carefully to the Minister for Treasury and Resources when he opened the Budget this morning, he said new income revenue raised will be able to fill the gap that we did not agree to for the hospital charge. Some way towards it. So you have to listen very carefully. I know sometimes when people go on it is very hard, but listen. They do not care, they have to raise a bit of money being a new tax. If you do not believe the big bad wolf, the retailers, who say they could absorb 10 per cent, they must be lying, must they not, but we will definitely pass on 20, introduce it at 20. If it is a new tax, we have a blank sheet of paper, why can we not introduce it at 10? Because sure as eggs is eggs, nothing ever goes down in this Assembly, always rises. Cost of this rises. I literally stand here today saying the 3 people affected ... and even if you forget the shareholder, the other 2 is the employee ... as Deputy Tadier said, the lowest paid workers in this society and they are going to have their wages frozen for the next 2 years so they can pay taxes on profits over £500,000. The politics do not add up. Do not shoot the messenger. Do not shoot the messenger, please. It is very, very strange that I keep standing here defending it but I mean I am only going to support this ... I was very tempted to the 10 per cent on stamp duty over £10 million. £10 million. The majority of people, youngsters, people working hard cannot buy their first home and we are worried about putting a bit more stamp duty on places of £10 million.

[15:30]

This is a Reform Party absolute must have, but no cannot support it because the Senator is some sort of Methodist. Well, please. I think he said Methodist. I do normally listen. You cannot suddenly abandon your own politics because somebody has brought an amendment to a proposition that you do not like the person or you possibly do not normally agree with their politics. We have had some really funny groupings over the last few weeks in different debates. Well, they always say remember who your friends are not because they do not last for long. I am really, really worried about and I think we do have an opportunity today. I am not going to vote for the rest of it. I do not know enough and I do not think on either side ... you know, is it liquor licensing? They pay so much. We are out in pubs going out, and I did not really want to go on about anything else. I do not think I know enough. But when we are introducing a new tax and it will hit the people who can least afford it because, as I say, and I repeat it, it will be passed on to consumers and whether it is clothing, whether it is food, whether it is the school shoes or in the big department stores, the big, bad wolves, who are providing for us, because we could all go online, could we not? I say act with caution and do not just say yes to the Minister for Treasury and Resources because we were sensible to kick back a healthcare charge and now they are looking for any means of revenue to fill that gap. To Senator Ferguson, I say yes and when the facts change and when I researched the facts I can change my mind and I hope a lot of other people will do.

2.3.15 Deputy R. Labey of St. Helier:

The gospel according to the Minister for Treasury and Resources that we heard this morning was indeed good news so close as it comes to the start of advent in a few days and, if we are to believe him, the performance of the Treasury team is great and good news and I have no reason to doubt him. The performance of the Council of the Ministers, the same; I will take his word for that. The performance of the economy good. The performance of the performance forecast is good. So with all this good news why put up prices, is my question? Why fiddle, tinker with thresholds to give some people a £91 a year get-back? What is the point of that if the cost of living is going to go up by putting prices up of everything? I really believe that we are not taking seriously enough the danger that we face with pricing ourselves out of the market in terms of a tourism destination. I know there is the feeling that Jersey is no longer a bucket and spade destination and that we are going for a different kind of tourist but there is still that market. There is still that market. There are still people for whom going to Jersey and getting their cheap ciggies on the flight or at the airport is part of the fun, part of the bonus of it, and especially if they cannot do it travelling with the E.U. we should not ... I do not want to judge people and I do not want to take that away from them so I will not be voting for (i). The 10 per cent rate tax applied ... I do not know enough about bookmakers and the operation. Is this going to cost the punter at Constable Refault's St. Peter's bookmakers; is that going to cost them money when they go to place their bet on the horses and if they are lucky enough to win that money is probably almost immediately spent back into the local economy? They might go across to the George de Carteret or the Co-op or into town, or what have you. I feel that needs explaining. The large liquor vendors. This sounds to me like the price of booze going up again and with the R.P.I. increase in impôts. Last year Members might remember I brought a proposition to keep the increase in impôts and alcohol pegged at R.P.I., which was then 1.5 per cent. Of course, in those days they were rounding it up to the nearest penny, so percentage wise it went up more than then 1.5 per cent to achieve a round penny increase. I feel that our hospitality industry deserves a break in this respect. They do not want to have to put the prices up more each year. They do not want to have to risk pricing themselves out of the market and yet we just seem to do this. I find the alcohol strategy is a complete waste of time on behalf of all parties concerned. I do not think it makes any sense to me. There has been no appreciation of the work done in the U.K. between 2013 and 2016 where they pegged or even lowered the price of beer in pubs, which has had huge benefits for those places where drinking is regulated and social and an important part of people's lives on occasions. This is never recognised. The same old arguments are trotted out. I am not going to do that again. But here is the thing, the other day I was at one of the guesthouses in my district and the proprietor was telling me about the huge impact on his small guesthouse in Havre des Pas that the Condor sailings have been cancelled; the huge impact that has had on his business. In one week he had 4 rooms cancelled and he returned their deposits, their money, because he felt he ought to. A lot of them were regular customers. I do not know whether the big hotels do the same thing. It did not just happen one week. It has happened quite a lot. So he takes the hit when that happens, when the rooms get cancelled because the Condor sailings are not happening. He takes the hit and he refunds the money and in that short time he is never going to get the rooms filled again. It is not his fault. It is our fault because we put that system in place. Our hoteliers and our publicans, our hospitality industry deserve a break and all we are doing to it, assisting pricing them out of the market, and I do not want to be a part of that. The stamp duty on 10 per cent; that seems fine. I mean what we should be looking at is stamp duty at all on the lower priced properties and whether stamp duty should be paid by the seller rather than the buyer. After all the seller is walking away with a massive cheque. The buyer, in some cases, the first-time buyer, is saving up everything, doing everything they can, trying to get the deposit together, taking out the massive mortgage and has to pay the stamp duty. That does not make sense to me. When are we going to look at this? When are we going to look at new initiatives? Oh, on the bookmakers, I will say this. Deputy Tadier is right, we should at least reopen the debate about a

casino in Jersey before the Fort Regent swimming pool comes down because there is a very good opportunity if we were talking to the right people that they could assist with the cost of doing all that and replace something there with something advantageous to the ... am I the only one who has not been stopped by a tourist in town and asked where the casino is? I have spent many hours in casinos and never once on a gaming table because in my industry, over the past 15 years, touring the U.K. and the rest of the world with theatre productions, after I have finished work, had a meal, sometimes the only place to go with friends to have a drink is the casinos and they are extremely well regulated. There are bouncers everywhere. We should be reopening that debate because it could help us. Now, to the new income tax levied on large retailers, levied at 10 per cent rather than 20 per cent. Again, what I want to know: is Senator Ozouf saying that the large retailers will absorb the 10 per cent without prices going up and is he suggesting that at 20 per cent inevitably prices to the shopper, to the consumer, are going to go up? I do remember when Senator Maclean gave his speech before he assumed the role of Minister for Treasury and Resources, he will remember, that he gave a pledge that raising taxation would only be under his stewardship a last resort. So is 20 per cent, I ask him through the Chair, a last resort? Well, it cannot be, can it, because everything from one to 19 is a consideration? So I want that justified. I want to know about its impact on the shopper. I think we have just got to be extremely careful about ... because I mean have we not all changed our holiday plans, our habits, our holiday habits, because places have started getting too expensive? I have done that. I mean I love the south of France and I have gone there a lot and, you know, year in, year out, now there are places in the South of France I avoid because it has got too pricey and what I am getting for my money is not good enough, and we just must not fall into that trap. I am only got to speak once on this debate and I just wanted to reference the Higher Education Funding Initiative, which I am sure is welcomed by everybody. The Minister for Treasury and Resources ...

The Bailiff:

I am sorry, Deputy, that does not come under this.

Deputy R. Labey:

Okay, fine. I will leave it there.

