STATES OF JERSEY

FISCAL STRATEGY (P.44/2005): THIRD AMENDMENTS

Lodged au Greffe on 20th April 2005
by Deputy G.P. Southern of St. Helier

STATES GREFFE

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In paragraph (d), after the words "Environment and Public Services Committee*" insert the words* "and the Parishes*"; after the words* "environmental taxes*" insert the words* "and other taxes,*"; and after paragraph (d)(ii) insert the following new paragraph –*

"(iii) a land value tax."

DEPUTY G.P. SOUTHERN OF ST. HELIER

REPORT

Land value tax (LVT)

I believe that the Committee has been wise in giving itself the opportunity to explore and research further tax-raising measures, but ought not to pass up the option of examining the option to raise revenue on the most basic form of wealth, which underpins the Jersey economy, land.

This form of tax is widely used throughout the world, from Australia through to the U.S.A., and is being widely promoted in Scotland at present. In short, some form of property tax can form a flexible and widely-based tool for revenue generation for government. Land value tax is seen as inherently progressive, and as having fewer drawbacks than a development or capital gains tax on property. It could apply to all owners of land, but variable rates, exemptions and thresholds can be used to target different sectors.

It is a fact that property taxes are under-utilised as a revenue generator in Jersey, consisting solely of parish rates. The total revenue from rates in comparison with the U.K. is shown below –

	Total revenue all taxes	*Total property tax*	*Domestic rate/ council tax*	*Business rate*
Jersey	£400m	£16m	£10.5m	£5.5m
As % of total	–	4%	2.6%	1.4%
U.K. (93-94)	£230bn	£21.2bn	£8.6bn	£12.6bn
As % of total	–	9.2%	3.7%	5.5%

One of the many advantages of taxation on land is that it cannot be avoided or evaded. If there is land in Jersey someone must own it. It cannot be put in a suitcase and deposited in Guernsey or the Cayman. A modest proposal might be to set rates of LVT to capture revenue from business to the tune of £11 million, or twice the sum produced from the parish business rate. (Note that this would still be below U.K. business rates.) But this is just one example of how such a tax might be targeted.

Alternatively, by targeting primary residences and estates over a certain value, it may be possible to increase the contribution made by many 1(1)(k)s, whose contracts with Jersey we are told are non-negotiable. Perhaps £1 million, around 10% of current tax paid, might be raised from this sector through LVT.

Financial and manpower implications

There will be a small manpower and financial cost, in conducting research into this taxation mechanism. I am not in a position to quantify these research costs.