

21.06.29

15 Deputy G.P. Southern of the Minister for Treasury and Resources regarding balance of taxation (OQ.153/2021):

What measures, if any, does the Minister have under consideration to establish a more equitable balance of income from taxation between personal and company tax than the current ratio of approximately 80 per cent to 20 per cent?

Deputy S.J. Pinel (The Minister for Treasury and Resources):

My officers do not recognise the ratio quoted - which is slightly different from the question the Deputy has just quoted - by the Deputy or the media over the last weekend. These ratios omit some significant financial contributions made by companies and other businesses, including employers' social security contributions, international service entity fees and G.S.T., which is not reclaimed by exempt businesses. They also take no account of the substantial amounts of tax paid by Jersey resident shareholders on company profits when they are later paid as dividends. Nor do they take account of the large amounts of business income, for example, from many professionals such as lawyers and accountants working in partnerships, which is counted as personal income tax. In the U.K. corporation tax has for the past decade been 9 per cent of the U. K.'s tax take. In Jersey, because of marginal relief, about 90 per cent of Jersey personal taxpayers pay rates of income tax well below 20 per cent and receive tax allowances somewhat greater than those available in nearby jurisdictions. I do not, therefore, accept the premise that there is an inequity in the balance of our taxation in this respect, although we have long recognised that Jersey may be over-reliant on taxes on labour, that largely falls on businesses, including corporates.

5.15.1 Deputy G.P. Southern:

Will the Minister produce a spreadsheet showing the returns from each of those taxes that she says are ignored in the figures produced recently in the press?

Deputy S.J. Pinel:

We are already working on producing a correction of what was in the press, but it is diverting Revenue Jersey officials from the other work they should be doing. There will be a correction of those figures, yes.

Deputy G.P. Southern:

So, it will not take very long, then?

The Bailiff:

You will have a final supplementary at the end, Deputy.

5.15.2 Senator S.Y. Mézec:

It is an objective fact, as demonstrated by Statistics Jersey, that since about the time company tax was abolished for so many businesses on the Island, Jersey has become a much more unequal society. Does the Minister regard that as a coincidence?

Deputy S.J. Pinel:

No. Corporation tax came in. It is now being investigated very heavily by Revenue Jersey, along with 139 other jurisdictions that are meeting again tomorrow. The pillar 1 and pillar 2 negotiations and discussions are in progress and cannot be commented on.

5.15.3 Senator S.Y. Mézec:

I am not sure what part of that answer was relevant to my question. My question was: does the Minister regard the changes in the balance between personal and company taxation since the introduction of Zero/Ten for being responsible or at least playing a contributory role in the fact that we have had growing inequality in the Island in that time? If she does regard those issues as being connected, I ask her what her proposed solution would be to that to ensure Jersey over time becomes a fairer society and not a less fair society, as has been the case since the introduction of Zero/Ten?

Deputy S.J. Pinel:

I do understand the question and there was a sharp jump from tax paid by companies to tax paid by individuals in the change for Zero/Ten. Whether that is classed as inequality is debateable but we will see that, as I did answer the Senator, when the pillar 1 and pillar 2 come into operation, that inequality, as he calls it, should level out.

5.15.4 Deputy M.R. Higgins:

I hope the Minister will also correct some of the answers the Department for Treasury and Resources has given to the States that also reflect the figures in Deputy Southern's question. I was amazed to hear the Minister saying the income of lawyers who work in the finance industry is not included under income for residents but is included in part of the industry company tax. How can she justify that?

[15:15]

Deputy S.J. Pinel:

I said in my opening remarks that many professionals, such as lawyers and accountants, who work in partnerships are personally taxed. That is what I said in the opening remarks so they pay personal income tax but they work in partnerships. They might work for finance but they are not part of the finance industry.

5.15.5 Deputy M.R. Higgins:

How can the Minister justify such a great imbalance? Whether those figures we are talking about at the moment are correct or not, the gap is substantial. How can she justify it?