2.3.16 Deputy G.P. Southern:

That is interesting. I came to this particular amendment with an open mind and, as is my wont, and as I was taught at primary school, I started to read the amendment and, as I normally do, I start at the top and I start at the left. I started reading it and by the time I got halfway down the first line: "The inbound duty free allowance of cigarettes will be reduced to 40", I had already paused, 40? Like Stan Laurel, started to scratch my head. What is this? Then I went down to the second one: "A 10 per cent rate of tax is applied to class 1 bookmakers." That is a newie. I have not seen that one before. Oh, yes, oh, interesting. What is this about? Then the third one: "The new income tax levied on large retailers is applied to the large liquor vendors" and then I realised what a mistake I was making. I start at the top, read to the left but the key elements, the key elements, were at the bottom and on the right because this amendment is all about the money. It is a Budget. It is about tax raising. It should be about the money but there it is. Start at the bottom right and you start to understand the whole purpose of the amendment. It is not about behaviours. It is about balancing tax revenue. Classic fiscal wisdom or not. So £2.8 million to be reduced by reducing the rate to the 10 per cent of the 20 per cent. To be made up by a 10 per cent rate on £10 million; £450,000; £250,000 and £1.5 million as you go up the right-hand side of the proposition. So start at the bottom, point (v): "Large retailers"; large retailers; who are they? Let us suggest that they are Boots. Let us suggest they are Normans, as we call it, but Govan, St. Govan. Let us talk about de Gruchy; all foreign owned. What do we know about the history of these companies? We know

that at 2009 their tax, which used to be 20 per cent, 20 per cent for everybody on the Island, 20 per cent for individuals, 20 per cent for companies, was reduced to zero. So 8 years ago they received a windfall bonus. You can come to Jersey and trade for nothing. Here is an amendment that says we should not charge them 20 per cent, which you and I are paying, left, right and centre, we should charge them a mere 10 per cent because they are hard done to and they have high turnovers but low margins. But we gave them a giveaway. We took 20 per cent of the tax off them, not 8 years ago. Yet we are told by the proposer of this proposition that 20 per cent, you and I pay 20 per cent on what we earn, less allowances, is not the appropriate sum for these companies as soon as they earn profits of more £500,000.

[15:45]

I am sorry but I am not taken in by that. If you used to have a business model that survived on 20 per cent tax and it gets taken away, then surely in terms of how much you make, 20 per cent tax on some of your profits is still doable. It is not the end of the world. So please do not cry about the pain because it is not even the pain that you used to suffer 9 years ago, 8 years ago. Now, the next question that I have to consider is: will this tax be made to pay? Will it work? **[Interruption]** Ooh, from the left somewhere ...

The Bailiff:

Deputy Higgins, is it you trying to look inscrutable or ...

Deputy M.R. Higgins of St. Helier:

No.

The Bailiff:

It was Deputy Hilton ... as always, Deputy.

Deputy G.P. Southern:

Can the tax be made to pay? The first question that is shared with Deputy Tadier, does this not, in some way, break with our Zero/Ten policy, which has been accepted by the E.U. as a fair and level taxation regime? Does this break with that and are we going to be in trouble? I know Guernsey is doing it. I think Isle of Man is doing it as well but does that mean that some time down the time, when they get round to it, the E.U. is going to be saying: "Hang on, you have broken the rules. You have got several rates of tax, including this one, for particular companies and it is not fair." My second question around can it be made to work is: and what is the expertise of many of the companies in our Island, what do they specialise in? Why they specialise in taxation and many of them specialise in tax avoidance. Perfectly legitimate. Are you telling me that these large companies, Boots, Normans, de Gruchy to name but 3, cannot find a way to reduce their profits so that it falls below a threshold rather than above it? So we will not be generating £2.8 million from it, perhaps, because the classic manoeuvre is if it looks like I am paying what I think is too much tax: "What shall I do? Oh, I will just have a refurbishment or paint the entire shop and re-deck it out and I will cut my profits and I will not be paying all those profits to the taxman." So you look at that and you say: "Does it work?" but then you look at, what is this about; this is only about money and balancing the books and you go up the list, stamp duty rate 10 per cent increase: "I would love to do it. I would love to do it." But the correct way to deal with 1(1)(k)s who earn lots of money is to adjust your tax rates and not your stamp duty, the indirect taxation, but to tax them properly as appropriate. Now, we have just adjusted their taxation and we have said we will look at it again some time down the line, perhaps 2 or 3 years down the line, and that is when we will move on that. So I am not keen, even though it is very tempting, to slap an extra 10 per cent on stamp duty. The rest of the figures, quite frankly, are, I think, what is the word, novel and probably absurd so that we should extend this tax to large liquor vendors, tax bookmakers and reduce the

duty free allowance to 40 cigarettes make no sense to me. I am quite content that the 20 per cent rate, if you can make it work on profits over £500,000 for foreign-owned companies in particular on this Island, does make sense to me and so I can, I think, support ... no, I cannot support any of this in the amendment. I think it has been knocked together with a random set of ideas left over from the proposer's time in Treasury and Resources and I do not think it is worth supporting at all.

The Bailiff:

Can I say to those Members who are listening to the debate in the coffee room outside that we are on the minimum quorum of 25 so it would be good if some could return? Thank you. Solicitor General, I understand that you had notice of the questions which Deputy Tadier was putting, are you able to help the Assembly please?

Mr. M.H. Temple Q.C., H.M. Solicitor General:

I just wanted a little bit more time in relation to the first question, which is to do with duty free allowances. In relation to the second question, my understanding is that the E.U. Code of Business Taxation simply requires that a majority of profits get the zero per cent rate. We do not have any definition of what a majority of profits is but the comment in those circumstances, it is obviously a matter for a court to define it, but my advice would be a clear majority is at least 51 per cent. On that analysis, adopting a rate of taxation for large retailers, which is of either 10 or 20 per cent, subject to the analysis which I am sure the Treasury have done, bringing in the profits of those large retailers, whether they be ... I think there are 20 large retailers who potentially fall within the scope of this tax, would not endanger the Island's overall majority of profits that fall at the zero per cent rate. So that is my answer in relation to the second question. In relation to the first question I just need a little bit more time to look at the Kyoto Convention.

The Bailiff:

Deputy Tadier, it looks as though you have a supplementary.

Deputy M. Tadier:

Just to thank the Solicitor General for coming back. I know, as you say, it is not always the case that legal questions arise during a Budget debate, so I appreciate him coming back. I do not want to stray into a political question but I will ask it and hopefully he may be able to answer it or not. Has that legal advice always been the case during the last 8 years? The reason I ask that, which is a political consideration, is to find out surely if that has been the case for the last 8 years and if the Ministers have known that why have they not done something to effect this change before and ...

The Bailiff:

Well, the second part of the question is a political one, not for the Solicitor General. The first part is whether or not the advice has changed in the last 8 years.

The Solicitor General:

I cannot really assist with that. I am not aware of any change but I would have to go and review files in order to answer that question.

Senator P.F.C. Ozouf:

May I assist the Solicitor General in answering the first part of the question?

The Bailiff:

No, you will be able to sum up at the end, Senator.

Senator P.F.C. Ozouf:

I am just trying to assist him.

The Bailiff:

Yes, I understand that but ...

Senator P.F.C. Ozouf:

I am just telling him where the legal advice is because I have got it.

The Bailiff:

Very well, go and tell the Solicitor General where he can find the legal advice.

Senator P.F.C. Ozouf:

Can I just advise the Solicitor General during my time as Minister for Treasury and Resources the specific question about the legal position about Customs, which I have addressed the Assembly before, has been made and that is where you might find it. So it is not just the Kyoto; it is the International Customs Convention. I am just trying to be of assistance.

The Bailiff:

Oh, the International ... on the first question.

Senator P.F.C. Ozouf:

It is not Kyoto. It is not the Kyoto thing. It is the International Customs Union.

2.3.17 Deputy E.J. Noel:

When I was Assistant Minister at Treasury and Resources the then Minister had a strong view that we should not do the popular thing at the expense of doing the right thing, and I concur with that fully. So I am somewhat surprised that we are being asked to do exactly the opposite today in terms of the retail tax. Jersey has a Zero/Ten/Twenty corporation tax system, not a Zero/Ten system. Utilities, mining companies, fuel importation companies, property companies, be they rental or development companies, all pay corporation tax at 20 per cent but why should betting shops and very large retailers pay corporation tax at a lesser per cent, as suggested by Senator Ozouf? Yes, we do levy 10 per cent on our financial institutions because that is because our competitors do so and we need to remain competitive. Our competitors in Guernsey and Isle of Man charge their very large retailers at 20 per cent. That is all we are proposing to do today and that is on the basis of what we agreed to do last year in the previous Budget debate. What we are being asked to do is to do something that is fair but not necessarily popular. Members can clearly see from page 17 of the Budget documentation that the larger retail tax will only be affected when profits in excess of £500,000 per annum are made. This only affects some 20 large retailers and 5 of which are locally owned. The Constable of St. Peter has already explained that even then at the £500,000 a year profit it is on a scale until you get in excess of £750,000 of profit every year. So it does not even start at 20 per cent. It is on a sliding scale. To my mind it is fair that non-locally owned large retailers pay tax at 20 per cent on their profits in excess of £500,000 on a sliding scale up past £750,000. Just as we ask Islanders we ask those locally owned retailers to pay tax on their distributions at 20 per cent. We have given the large retailers a year's notice because we took this decision in last year's Budget to bring in a larger retail tax. So an unforeseen, perhaps, consequence of agreeing with Senator Ozouf's amendment today is, do we really want those companies that are currently paying corporation tax at 20 per cent to have, in my view, a legitimate argument to come back and say: "This is unfair. That we should be charged at 10 per cent as well." I think that is a risk too far to take today. Do we really want the utilities, the mining companies, the fuel importation companies, the property development companies, the property rental companies, to reduce their tax burden from 20 to 10 per cent? Because that is a real risk we have by moving from

a Zero/Ten/Twenty system to a Zero/Ten system which this amendment would suggest that we are doing. As I have already mentioned, it is not surprising that local retailers are supportive of a 10 per cent corporation tax rate; it is because they are already paying 20 per cent on their distributions. So to have a lower corporation tax rate is not going to affect them. Senator Ozouf's amendment is a package but it is fundamentally flawed because the last element of that package by reducing ... and introducing a Zero/Ten overall system as opposed to a Zero/Ten/Twenty system, in my mind, is dangerous and we should not be going there so I will not be supporting as my Council of Ministers ... our colleagues will not be supporting Senator Ozouf's amendment.

