QUESTION TO BE ASKED OF THE PRESIDENT OF THE FINANCE AND ECONOMICS COMMITTEE ON TUESDAY 25th MAY 2004, BY DEPUTY G.P.S. SOUTHERN OF ST. HELIER

Question

Would the President inform members –

(a) whether the Committee has considered the report of John Whiting of PriceWaterhouseCoopers, and, if so, whether it agrees that the withdrawal of income tax allowances will have a direct impact on the Financial Services Industry (FSI), as indicated on page 13 of the report where it states *'as many (senior members of FSI) are on some form of tax compensation'?*

(b) whether the Committee has evidence that such practice is common-place in the FSI, and, if so, to what extent? and,

(c) whether the practice of 'tax compensation' is regarded as a 'benefit in kind' under the rules adopted in the 2004 Budget?

Answer

(a) The members of the Committee have received the report but have not yet had the opportunity to formally consider its recommendations. The Comptroller of Income Tax estimates that few individuals, perhaps less than 20, have their whole tax bill paid by their employer, either in the FSI or any other industry. Where an individual's tax bill is indeed paid by the employer, an assessment is raised on that individual, grossed up at the standard rate of 20 per cent. For example, if the tax paid by the employer on behalf of the employee is £5,000, the amount assessed on the employee is £6,250. It is grossed up to recover the compounded benefit arising from the employer meeting the tax liability of the employee. It is much more common for an employer in the FSI to pay the tax on the benefits in kind provided to a group of employees. This practice will have no effect on the proposal to withdraw income tax allowances so the Finance and Economics Committee does believe that this proposal will have an impact on the vast majority of those in the FSI.

(b) Please see my answer to (a).

(c) 'Tax compensation' has always been taxable as a benefit in kind on the employee, on the lines indicated at my answer to (a) above. It is still assessable despite the introduction of the rules adopted in the Budget 2004.