Deputy S.J. Pinel:

I do not think it is down to me to justify it on the basis that I said that a huge amount of work is ongoing to make greater equality in the personal tax and company tax situation. The work is being done so I am not trying to justify it. Otherwise, I would not be doing the work.

5.15.6 Deputy K.F. Morel:

In the Minister's original answer to Deputy Higgins she mentioned there is a review going into an excessive burden on labour taxes paid by businesses. Could she elaborate on this because I am not sure which labour taxes she means and I would be keen to understand what she meant by that?

Deputy S.J. Pinel:

I am not sure what the Deputy means. I did say labour which largely falls on businesses, so the working people there in the corporates, who are paying corporate taxes, but I am not sure where the Deputy is coming from on that.

5.15.7 Deputy K.F. Morel:

If I may help the Minister, the Minister herself said taxes on labour paid by businesses. Those were approximately the Minister's words. I am asking the Minister to explain what she meant by those words.

Deputy S.J. Pinel:

That would be the companies or corporates' social security contributions, defining labour as that.

Deputy K.F. Morel:

So, that is not a tax at all. That is a social security contribution.

5.15.8 Senator T.A. Vallois:

Negating the arguments around all the pedantics around the percentages and the pay from income tax or companies, we know there has been a significant turnaround since Zero/Ten. Could the Minister provide an appropriate message or direction for us as an Island, considering this sum we have paid out from taxpayers' money for support throughout the COVID-19 pandemic to businesses?

Deputy S.J. Pinel:

Is the Senator referring to the co-funded payroll scheme or the fixed asset contributions or all of them? I am not sure which one the Senator is referring to.

Senator T.A. Vallois:

There are a number of schemes that have been in place. I am not sure if it appropriate in the States Assembly for back and forwards in terms of questions but the Minister will be aware that there are a number of schemes in place that do support businesses and that was the point of my question.

Deputy S.J. Pinel:

There have been a number of supports for businesses, which is why I was not sure what the Senator was referring to. The co-funded payroll scheme was introduced very quickly in March last year and is still continuing in very many sectors, providing businesses can show detriment as to comparison with last year. There is also the fiscal stimulus fund that was introduced in 2 tranches and the second tranche has just been agreed and allocated. There has also been the fixed asset scheme, so there has been quite a few of them that have been done and there will be an analysis of them all provided when they have all been completed.

5.15.9 Senator T.A. Vallois:

To make it more clear in terms of the question I was asking: considering the sum of money we have paid out to businesses throughout a very difficult period of time with COVID, bearing in mind the majority of taxpayers' money now is paid through personal income tax or G.S.T., what thought process is the Minister considering around how the fairness of that affects the way the economy is driven in Jersey?

Deputy S.J. Pinel:

The whole schemes have been very fairly appointed. They have all been overseen by individual and independent boards to make sure each were treated equally. It is to help the individuals and companies to make a recovery in the current situation.

5.15.10 Deputy G.P. Southern:

Given we reduced the company tax from 20 per cent to either zero on some companies and 10 per cent on the banks, is it not time, given the impact of COVID-19 on our economy, that we took some of that tax back and increased in some way the tax on companies so that our society may continue in a fairly healthy state?

Deputy S.J. Pinel:

This may well happen, in answer to the Deputy's question, but we are, as I said earlier, in negotiations with the O.E.C.D. (Organisation for Economic Co-operation and Development) and cannot comment any further on those negotiations but there is another meeting tomorrow so hopefully we will have a conclusion fairly soon as to where companies tax eventually ends up.

The Bailiff:

We now come to Question 16 that Deputy Morel will ask the Minister for Home Affairs.

Deputy K.F. Morel

I will withdraw my question if you do not mind, because it is very similar to Deputy Higgins' question earlier and there is no doubt the Minister has asked many questions today. With that in mind I will withdraw it.