Senator A.J.H. Maclean:

It has been a very interesting debate and a number of views have been aired, which is the purpose of it, and I would just say to Members that further to my earlier comments, when withdrawing the amendment to the amendment, I did that in no small part to allow this debate to happen. There was a very real risk we would never have got to debating the retail tax and the potential changes of the retail tax from 20 to 10 per cent. I think I have made clear the position of the Council of Ministers with this regard and that is that all elements, all parts, all 5 parts of Senator Ozouf's amendment, should be rejected. We do not support them at all although having said that there is some merit in the early parts, parts (i), (ii) and (iii), and the Council of Ministers have therefore given an undertaking that a review will be undertaken on parts (i), (ii) and (iii) and that is in particular looking at the duty free limits that have been discussed at some length by Members this afternoon, looking at the taxing or potential taxing of on-Island bookmakers and also the taxing of large liquor vendors.

[16:00]

Those areas should be looked at and the Council of Ministers has agreed to undertake the review. In the same way as we did last year when Senator Ferguson brought along the proposal to tax large retailers. We amended that amendment because at the time Senator Ferguson was keen that we just adopted, lock, stock and barrel, the Guernsey retail tax at 20 per cent and with the £500,000 profit cliff edge we felt that that was inappropriate. We also realised it was important to do some economic analysis, some distributional analysis, to understand what the potential impact would be. We also realised that it was going to be important on the point that was asked of the Solicitor General to ensure that our tax position under Zero/Ten was in no way going to be put at risk and by that we had to satisfy ourselves that the majority of companies and the majority of tax, as the Solicitor General has said, would be at the zero per cent rate. So data needed to be collected, which the taxes officers have been doing, to ensure that that was the case and we are comfortable that with the level of retailers involved in this particular measure, no more than 20 of which, as my colleague mentioned a moment ago, three-quarters are non-locally owned, then there is no risk in that area to extending the tax regime from Zero/Ten/Twenty to include retailers. That is the right move as far as we are concerned. The other points on the measures contained in parts (i), (ii) and (iii); they do involve making changes and they would, therefore, in our view be very difficult to implement in the short order. For example, they require law changes to be made effective from 3rd April 2018 in the context of the changes to the duty free allowance. This is unreasonable and virtually unworkable from a timescale perspective and I believe, in his earlier comments, Senator Ozouf accepted that point and indeed accepted that reviews into part (i) and part (iii) were something that he would support. The Council of Ministers recommend that a review does take place, as I have said, and it must happen first before potentially coming back to the Assembly at Budget 2019 next year. Now, before getting into the details of the parts I would like to just remind Members the importance of treating, as I mentioned in my earlier comments this morning on the Budget, the important of treating the Medium Term Financial Plan as a package. This Budget raises in total, if unamended, £10.2 million and of that the retail tax contributes £5.8 million and the newly defined

financial services businesses a further £3 million; all contained within the £10.2 million. It is important to remember the integrity of the Medium Term Financial Plan. The Assembly took a decision to reject the health charge and also to defer the waste charges, potentially leaving a gap in our Budget by 2019 of £26 million when you pull those 2 measures together. That is why, despite Deputy Labey, the strength of our underlying fiscal position, we have to look forward to the risks we face. We have to be realistic. We have put together a package of investment in public services; that has to be paid for. That was approved as part of the Medium Term Financial Plan but the key revenue raising measures totalling £26 million by 2019 have, as of yet, not been approved and that is why this measure, being brought forward, the retail tax of 20 per cent, is important and is an important part of the Budget proposals for Members to consider. Of course, the next point is it is all very well raising the revenue but is it fair and I think it is worth perhaps just remembering the key elements of the large corporate retailers tax; first its introduction, as I have mentioned, was as a result of Senator Ferguson's amendment at the last Budget and on the basis that Guernsey and the Isle of Man have already introduced such measures. I also note that it was overwhelmingly supported by Members and in fact Senator Ozouf was also supportive last year, but clearly he has changed his views. A large corporate retailers' tax is, and we should remember this, a profits tax. No profit; no tax to be paid. Companies will only start paying the tax under the proposals when their profits exceed £500,000. There is no tax to pay below that and the threshold has been specifically set at that level to ensure that the majority of retailers, the majority of retail businesses in Jersey are not impacted by this measure. Only the most profitable retailers are in scope. Companies will only start - my colleague and Assistant Minister, the Constable of St Peter, has made this point - paying the full 20 per cent rate when profits exceed £750,000. That is why the Taxes Office tells us that there are so few companies included in this particular measure. I should add a concern that I know Deputy Martin had about the impact of the tax on the profitability of the businesses who are in scope and how that might affect both food prices, but also it might affect their ability to retain staff, grow their businesses, stay in the Island. I think she even mentioned a number of those areas. But we have to remember that these companies, the majority of the ones being impacted, are non-local companies. They are already operating in other jurisdictions. They are already paying tax in the U.K., it has been mentioned, they are paying corporate tax at 19 per cent and, I might point out, despite that they are also delivering, certainly in the food retail market, products which are cheaper than many Islanders can buy here in the Island. Food retailers in the U.K., despite the fact they are paying tax, are delivering their products at a cheaper price than they are here in the Island. That does not suggest to me that there is going to be a big change with regard to pricing. Indeed, we have gone through the process, as Members would have expected, and it was the reason we wanted to review this issue, to have independent analysis completed and we had that with the Economics Unit to look at what the impact might be of introducing a tax of this nature. It is also interesting, not only did the economic analysis indicate that the impact would be relatively small, partly because there are, of course, a whole raft of small and medium size businesses in this space anyway, which creates competition so that in itself will have an impact on ensuring that prices are kept down. But we also have, and I think for Deputy Martin this might be an interesting point, and I should say I am delighted she listened so attentively this morning to all the points that I made. She disagreed with a number of them but at least she listened, so that is encouraging. But a point for her just to bear in mind: Guernsey, as I have said, has got a retail tax. It has got a retail tax of 20 per cent. Official statistics from Guernsey for last year, 2016, what did it suggest has happened to food prices in Guernsey? They have got a retail tax. It is at 20 per cent. We would expect prices to go up perhaps, Deputy. No, the official figures say that food prices in Guernsey fell. They did not just remain stable. They fell by 2.5 per cent. Those were official statistics. They are available online. They are available in a written statement ...

Deputy J.A. Martin:

Will the Minister give way? That is possibly because they have not got any G.S.T.

2.3.18 Senator A.J.H. Maclean:

It is nothing to do with G.S.T. It is the baseline of the products that are being sold. They have added tax and they may well not have G.S.T., it makes no difference to the fact that the prices have come down in the food area in the last 12 months since the retail tax was introduced. The Council of Ministers, like Senator Ozouf, understands that companies do not pay tax. In reality it is passed on, and we have touched on this point, one way or another to shareholders, employees or customers and that is why the Economics Unit and their review were so important to understand what was going to happen in the market and we quickly understood from their advice that there was going to be very little impact at all in that area. It is clear that to start introducing a range of different taxes when we have got our zero, we have got 10 per cent, which is a special concessionary rate for financial services in order to ensure, as it operates on an international basis, that it is competitive and we do have, as my colleague, Deputy Noel said earlier, a 20 per cent rate already for utility companies, property developers, quarrying organisations, although there are very few, but nevertheless there is a 20 per cent rate and individuals, the standard rate of tax is 20 per cent. It, therefore, makes perfect sense if extending our tax regime outside of financial services; that any extension would be at the standard rate of tax at 20 per cent. It is not reasonable to not do it in that way. It is the most sensible and pragmatic approach that could be taken and that is why we are proposing that particular point. I would just like to talk also about part (iv), the stamp duty change that Senator Ozouf has talked about. Stamp duty for high value residents when they spend more than £10 million on a property and, of course, that is a phenomenal sum of money to spend on a property, and I understand why many Members and those listening will think: "Well, that seems fairly harmless." I welcome the opportunity while talking about stamp duty, and in relation to increasing stamp duty for properties of that level, to talk just very briefly about our high value residents, the H.V.R.s (high value residents), because we have made some changes in the Budget, which I referred to earlier on today. In the Budget I made it clear that we were going to be looking for our high value residents to make a larger contribution than they have done in the past and that was following a review. We went through a similar process, making sure that we have the facts, we reviewed the situation. That review was published and distributed to Members last year and now we have brought the change in this Budget, which is to increase the minimum contribution from high value residents to £145,000. That is not the only measure. We also, secondly, introduced what we described as a top-up mechanism that means that even when a high value resident does not generate sufficient income, which has happened I might add in the past, they will still be treated under the law as if they are generating that income and they will still be liable to pay the same level of tax, and that was an important mechanism to include. Finally, we made certain that we introduced into these proposals the ability to update and review periodically what high value residents pay, which had not previously been the case. So we have made a number of measures to change that particular regime but to ensure that it remains competitive and let me be absolutely clear with regard to our high value residents. Jersey is not, by a long way, the cheapest place to attract people to come to. It is quite expensive but people choose to come here. We attract inward investment of this nature because of the quality of the product and, as such, it is absolutely right and it is fair that we reassess what it is that we seek their contribution to be. I must say it goes far beyond just the tax rate. High value residents make a significant contribution to the community here in the Island, whether it be donations to charities, whether it was mentoring for business, investment and so on and so forth. They are extremely valuable and valued by this Island's community and it is why we see other jurisdictions doing all they can to attract such residents to their own jurisdictions. Stamp duty has been changed. At the last Budget we looked at the stamp duty rates and we made some changes. That was Budget 2017. We increased the stamp duty rates on properties selling for more than £3 million and we introduced a new stamp duty band which

