

STANDARD  
REGISTERED  
20 MAY 2006  
JR

Scrutiny Office  
Morier House  
Halkett Place  
St Helier  
Jersey  
JE1 1DD

26th May 2006

Dear Sirs

### Zero/Ten Design Proposal

I should like to make the following submission to the Zero/Ten Tax Model Sub Panel, formed by the Corporate Services Scrutiny Panel to undertake a review of the Zero/Ten Design proposal.

#### **30.2 Enhanced Disclosure (Article 134A anti-avoidance rule)**

The "Enhanced Disclosure" proposals under 30.2 of the Zero/Ten Design Proposal are very different to what one might expect to reflect the change in taxation of companies under the zero/ten proposals.

The only additional disclosures which should be required arising from this change are the declaration by Jersey residents of their interest in local private companies (or local trader partnerships etc carrying on trading activity), and of property disposals attracting any development gains tax if applicable.

However, the "Enhanced Disclosure" proposals, in a seemingly opportunistic fashion, would require everyone completing a tax return to effectively provide a statement of all their assets (excepting "chattels" and cash/bank balances) to Income Tax each year.

30.2.2. of the proposals states "It is remarkable that whilst companies file income statements and balance sheets individuals only file income statements and their assets remain invisible to the Comptroller.....". In fact, there is nothing remarkable about this. Neither comparable jurisdictions to Jersey (such as the other Channel Islands and the Isle of Man), nor the UK (nor, I am sure, most other countries) require individuals to file what approaches a complete asset return or balance sheet every year. In the case of the UK, a high proportion of taxpayers are not required to complete a tax return at all (due to PAYE and other forms of tax deduction at source). Those UK taxpayers who are required to file tax returns are, in respect of assets, only required to provide details of actual sales/purchases in the year which might give rise to a chargeable gain. In most cases, such gains are not taxable in Jersey.

30.2.5 of the proposals details disclosure requirements of various specified asset holdings including shares in public companies, capital growth vehicles (which would include unit trusts and the like), insurance policies and property. In many cases, these assets do not even give rise to income which would be taxable in Jersey (e.g. shares in public companies not paying dividends, accumulator and other non-income paying unit trusts, insurance policies, property not held for income or development gain purposes).

Contrary to what is stated in 30.2.6 and 30.2.7 of the proposals, such a disclosure requirement would be both intrusive and, in many cases, unduly onerous for both the taxpayer and (especially if rigorously followed through) the Comptroller of Income Tax. In the case of insurance policies, and public company shares, unit trusts and the like, for example, these are often held by way of long term investment towards retirement provision or other saving requirement, and many holders would not undertake or record a detailed revaluation of these on a year-by-year basis.

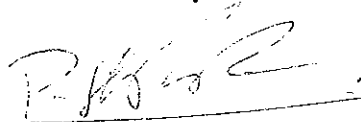
Disclosures required by individuals to the Comptroller of Income Tax should not go beyond information directly relevant to their actual tax liability for the year in question. The enhanced disclosure proposals go considerably beyond this and seem to amount to "fishing" in the widest sense - at a level which should normally only be triggered if there are valid grounds for a full enquiry into a taxpayer's affairs. For the ordinary taxpayer, as well as being unduly onerous these proposals would appear to breach his entitlement to privacy in respect of his affairs - quite possibly to an extent which would breach Human Rights protection.

It would seem outrageous if it were to become an offence for an individual to withhold details of some asset from Income Tax even though he had in fact fully declared his taxable income and gains.

It is a fundamental principle of confidence between the tax collecting authorities and the taxpayer that the latter is required to declare fully and honestly his income and other gains subject to tax. Demanding information beyond what is directly relevant to this is likely to risk undermining that confidence.

There should be no enhanced disclosure requirement relating to the general asset position of an individual. Any additional disclosure requirements for individuals should be limited directly to holdings in companies and other assets of which the income or gains tax liability is affected by the zero/ten changes to tax on Jersey registered or trading companies and (if applicable) land development gains.

Yours faithfully



Paul St John Turner