

2.6 Deputy T.M. Pitman of the Minister for Treasury and Resources regarding the proposals to increase the rate of G.S.T:

Would the Minister explain his reasoning for implementing an increased rate of G.S.T. across the board which will affect many middle earners who are paying the same or more income tax than at least 10 wealthy 1(1)(k) residents whom Treasury figures reveal to be paying less than £5,000 per annum in income tax.

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

An increased rate of G.S.T. is needed to ensure that we achieve balanced budgets by 2013, which will ensure our economic prosperity in the future. All residents pay G.S.T., including 1(1)(k)s. I understand that there continues to be some lack of clarity on the 1(1)(k) tax contributions, and I want to be clear that most of the 1(1)(k) s paying less than £5,000 or £10,000 per year arrived in the Island in the 1970s and 1980s and were based on the policy at the time. All 1(1)(k) incomes, all 1(1)(k) individuals, pay 20 per cent on their taxable income arising in Jersey in the same way that all other residents do. I need to be clear that the agreements are not to limit their tax to a certain contribution. The policy was to ensure that entrants had sufficient wealth or income to generate the tax contribution when taxed at 20 per cent to result in a tax liability of at least that certain amount. So I will be outlining my conclusions on the 1(1)(k) review in a report which I will issue prior to 7th December, and I am also going to be making some further observations at 1(1)(k) in the budget speech on 7th December.

2.6.1 Deputy T.M. Pitman:

I am not sure if the Minister is aware that 78 out of 123 1(1)(k)s in 2008 paid less than the much touted £100,000. Nevertheless, I do think the Minister is in need of one of his famous tutorials for considering his answer. Perhaps he can explain how in only 2007 in the presence of a States Member and several other people, a senior civil servant from within the Treasury made it quite clear that 1(1)(k)s did indeed negotiate what they would pay to the Comptroller of Income Tax. How can he explain that anomaly?

Senator P.F.C. Ozouf:

I recognise that there continues to be a lack of clarity of exactly the reasons why 1(1)(k) tax contributions are and over the last 3 or 4 years, pointed questions have been made... perfectly legitimate questions have been made by Members. Answers have been given from which Members - perhaps understandably - have concluded certain aspects. I thought that the former Chief Adviser's Report would have helped matters and helped Members' understanding of 1(1)(k). Clearly, there is still some uncertainty about it, but there is a minimum tax contribution that each individual had to pay and they had to bring sufficient income in order to pay that minimum tax contribution. That is very different from effectively negotiating a tax payment.

2.6.2 Deputy M. Tadier:

Does the Minister share the zeal of his Assistant Minister who said last session that he would like to see 150 more 1(1)(k)s come to the Island and, if so, will the Minister consider reducing the burden of tax that 1(1)(k)s have to pay in these difficult financial times in order to attract more 1(1)(k) residents to the Island?

Senator P.F.C. Ozouf:

The Deputy is now pretty well-known in this Assembly for his sarcasm and wit and I believe that my Assistant Minister has a great amount of zeal, and what he said in the Assembly last time was that the tax contributions for 1(1)(k)s are in the region of 1 per cent of the value of G.S.T. What the Assistant Minister said, and I agree with him, is that if we can increase the amount of tax that is paid into the Treasury by attracting more 1(1)(k)s in the Island, then that is a good thing. There are only 120 or 117 1(1)(k)s that have ever been issued. That is a much smaller number than I think a lot of people would believe. But I am reviewing the tax contribution and the tax arrangements for 1(1)(k)s. I am going to be publishing a report in advance of the budget and it will be a subject which this Assembly, I hope, will be addressing during the course of the budget debate.

2.6.3 Deputy T.M. Pitman:

I do think it is a bit harsh to call Deputy Noel a zealot, but there we go. Sticking with the issue, which is the main issue of G.S.T., given that one multimillionaire felt compelled to phone me up to tell me with some satisfaction that due, in his words, to having a good accountant and legal advice, the system allowed him to pay tax at just 2 per cent, with G.S.T. being a clearly regressive tax, does the Minister agree it is high time that Jersey did finally implement a system of fair progressive taxation? We are, after all, committed apparently to developing a fairer society.

Senator P.F.C. Ozouf:

I would be quite careful about taking the phone calls of alleged millionaires who claim that they are not paying their appropriate amount of tax. What I can do, by way of assurance to the Deputy, is say that we have been completing a quite substantial review of the Tax Department and I will also be outlining some changes to the Tax Department in advance of the budget debate. I am wanting to ensure that the Tax Department is given all of the necessary resources and staff and assistance in order to ensure that Islanders meet their obligations. The Deputy and I will disagree in relation to the future of the tax package for Jersey. We respectfully disagree in relation to what is fair in terms of tax and no doubt will continue to debate these issues in the Assembly.