introduced properties of more than £6 million at a top rate of stamp duty at 9 per cent. That was a fairly significant change, recognising the more high value residents we have but also local residents who can purchase those types of properties. It is worth putting into context the fact that these changes mean that someone buying a £10 million house will have to pay £110,000 more in stamp duty than they would have done in 2016. These are eye-watering numbers but that is the result of the changes and the increases to stamp duty that we made last year. The total stamp duty payable on a £10 million house in 2017 is £727,000; that is the stamp duty paid. I hope that Members will agree that that is not a small sum of money and, as such, I believe it is pitched appropriately to ensure competitiveness and to ensure that we continue to attract people to buy those type of properties. There is one other point that I would like to bring out about the stamp duty and that is that the amendment that Senator Ozouf is proposing talks about new high value residents. So effectively it means that existing high value residents living in the Island, who decide to move house, will not be charged the extra percentage of stamp duty in this amendment. It also means that, and there are, some local residents who might wish to buy a large property, they too will not be charged this high additional stamp duty. It does not seem fair and it does not seem reasonable to me that we have this differential. We have made changes to the stamp duty regime and I would therefore urge Members not to support part 4. In summary, the Council of Ministers have agreed to review parts (i), (ii) and (iii) and in order for us to be able to do that we need Members to reject parts (i), (ii) and (iii). Of course, if Members want to support them because they have other reasons to do so that is a matter for them but if they want the review to happen, the measured approach, not wishing to make decisions until we have the facts, and we will come back next year in next year's Budget, as we have done with the retail tax, then I would urge Members to reject parts (i), (ii) and (iii). For the reasons I have stated regarding stamp duty, that is part (iv), I would also urge Members to reject part (iv). I spoke when I started with regard to part (v), that is the retail tax, and just to finish the clean sweep I would also urge Members to reject the retail tax as well for the reasons that I have pointed out. There is no evidence. We have had economic assessments undertaken, distributional impacts undertaken and we can look at what has happened. Never mind the economic assessments and the paper exercises, good as they may be. The fact of the matter is we can see in real time what has happened in Guernsey because they have done it. They introduced the tax and they have seen food prices fall. Now, our economic advice says we could see a modest impact. Either way you can also look, and Members can also look at the U.K. where the tax exists and the availability of food at a cheaper price in many cases than there is in Jersey is there. It is not going to impact on our Island in any great extent, as far as I am concerned, and I do believe the integrity of our tax system and the reason and rationale behind zero, behind 10 specifically for financial services, and 20 for everything else; it is not reasonable to be in a position where we are taxing property developers, taxing utility companies, taxing borrowing firms at 20 per cent and then we introduce a number of 10 per cent bands as well. It is all over the place. It is not consistent and I do urge Members to reject each part of this particular amendment.

The Bailiff:

Solicitor General, are you able to deal with the first of the questions which Deputy Tadier put to you, please?

The Solicitor General:

Yes, Sir. I am grateful for the extra time. As far as our own domestic legislation is concerned there is no impediment or obstacle to us lowering the level of relief on cigarettes to zero. We could specify that there is no relief whatsoever on cigarettes or other tobacco products. That is as a matter of our own domestic legislation and the Customs and Excise (Jersey) Law and an associated order. But under something called the International Convention on the Simplification and Harmonisation of Customs Procedures, which the U.K. has signed up to on behalf of Jersey, I

believe in 2012, there is an argument, and I put it no higher than that, that our level of duty free products should not be abolished entirely. It arises under a transitional standard at section 4.13 of the general annex which is something that applies to Jersey. I think we would need to be cautious in reducing our level of duty free cigarettes or tobacco products to zero because I think there is a possible risk that there could be action taken against us under various dispute resolution procedures in that convention but I would put it at a risk. I do not put it as a certainty because there may be some arguments that could be raised in response to any such challenge. I hope that is helpful to the Deputy.

Deputy M. Tadier:

Yes, I think that is helpful. Could I follow up and say, by whom would any action to be taken were we go to a position of zero and is there anything within that convention which talks about reducing ... well, it talks about the norms, for example, whether 200 or 250 grams of tobacco are to be considered to be norm, so moving away from those norms in the convention?

The Solicitor General:

The action would be taken by any other member country who is a signatory of that convention, so, for example, France could take an objection if we reduced our level of duty free to zero. As regards any particular norm specified in the convention my understanding is that the part of the general annex which does apply to Jersey does not specify any particular norm. So we could reduce our ... the 200 cigarettes is something that the U.K. does have in its legislation, and I think it is a requirement that is in other parts of that convention that those parts do not apply to Jersey. So it is open to us to reduce our levels of duty free cigarettes or other tobacco products provided that we do not get rid of those entirely but the exact figures that we could reduce our duty free cigarettes or tobacco products to is an open one. It is not a particular norm.

2.3.19 Deputy S.Y. Mézec:

I am not going to speak on all parts of this debate simply because I think the points have been made for most parts of it. It is only really the last point I want to address and I want to offer my most sincere congratulations to the Minister for Treasury and Resources on this one. I might embarrass him because I am going to recall a story that I am sure he has heard me say before but I remember the first time I met the Minister for Treasury and Resources. It was in the hall at Hautlieu School for an elections hustings. He stood up on the platform. I remember other Members of this Assembly were there, my 2 colleagues were on the platform there as well, who were very impressive, and I voted for them obviously. The Minister for Treasury and Resources stood on that platform and this was around about the time that Zero/Ten was being introduced and he said that of course it was wrong that so many businesses were going to be able to operate in the Island, profit in the Island and not pay tax and he said that he would certainly like to see those businesses paying tax. So I would like to congratulate him on 9 years later, here we are, and he has finally attempted to get these businesses to pay tax. I think that is a pretty damning indictment on our political system that it can take so long for these decisions to be made and when they are made to see them in such chaos like this because, of course, let us not forget that the reason that G.S.T. was introduced was to fill the black hole that was caused by Zero/Ten. So now we have more businesses being brought back into taxation. What is happening to G.S.T. then? Is that going to go down seeing as it was introduced in the first place for this purpose? I think that this proposal really is a bit of a mess. There is a part of me that would like to support this amendment to have it reduced to 10 per cent on the basis that that would give it parity with the financial services industry and the fact that it would mitigate any potential negative economic consequences as a result of a 20 per cent tax but, in fact, I think the smarter way to go about this is to vote against all parts of the

amendment and then vote against the entirety of this Budget and send them back to the drawing board and come up with something better.

