

## **2.9 Deputy G.P. Southern of the Minister for Treasury and Resources regarding company tax receipts derived from finance sector profits:**

Given that the 2010 figures for income tax receipts reveal company tax at £83 million out of a total of £395 million in 2008, the relevant year for company tax, does the Minister have an estimate for the proportion which was derived from the finance sector profits of £1,520 million and will he inform Members what equivalent figures he has for the total income tax for 2012 of £430 million and if not why not?

### **Senator P.F.C. Ozouf (The Minister for Treasury and Resources):**

The company tax figure of £83 million relates to tax on profits derived by companies in their financial period ending in 2009, not 2008 as stated in the question. The total profits for the financial sector as a whole, as published by the Statistics Unit, an entirely separate analysis for 2009, are in fact £809 million. Notwithstanding the above, as I have repeated before, this data cannot be used to give an accurate, effective tax rate for financial services companies. The Deputy asked a similar question on 29 March 2011 and I will circulate that answer for Members' benefit later this morning. The important point is that the Statistics Unit figures provides figures which are forecast, which include both zero and 10 per cent companies. Even if they are broken down they cannot be compared to the separate Taxes Office which is actual assessments of individual companies, which will be different. They have different year ends. There are all sorts of difference of comparisons. The Taxes Office have, of course, a narrow definition for 10 per cent companies. I will circulate more information on the up-to-date figures as requested by the Deputy later today. This question probably would have been more suitable for a written question although I am afraid that they will not give the answer to the Deputy that he is seeking that there is not effectively an accurate, effective rate for financial services companies that can be used and relied upon for any political decision making. The figures are better suited effectively to a comparison of 2 entirely separate matters.

### **2.9.1 Deputy G.P. Southern:**

Just for clarification, the Minister is saying that he has got no figures for him to enable him to measure how much tax he is taking from the finance sector and how much tax he is taking from other sectors in the economy. Is that the case?

### **Senator P.F.C. Ozouf:**

No, the Deputy is asking me to effectively take a financial services 10 per cent figure and put that as a percentage of an entirely different population of numbers - an apple and pear comparison - and is effectively trying to make a political point, as he has done before and I understand why he is doing it, in order to come out with an effective rate for the whole of the financial services issues. It is 2 entirely different issues. The Statistics Unit are calculating the overall profitability of financial services including zero and 10 per cent rate. The Income Tax Department is assessing to tax what the company tax for financial services is.

[10:45]

I can advise the Deputy that in terms of 2009 it was £43 million, 2010 is £39 million and 2011 is estimated to be £47 million. They are 2 completely different topics.

### **2.9.2 Deputy G.P. Southern:**

Interestingly the figures are significantly lower. Will the Minister address the point that the figures for 2010 suggest that 21 per cent of our tax was coming from companies whereas for 2012 or 2013 the estimate is going to be 16 per cent? Is this a trend that he envisages going on through his Medium-Term Financial Plan that company tax will reduce as a proportion of the total tax take?

### **Senator P.F.C. Ozouf:**

I do not think the Deputy will be surprised to note and to conclude that financial services profits have fallen in recent years. We have been through the biggest, greatest recession that the world has seen and this has dramatically affected financial services companies' profits, including some of those that are within the 10 per cent band. We in fact collect in Jersey a greater proportion of financial services companies within the 10 per cent band. I note with interest that other Crown Dependencies are moving to the wider definition that we have in 10 per cent. I am afraid the general point that he is trying to make cannot be made. You cannot compare apples, which is total financial services profits, with effectively trying to get an effective rate for those companies that we deal with at 10 per cent.

### **2.9.3 Deputy T.M. Pitman:**

This relates to Deputy Southern's last question but I hope it is not stretching the point too far. Given the concern in the U.K. at the moment about companies quite legally, although perhaps not ethically, shifting profits around to reduce their tax rate, can the Minister advise whether he thinks in comparison Jersey's regulations are quite tight enough to see that we do not see a complete disappearance of company tax because that seems to be the way we are going?

### **Senator P.F.C. Ozouf:**

We had to make a very difficult decision in relation to setting that 10 per cent rate and that £100 million deficit that we saw denting our revenue was primarily, as I have answered on many occasions in Assembly, because of the move of 20 per cent rate of tax down to 10 per cent and the Deputy is absolutely right. The difficulty with that is that we face competition. The Isle of Man set their 10 per cent rate, certainly with an eye to the 12.5 per cent rate in Ireland, and if there was a general move that we could compete to increase corporate tax we would not. But the reports that I issued a couple of weeks ago on business tax indicated that Jersey has to continue to compete. Certainly the Tax Department is extremely tough in ensuring that we get the 10 per cent rate, but I frankly do not see a world in which there are going to be tax rising measures in the comparative jurisdictions that we have. Guernsey and the Isle of Man already tried effectively to have more in zero and they did not pull more business. We made the decision to keep the wider definition of the 10 per cent and I would ask the Deputy to judge on our record of just how successful we are in collecting the corporate tax that we can.

### **2.9.4 Deputy G.P. Southern:**

Do the figures just released by the Minister indicate in fact that the effective tax rate on the finance sector is around 5 per cent?

### **Senator P.F.C. Ozouf:**

Absolutely not. The Deputy tries to make this point of comparing the total profitability of financial services, which will include 0 per cent companies. The whole foundation of a financial services industry is dealing with tax neutrality. That does not mean to say those companies are not paying tax somewhere but we deliver tax neutralities and zero-based entities. He is trying to take the whole of the population of the financial services profitability and comparing it with the narrow amount of businesses that pay 10 per cent and trying to come out with an effective rate. I understand the political point that he makes but I am afraid it is simply not a fair and just one and an accurate one. I would urge him not to engage in this attempt to link these 2 issues which are, I am afraid, apples and pears.