2.3.20 Senator I.J. Gorst:

I am pleased to follow the last speaker who I have, no doubt, outlines the plan of his party during the course of this Budget debate, that he does not want to deliver the measures that this amendment is addressing, rather he would have no money to spend on public services next year by rejecting the Budget in its entirety. Of course, we are a democratically elected legislature of a myriad political persuasion and there we have just heard one. No money for teachers. No money for nurses because no money coming into the coffers. He is pretending that is not the case and we either would meet all those liabilities with no money coming in, therefore depleting the Strategic Reserve or delivering a deficit in the year but there we are. That is political debate. It has been interesting during the course of this amendment one or 2 speakers, and I do not wish to cast aspersions, have felt as though they were a little more personal than dealing with the facts of the amendment and I know that that is not how we approach debates in this Assembly. That is not how we approach amendments but over the last few months we have found ourselves in a position of forming alliances on particular policy issues during the course of debate in this Assembly, sometimes across historical, political divides. I, for one, think that is a good thing. That is part of what makes our political system special and unique. I think there can be advantages in coming together to deal with issues which have taken a long time to address where we seem to be able to build no consensus but generally the cut and thrust of political debate in this Assembly is one that I think is enhanced by the independent approach that we bring on a day-to-day basis. I do not want to talk at length about all of these 5 elements of the amendment but let us just take the first one, or perhaps I should say something about the accusation that this is a Methodist amendment. I do not think anyone ... it is the first time I have ever heard anyone accuse the Senator of being a Methodist and I am sure all Members will understand why I say that. But nor do I want to have a history lesson. But there are reasons why the Methodist tradition took the view that it did on some of the difficult social issues of the day when that denomination was founded and they took the view, not one that we share now but then, that in order to address those social issues of problems with alcohol abuse, which were affecting the very poorest in that community, perhaps not so much of smoking. That is a latter day issue that we understood the detrimental health effects but certainly of gambling; that they were going to say to join or become a member of the Methodist approach you were going to say no to those as they thought of them, vices. The Senator, as he said, is not a prohibitionist but we should not forget in our approach, which is largely small government, largely allowing the individual to make their own decisions, the majority of us, I think, in this Assembly agree with that approach of government, and we know that Senator Ferguson, in front of me, is constantly saying that Government should butt out and allow people to make their own decisions. But we do know that Government does have a responsibility to set a framework and to support the most vulnerable members of our community in their actions and in their lifestyle choices. I say that because there are members of our community who struggle with managing their relationship with alcohol and it is detrimental to them and it is detrimental to their families and it is detrimental in those families to some of the most vulnerable members of their family. Let us not forget in this week that we are considering domestic abuse, what is at the heart of a lot of those domestic abuse issues, which we, in this community, have not always faced up to and we heard only again at lunchtime that we have a women's refuge which is full and has a waiting list because of domestic abuse issues in our community. The majority of which are driven by people's difficult relationships with alcohol. We cannot avoid that. We need to support those vulnerable individuals and families in how they handle it. Sometimes that is increasing the cost and therefore limiting access to that. We heard from my good friend, the Assistant Minister for Economic Development, how wonderful it is that we have got a betting shop, not just one for every Parish, but more than 2 for every Parish, and that the

Gambling Commission - and maybe I need to speak to the Gambling Commission - has informed him they find no problems whatsoever with gambling in our community. They cannot find any. They have carried out evidential research and they have not managed to find any. I would say they are obviously looking in the wrong places or they are not looking hard enough. **[Approbation]** Here I am being accused of being shocking. It is not shocking. There are people in our community suffering right now because of their relationship with some of these issues. It would be shocking if we did not want to do something about it. I am not saying that the 4 amendments in front of us are going to do something about it, but what I am saying is that in the view of the Council of Ministers, doing a review, perhaps supporting the work of the Gambling Commission in finding these people, helping them to deal with their problems, doing a review is the right approach, not sticking in our head in the sand and saying that we do not have some of these social problems, but equally taking a supportive view to help them deal with their problems. I am delighted that the Gambling Commission has got money in their budget in order to help us to do that. We might use some of that money to help with that particular review. I would be hopeful that we could do that. The issue of smoking, I am not sure, as I said earlier, that this is a Methodist issue, it is a more latter-day issue. The issue of smoking, we are told it cannot be done: 200 is the norm, that is the approach that we should take. I think it can be done and I will tell you why in a moment, but I accept the argument that the majority of Members in this Assembly do not think it can be done. Therefore the review is the right approach to give the evidence that it can be done. Recently I had a most delightful travelling companion coming back from the United Kingdom to Jersey. That travelling companion took me to a part of the airport that I have never been to before. That is a part of the airport which is now boarded off and you have to make a special detour in order to access it. When you do access that part of - this is the U.K. airport; I think we have a similar facility in Jersey - the airport, the first thing you are struck by is lots of grotesque packaging that makes you step back. On that packaging you see the health effects of smoking to real people right now. But interestingly, before you quite get through that little access area, you see a chart of countries and what the duty-free limit is for tobacco entering those countries. Currently I think there were only 2. It was pointed out to me that there are 2 countries where this sort of limit is the duty-free limit that you can take into those countries. It might be that in U.K. airports they only sell in packets of 200, but they are quite clear that if you are travelling to those 2 countries, therefore you cannot take a packet of 200. It can be done, but we are going to have to have the political will to do it. I think that after we have had this review I am very hopeful that we will be able to do that, with resource. The Assistant Minister for Home Affairs is absolutely right, it is going to cost money, it is going to cost people, maybe not quite as great as we might now think, but this is an issue of people's health. Why are we concerned about people's health in the way that Senator Ferguson is not happy with? It is because ultimately every single Islander, in the tax that they pay, have to pay for the healthcare provision for those in our community who struggle with their relationship with some of this particular issues, in this case tobacco. The Minister for Treasury and Resources spoke about why he is not supporting the increase in stamp duty, because of the changes that were made previously. I just wanted to add to what the Solicitor General said about the question from Deputy Tadier about the E.U. Code of Conduct Group (Business Taxation) and why the Minister and Treasury Department were confident in the proposal that they have brought forward. That is that over recent years, we have collected more information to understand that the majority of profits will remain subject to tax at zero per cent. That is important, because we have to be able to prove that we have a standard rate that the majority of profits of companies are taxed at that rate. Of course we also know that an important principle in the Code of Conduct analysis is around a non-discriminatory approach. This is not discriminatory in its approach. Members of course know that the Code of Conduct Group are looking at the 93 tax regimes of third countries and we are engaged in that process now, but to be clear, that process is very much looking at economic substance and not revisiting the criteria that we have already showed that we comply with in this regard, therefore the

Minister is confident in regard to this particular measure. Again, as we have said, this is a measure which is mirrored in Guernsey and in the Isle of Man. The Council of Ministers have brought forward a package which includes this tax at 20 per cent and we stand by that package. While we understand of course the arguments that have been made during the course of the day by others, we stand by this package and we do so for the reasons that the Minister for Treasury and Resources said earlier. The F.P.P. (Fiscal Policy Panel) report has been referenced, about we being in danger of not presenting a balanced budget, about approaching things on a piecemeal basis. They do that because of the fact that we, in this Assembly, did not accept the health charge, deferred the waste charge and therefore we are now having to think of other measures to ensure that we have a balanced budget to enable us to spend for the future, to work together for the future in health, in education and in all the other social projects that it is right that we deliver. That is why we stand by the proposal as outlined in the Budget.

The Bailiff:

Does any other Member wish to speak? If not, I call on Senator Ozouf to reply.

2.3.21 Senator P.F.C. Ozouf:

I thank all Members for their contributions. I think that it has been a very important and useful debate, because effectively changing a tax system which will affect the majority of significant businesses in Jersey that we are all shopping in is going to have an impact. Ultimately I am going to start and I am going to complete my remarks by saying that my principal motivation for bringing this amendment is to reduce an otherwise certain, in my view, increase in the cost of living of principally groceries. That is my overriding and unabiding view and evidence. I will not refer to everybody that has spoken. I do realise that Senator Ferguson last year brought this proposition to the Assembly. I do not know whether or not she brought it with the actual tax rate included, but she also spoke of Maynard Keynes. I think that probably Senator Ferguson and I would be more of the Hayek version of economics than Maynard Keynes normally. I have been trying to find a quote for her, because John Maynard Keynes said: "When the facts change, I change my mind." The best one I could find was: "Freedom granted only when it is known beforehand that its effects will be beneficial is not freedom." Effectively I did not know last year if it was going to be, the retail tax. I did not know what the effect would be in Guernsey. I do now, and I know that it is between a 3 per cent and 5 per cent increase in groceries. That is why I say to Senator Ferguson, when the facts change, I change my mind, and I hope she will too. She does not believe that Government have a role. I do respect Senator Ferguson. We spar a bit. I turn around, and I should not turn around to look at her. I know I should be looking at you, Sir. I will try not to. It is something to do with the microphone apparently. I know that Senator Ferguson has views about the Government's role in things like tobacco and she does not want Government intervention, but if we take the arguments, they lead to a logical conclusion in respect of part (i) of my proposition. That Government should not take any role at all, a nanny state, then effectively we would be having no duties on tobacco at all; we would be having no tobacco strategy, harm control, et cetera. I think while I respect the Senator's views, I do think that they need to be put into the context of her general view, which is absolutely understandable. But I would urge her please to reflect upon the evidence of Guernsey. I simply do not understand why the official statistics of Guernsey, which always have been a puzzle to me in terms of the comparison between Jersey and Guernsey in terms of the R.P.I., because we have many common Channel Island companies which have a common pricing policy. Over the years, the R.P.I. numbers that have been released from Guernsey have been different from ours and yet they are Channel Island companies with Channel Island common pricing, so I have to go to the actual detail of the companies' concerns. When I ask the companies concerned what have they done because of that tax, whether they be the non-food retailers or the retailers, and they say 3 per cent to 5 per cent, I believe them. Secondly, the Co-op in Jersey, if they were to be taxed and we

were to be demutualised, they tell me - and they say to other Members this morning - that their increase in food prices will be 3 per cent to 5 per cent. I thought it was only 3 per cent, but they are saying 3 per cent to 5 per cent if they are demutualised. Of course we will have debate about whether that is right or wrong. Members will make that decision; that is nothing to do with this proposition. I think Members have the evidence to show what the actual detail of what the effect of the tax will be. I say to Reform Jersey, I urge them to think about the people that they really care about. I will come to Deputy Tadier in a minute. I will deal with the Constable of St. John's dog. He has had quite a few references in this Assembly and I know that he feeds him in a sort of bowl with all the food mashed up. I would tell him that my amendment is not a mashed-up proposition, all jumbled up together. No, it is an individual menu item that he can pick one, 2, all of them or nothing.

[16:45]

I am very, very grateful that he has decided to support the last one, but I just wanted to make the point to him and to other Members that in fact it may be a dog's dinner, but it is a package of amendments designed to raise more revenue than is going to be the lost revenue as a result of part (v) of the proposition, and if I may say, in its original construction, earlier than the Treasury was proposing. While I fully accept the arguments, and I am grateful for the assistance of the Customs and Immigration Department and the assistance of Assistant Minister for Home Affairs, who mentioned our discussions yesterday, I would like to believe that it is possible to police and bring in the 40-cigarette rule. I think the experience of Australia is there. I was going to get a Customs officer from Australia and New Zealand on Radio Jersey this morning to talk about the issue, but after our meeting yesterday and having accepted the fact that the review should be carried out and knowing that the retail tax revenue is going to come in 2019, look, if we have got more time to do things and do things properly, based upon good information and research, and what I must also say, Customs must be given the resources needed to police this and more importantly to communicate this. I think Deputy was almost making an exaggerated point when he was talking about sort of one stick and being roughed up. Most people are law-abiding. I know Customs are very good. They are intelligence-led; we do not face a barrage of customers. Yes, they do spot checks, we all know that, that is what they have to do. You have to feel that you have the risk of being kicked out if you are doing something wrong, it is the risk of being collected. They must get the revenue. If it takes some time for them to work out the revenue they need, then so be it, but there is a support, I think, for the proposition. What I would say in how I would encourage Members and indeed how I am going to vote in relation to that, because I have accepted and because our procedures do not allow us to make last-minute amendments, which I ideally would have done based upon what I know now, then effectively I am going to send a clear signal by abstaining on that issue of item (i). By abstaining, I am not approving it. By abstaining it, I am saying not no, but effectively not yes. Members that are saying yes, they want more work, because they are minded to accept that, subject to review, then I would invite them ... it is up to them, of course, but that is how I will be voting it. When the facts change, I change my mind. It is my proposition, but I have accepted that the work needs to be done and that has been accepted and certainly the timing of it. I was grateful for the Minister for Health and Social Services, who I think spoke. Absolutely, he is in the camp of those of us who are worried about the unintended consequence of smoking and the fact of the duty-free allowance. To Deputy Andrew Lewis, I am pleased that he is going to support the 10 per cent. To Deputy Norton and the issue of bookmakers, I know he is the Assistant Minister with responsibility for gambling, but I do hope ... no, perhaps he is not, perhaps he is just in his department. Apologies, but he has certainly got the responsibility for it. Look, I do not think any of us would be under any illusion. When G.S.T. was introduced, the one number that astonished many people in the Treasury was the amount of G.S.T. that was brought on betting. I think we were genuinely astonished with the amount of revenue that was gained from betting. It may be the fixed-odds

gambling machines, but clearly there are a lot of betting shops in Jersey. The fact that the Treasury has told me that the rate that I am putting in, which is similar to the financial services rate, I would say about those people who have criticised me for bringing it forward on gambling, financial services, those businesses, we do not tax capital - to Deputy Tadier - we tax in financial services regulated businesses. Now, if betting shops are regulated and financial services pay their fees and they pay 10 per cent, then surely if it is acceptable and it is code compliant, there is a good reason for it to be considered. I would also say to the Deputy that my amendment does not say a date. On this one, it does not have any date. It is the agreement in principle, so in fact, in this regard, if Members want, if Members have got enough information ... and some Members have said yes, they are completely against it. I understand that, that is fine. I will come to the Methodist bit in a minute, but if they want to send a clear message that they want the Minister for Treasury and Resources to bring forward legislation, to bring betting shops, not e-gaming, not online gaming, but betting shops, all of them, at the same rate as the financial services industry, then vote in favour. If they want more work, abstain. If they do not want it, say no. The issue of the large liquor vendors, I am going to abstain, because I absolutely agree, I am the one that has brought the proposition to do a review into this industry. We are going to hopefully debate that and I hope the Assembly is going to back the proposal to have a sectoral review to this Assembly. I am worried about that 97 pence, and I have to say that apart from the cigarette industry, and I have said before in this Assembly, they have got the prize in 18 years of my political career of writing the strongest and rudest letters that I have received; I have to say that it is the on-licence businesses that have been the most aggressive in any of the discussions that I have had. Now, when people are aggressive to me, and I mean really quite rough, really quite vociferous, more than I would say is sort of appropriate maybe, I would say: "I am concerned. There is something on the on-licence businesses which is worrying me" and that 97 pence is inexplicable. I would say to Members that I have gone on about duties and the difference in margins. Deputy Hilton is nodding her head, because she has heard me say this so many times. Deputy Hilton, I would say to her how many times I have said it, but thank goodness the net margin for cigarettes has disappeared, because perhaps the refrains have worked and the championing and the alternative arrangements of duty free and the threats that we have made to them have worked. It has worked in groceries. Groceries are more competitive than ever before, that has worked, but it is not for on-licence businesses. I am going to say yes to review. I hope it is helpful to the Assistant Minister for his excellent work on the licensing businesses and all I would say ... and thank you, Sir, for giving permission for the Minister to do that. I know that we will not debate the legislation, but just so that Members have got the legislation. If Members are going to want to abstain to say yes, they definitely want it done, but next year, or they want more work, then that is the detail. They have got the detail and it was basically the profit test of over £2 million with £500,000 profit. The Assistant Minister for Treasury and Resources explained, absolutely correctly, and I absolutely agree, that our system that was being proposed by the Treasury is correct, that there is a tapering relief rather than a simple cliff edge. My 10 per cent is replicated in an equivalent way, so my cliff edge is just coming down from the cliff edge that was there, but it is basically the profit test and the net retail. It is all licensed premises, apart from clubs, and I mean the club licence, which would basically be the clubs, as in not the discos, but the societies. What does one call them? Yes, the clubs of people that come together, the different groups of people. I am not a member of any club, not officially, apparently. That is what that is. Basically, in relation to the large liquor vendors, we have got an issue. We are going to deal with it. The Licensing Law is going to get there and the review is there. I hope that Members will want to, and I hope they want to send a signal out to the large retailers that they are going to tax, because we have heard from Reform Jersey that what they want is they want to chuck the whole lot out. We have heard from Reform Jersey that they want nothing at all. They do not want 20 per cent; they want nothing. They want to vote this Budget out. I heard that: "Just chuck the whole lot out." That means we are not going to get 20 per cent. As for

this thing about me being a Methodist; I was christened a Catholic, I have to say that. My best quote for them, there is a good Wesley quote, I hope that the Deputy of Trinity will agree: "Do all the good you can, by all the means you can, in all the ways you can, in all the places you can, at all the times you can, to all the people you can, as long as ever you can." If that is a good Methodist ...

Deputy M. Tadier:

Is that another way of saying for the many and not the few?

The Bailiff:

Just finish your sentence.

Senator P.F.C. Ozouf:

If that is the definition of Methodism, I am a Methodist, because it is a jolly good quote. I do not label people, but that quote says it all. It is do the right thing and do the right thing for the right reasons at the right time. The right reason and the right time is to not see the cost of living in Jersey go up above that in groceries to 3 per cent and 5 per cent when we are already seeing food prices going up. I thank Deputy Martin from the bottom on my heart. She and I have argued on so many issues, but it is one of the joys of this Assembly that sometimes we can disagree so profoundly, but Deputy Martin hit the nail on the head. She got it spot on. She understands exactly and she turned up to see the grocers this morning and the other retailers and I thank her most warmly for her support. It means a great deal, because she has understood it and she clearly demonstrated the people that she really cares about, which is the people on tight budgets that have to buy groceries. I am going to deal with 3 final things; my former Assistant Minister, if I may, and the current Minister for Treasury and Resources. The former Minister for Treasury and Resources, who I work with, I do not quite know what has happened to Deputy Noel. I do not know, he seems to have sort of changed a bit. I genuinely say to him, with all sincerity, when we were at the Treasury together we brought in the tax on minerals and we brought that in at 20 per cent, which was not 10 per cent, because minerals have an effect on the environment and hydrocarbons pollute the environment. When the tax on property development was brought in at 20 per cent, it was brought in because there was no capital gains tax in Jersey. That is why it is 20 per cent. I am afraid it does not follow, the argument that because 20 per cent is going to be rejected for retail and it is going to be 10 per cent that suddenly we are going to have to move all these other things down to 10 per cent. I am afraid it does not work. He has had his say. I am sorry, but it does not follow. If he really wants to, I will give way.

The Bailiff:

No, just ...

Deputy E.J. Noel:

Just to clarify the situation, Sir; we did bring in the rate of 20 per cent for mineral companies, but it was not because of the environment.

The Bailiff:

No, Deputy. I am sorry, Deputy, I am not going to allow this. You cannot encourage a debate across the floor like this. Finish your summing-up speech.

Senator P.F.C. Ozouf:

I do not think that there is an issue with the 20 per cent being undermined by approving part (v) of the proposition to move the retail tax to 10 per cent, because there are special reasons why the other 20 per cent do exist, which I have just explained and I hope Members will accept that. I do understand. I first of all thank the Minister for Treasury and Resources for withdrawing his other

amendment, because we would not be able to have this debate. I do understand why he has got to argue in favour of his proposals. I know how difficult his job is, but I have to say that when you know the consequences and when you have got a bit more time ... and there was an editorial in the that said that since I have not been a Minister, maybe I have had a bit more time to go and speak to people's real concerns. I am not saying I am any better or any worse or any different, but maybe I have understood that the number one concern that Islanders have is the cost of living, particularly at this time.

[17:00]

I say that I truly believe that the proposal for the 20 per cent corporate tax on retailing will affect grocery prices and will see, as they have done in Guernsey, an increase in the cost of living, which at this time I think is absolutely the worst thing to do, and particularly when there are the alternatives that we have before us. The revenue raised is going to be in 2019. The reports can be done, the liquor review can be done, the statutory review can be done. All this can be done, that we can get this review, we can make the decisions even next year in order to get this revenue in 2019 and come up with the same approach. In summary, I am grateful for Members' support, every Member. I hope that I have not not answered any of the questions that Members had. The only Member I have not, I think, mentioned is Deputy Brée, but I will pass over his comments because I disagreed with all of them, I am afraid. In summary, there is going to a vote for each one, (i) to (v). I am going to abstain on those items where I have accepted, with good grace, the fact that there should be a review, which is on (ii) and (iii). Sorry, I have not said anything on stamp duty. I probably should, because it is a summing-up. It is up to Members, but effectively I have looked at the stamp duty rates in other places, I have looked at the changes that were made last year. I will give Members 2 figures. It is up to them to decide. I would just say 10 per cent stamp duty comes in and kicks in at a rate of £1.5 million in the U.K. That is 10 per cent over £1.5 million. Now, I am proposing 10 per cent above £10 million. The reason for the first 2 years is so that some new arrival does not buy a property and then go and buy a property for £1 million and then buy another one for £15 million a few months later. It is an avoidance provision. Members, if they vote for the agreement in principle, they will see the legislation when it is presented. The difference in the stamp duty payable compared to what it is now, on a £20 million property or a £15 million property, my calculations are that in the U.K., a £15 million property would be £1.6 million stamp duty payable. Under current Jersey arrangements, it would be £460,000, and under my new arrangements, it would be about £200,000 more. I hope I have got my numbers correct. It is basically currently the top rate of duty is 8 per cent and the current top rate of duty in Jersey only comes in over £6 million. I am proposing 10 per cent over £10 million and only once for the new arrivals. I think that is reasonable. It raises a very large amount of money. The actual percentage of the effective rate of luxury tax that is there is possible and if Members want to do something about stamp duty, for easing for the poorer members of society who are struggling on the stamp duty situation, then that gives us the latitude to do it. That is why I have no compulsion in proposing that. If you are rich enough to come to Jersey and buy a property for £25 million, then our stamp duty rates, they are already laddered, so you already get the benefit of much of that old rate. It is only above the £10 million that you pay the 10 per cent. I think that that is a competitive rate and I do not think it will stop one person from coming to Jersey. I am the person that brought the original proposal to the States, so I will be maintaining that proposal and I will be voting in favour of (iv). Of course I really hope that Members take the last point in (v) and reduce the cost of living for groceries in-Island by voting for a 10 per cent corporate rate of tax. If I am wrong, then they can raise it to 20 per cent, but let us take it in stages. Let us at least do 10 per cent and make sure. Let us not take the risk, because we know the evidence from Guernsey. I thank Members for their time and I ask for the appel on each of the items in turn.

Senator A.J.H. Maclean:

If I may, Sir, before we go to the vote, a point of order with regard to a point that Senator Ozouf made. He said that the introduction of a 20 per cent retail tax would see inflation rising and costs going up, as it has in Guernsey. I just wondered if you could correct that, because of course the official statistics in Guernsey show that food prices in the last year since the retail tax was introduced have fallen by 2.5 per cent. That was somewhat misleading to Members, Sir.

Senator P.F.C. Ozouf:

I am happy to try and correct. All I can say is that I have spoken to the retailers that have put the prices through the tills, each one of them, and they have told me what they have done. If anybody believes that inflation has gone down and Guernsey has somehow been insulated from the rising cost of commodities and the dollar exchange rate as a result of Brexit, then frankly, I just do not understand it. I do not understand the statistics. They do not bear out the facts from the people that are charging it. That is all I can say.

The Bailiff:

Thank you. Deputy Tadier, did you have a further question for the Solicitor General?

Deputy M. Tadier:

I think it has been resolved. I have had words with the Solicitor General, thank you.

The Bailiff:

Very well. Then I ask Members to return to their seats. The votes on this amendment are going to be taken individually. The first vote is on the question of reducing the duty-free allowance for cigarettes to 40 and I ask the Greffier to open the voting. If all Members have had the opportunity of voting, I ask the Greffier to close the voting. I can announce the amendment has been defeated: 2 votes in favour, 2 abstentions and 39 against. [INSERT VOTE TABLE]

The Assistant Greffier of the States:

Those voting pour: the Connétable of St. Brelade, Deputy Doublet and Senator Ozouf and the Connétable of St. Lawrence abstained.

The Bailiff:

I will reset the voting. We now take the vote on amendment (ii), a 10 per cent rate of tax to be passed on bookmakers. I ask the Greffier to open the voting. I can announce that this amendment has been rejected: 8 votes in favour, one abstention, 34 votes against. [INSERT VOTE TABLE]

The Assistant Greffier of the States:

Those voting pour: Senator Ozouf, the Deputy of Grouville, Deputies Hilton, Kevin Lewis, Higgins, Maçon, Doublet and Wickenden and the Connétable of St. Brelade abstained.

The Bailiff:

We come to the third amendment, new income tax levied on large retailers applied to large liquor vendors. I ask the Greffier to open the voting. If all Members have voted, I ask the Greffier to close the voting. I can announce that this amendment has been defeated: 4 votes in favour, 2 abstentions, 37 votes against. [INSERT VOTE TABLE]

The Assistant Greffier of the States:

Those voting pour: Senator Ozouf, Deputies Hilton, Higgins and Doublet and the Connétable of St. Brelade and Deputy Wickenden abstained.

The Bailiff:

We now come to amendment (iv), the new stamp duty rate of 10 per cent, residential properties sold for more than £10 million. I ask the Greffier to open the voting. If all Members have had the opportunity of voting, I ask the Greffier to close the voting. I can announce the amendment has been defeated: 14 votes in favour, 29 votes against. [INSERT VOTE TABLE]

The Assistant Greffier of the States:

Those voting pour: Senator Ozouf, the Connétables of St. Mary and Grouville, Deputies Martin, Grouville, Hilton, Kevin Lewis, Higgins, Maçon, Andrew Lewis, Doublet, Labey, Wickenden and McDonald.

Connétable L. Norman of St. Clement:

The Assistant Greffier read out the Constable of St. Mary. I do not think she is present, Sir.

The Connétable of St. Lawrence:

It should have read the Constable of St. Lawrence.

The Assistant Greffier of the States:

Sorry, I will double-check on that. I beg your pardon, yes, it should have said the Connétable of St. Lawrence.

The Bailiff:

Then we come to the fifth amendment, a new income tax levied on large retailers, levied at 10 per cent rather than 20 per cent. I ask the Greffier to open the voting. If all Members have had the opportunity of voting, I ask the Greffier to close the voting. I can announce that the amendment has been defeated: 14 votes in favour, 29 votes against. [INSERT VOTE TABLE]

The Assistant Greffier of the States:

Those voting pour: Senator Ozouf, the Connétables of St. Helier, St. Clement, St. Ouen, St. Brelade and St. John and Trinity, Deputies Martin, Hilton, Kevin Lewis, Andrew Lewis, Wickenden, Norton and Truscott.

The Bailiff:

Before we go any further, I can announce that the Future Hospital: approval of preferred scheme and funding, P.107, there is an amendment lodged by the Connétable of St. John. The adjournment is proposed. Do Members wish to adjourn now? Those in favour of adjourning, kindly show.

Deputy M. Tadier:

Could we hear from the mover of the next amendment to see whether he is willing to open and finish by 5.30 p.m.?

Connétable A.S. Crowcroft of St. Helier:

I must say, Sir, I would quite like to get the matter of States paying rates dealt with this evening. That would be an excellent result, so if Members could keep their speeches short and are sympathetic to the ...

The Bailiff:

It does strike me we will not finish the debate this evening, Connétable. You are ready to go, obviously?

The Connétable of St. Helier:

I am happy to propose, but it is up to Members if they want to start fresh in the morning.

The Bailiff:

Perhaps we will take the appel. It is easier. Those Members in favour of adjourning now, would you kindly vote pour? I thought you were proposing we adjourn now. Do you wish to withdraw that? The vote is whether to adjourn now. I ask the Greffier to open the voting. I ask the Greffier to close the voting. The proposition to adjourn has been defeated: 14 votes in favour, 24 votes again and one abstention. [INSERT VOTE TABLE] Before we go on to the next amendment, can I just say for those Members who are wondering, we are joined in the gallery by the Director of Law at the Institute of Law, Dr. Marrani, and Professor Wanda Mastor and some students from Toulouse University. [Approbation] Very well.

2.4 Draft Budget Statement 2018 (P.90/2017): amendment (P.90/2017 Amd.)

The Bailiff:

We come to the amendment lodged by the Connétable of St. Helier and I ask the Greffier to read the amendment.

The Assistant Greffier of the States:

Page 2, paragraph (b) – In paragraph (b), at the end of the paragraph, add the words – “except that the Council of Ministers and the Minister for Treasury and Resources are requested either (a) to allocate the required sum of £978,000 to the Department for Infrastructure from Contingency in 2018, or (b) to prioritise the provision of that sum to the Department for Infrastructure from available underspends at the end of 2017, and carried forward to 2018, in order to provide for the payment of Parish Rates on States’ properties to the Parishes, as agreed in the current Strategic Plan and the Medium Term Financial Plan, and that the allocation for the payment of Parish Rates by the States as part of the Central Growth proposals in the 2019 Budget and beyond be reinstated;”.

2.4.1 The Connétable of St. Helier:

Sorry, the subject of the States paying rates appears to have almost cleared the visitors’ gallery. I know how they feel. My report accompanying this amendment was substantially revised. The first draft, which was approved I think by you - certainly by the Greffe - began in a much ... I will not say hostile, but it was certainly the first paragraph in particular lacked the optimism and gratitude to the Council of Ministers that the report currently has. That is not because of any change of heart on the part of the Council of Ministers, but because I was able to convince most, if not all, of my fellow Connétables of the merits of getting behind this proposal that the States pay rates on their properties. As Members will know, the Connétables’ support of my proposition is somewhat contingent on their amendment, but nevertheless, the whole matter has been discussed by the Comité des Connétables and there appears to me to be much more unanimity, much more agreement on this Bench than there has been probably for about 20 years on this subject. I am hoping that that sense will spread across the senatorial benches and that they too will get behind this matter, if for no other reason than they must be getting tired of hearing me talking about it. Why not put this matter to bed, if not this evening, then certainly tomorrow morning and let us let the Constable of St. Helier think about other things?

[17:15]

As I say in my report, what I brought forward is the proposal that the States pay Parish rates only, because that is the proposal that the Minister for Treasury and Resources brought forward himself. He had rather a difficult meeting in September with the Connétables, who did not support that. They raised various objections, so he dropped it like a hot potato. I let it cool and picked it up and brought it to the Assembly. Essentially what I am asking the States to approve is what the Minister

for Treasury and Resources decided with his officers to bring forward in this year's Budget. For that reason, I am looking forward to his support. As I explain in my report, it is much shorter than some of the ones that have gone before, which run to tens of pages. I have simply tried to set out the reasons why the States should pay rates. For Members who have forgotten or were not here or even had not attained the age of majority when the working party met back in 2005, I am just going to quote from the working party's proposals. The first proposal was the States, like other ratepayers, should be liable for both Parish rates and Island ... I am not going to go on to Island-wide rates, but I am just going to major on the Parish rates on all their properties. They gave a number of reasons. Firstly, the States should pay rates on an equity basis, and I quote: "The States operates as a competitor with the private sector in the provision of certain services, for example, office facilities, management services, grounds maintenance and so on. By not including an equivalent to the rates charge met by a private sector organisation, the States operations are artificially subsidised." Perhaps a more telling example one could add is the provision of parking. Private car parks have to pay rates; States car parks do not. The second one is: "The States should recognise the full cost of occupying property for comparative purposes." The working party here is talking about comparisons being skewed with private sector service providers and other public sector bodies in the U.K., in particular when it comes to benchmarking on performance indicators. I do not know how much benchmarking has been done lately by the States, but if they are going to benchmark against U.K. authorities, then they need to be paying rates on their properties. A similar reason is the third one, which is: "The States should recognise the full cost of occupying a property to improve strategic decision-making." I am sure that Property Holdings has improved in many respects, but the full cost of occupying property needs to be met before the States can truly make those kind of decisions. Finally: "The States should pay Parish rates to meet the cost of Parish service provision" which is of course certainly perhaps for the Parishes the most obvious reason, that the Parishes incur costs associated with the occupation of buildings normally recovered through rates. The working party did not mention at that point that of course the Parishes lose rates when the States convert buildings for their own use. I often give the example of Morier House, which as a bank paid rates in the Parish of St. Helier, but as a States building does not. The other 3 points I picked up in my report are common objections to paying rates. First of all, it is not just about St. Helier, all 12 Parishes will be better off if Parish rates are paid, as indeed all 12 Parishes will be better off this year, because of the States agreement in a recent debate to allocate this year's unspent rates money across the Parishes. Secondly, some people object to the States paying rates because it simply moves money around. You hear this often in public, people say that it is just taking the money from a different pocket. I try and point out to these people, transferring financial liability from ratepayers to taxpayers is a good thing to do, because ratepayers pay their rates regardless of their ability to pay, whereas taxation is based on your ability to pay. It is progressive, therefore it is absolutely right that when it comes to the States meeting its rates bills that that principle is followed. Thirdly, it is often said that if the States pay Parish rates, there will not be an increase in Parish income because of course the number of quarters, or the assessments of rates in each Parish, will not affect the cost of the services that are provided. But as I pointed out - and I was trying to be nice to the Constables, it clearly worked - if the Parish rates are paid by the States, then all Parishes will be able to reduce their penny rate as a result of extra quarters coming in, which could mean that they increase their services provided. If they increase service provision, then the States properties are going to benefit, as well as other ratepayers. All parishioners at the Rates Assemblies around the Island could decide to lower their rates, which would also benefit the States. It has of course been pointed out many a time that the Parishes run their organisations thriftily and many Parishes manage to reduce their rates even without getting States support, because they practice good housekeeping. Now, the thing that has stalled this proposal every time it has been brought to the Assembly is of course not really those points of principle. I think a lot of people accept that the States should pay their rates, just as they pay their water bills presumably,

their phone bills, their electricity bills and so on. Other ratepayers pay them, other businesses pay them. Why should the States not pay these utility bills? What we have had from a succession of Ministers for Finance, certainly since I have been in this Assembly, is we will pay rates when we can find a sustainable funding mechanism. That is the reason this proposal has been derailed time and time again. The other reason was the lack of support from the Constables, but I am not going to dwell on that. It is the lack of a sustainable funding mechanism that has bothered people. As I have just referred to, the rates for most of us, whether we pay domestic rates or business rates, it is a utility bill. It is something we have to deal with every year. Thankfully rates bills in Jersey are much lower than they are in other comparable jurisdictions and that is partly because of course we do not do the same level of services at a local level that councils do in the U.K. It is also that we run very tight ships in the Parishes and that is how we keep our rates down. But this really is the crunch: whether or not the States can find a clever way of making extra money to pay their rates bills is really neither here nor there. The key point is this is a utility bill that should be paid for the reasons I have outlined and therefore it really matters not whether there is a new income stream to meet it. I was particularly heartened in the excellent opening speech by the Minister for Treasury and Resources when he spoke about the fact we have had several years of economic growth. I think he said £392 million extra income, which he quickly said: "This is not revenue to spend" but I would contradict him and say that if you have got a utility bill, you settle your utility bill before you do anything else. I would hope that the relatively low bill of paying Parish rates by the States is something that the Minister feels that he should meet. Of course this amendment is about this coming year's Budget, but I really do not want to do this every Budget meeting. I hope that the States will go on not only to approve this proposition, but will go on to approve the legislation, which will take away that exemption from paying Parish rates for all time, so we will not have to have this debate next year, but we can move on. I do commend this amendment to Members and I look forward to the debates on the amendments. We have still got time perhaps for the Minister for Treasury and Resources' one. I am certainly ready. **[Laughter]** I commend the proposition to the States.

The Bailiff:

Is the amendment seconded? **[Seconded]** Then we come next to the amendment of the Treasury.

Deputy A.D. Lewis:

May I propose the adjournment, Sir?

The Bailiff:

Are Members in favour of adjourning now? Very well. Then before we adjourn, I can announce that the Future Hospital: approval of preferred scheme and funding: second amendment, P.107, has been lodged by Senator Ozouf. The States will now stand adjourned until 9.30 a.m. tomorrow morning.

ADJOURNMENT

[17:24]