

**WRITTEN QUESTION TO THE MINISTER FOR TREASURY AND RESOURCES
BY DEPUTY G.P. SOUTHERN OF ST. HELIER
ANSWER TO BE TABLED ON TUESDAY 28th APRIL 2015**

Question

The figures released in response to written question 8734, tabled on 14th April 2015, reveal little change in the pattern of tax revenues from non-financial businesses compared with those previously given for the year 2009. Both, however, are dominated (almost 60% of revenue) by two sectors – “other business services” and “other community services”. In order to better help members understand the Jersey economy, can the Minister provide a breakdown what types of business these two large categories include?

Will he further inform members what contribution each sub-sector within these broad sectors makes to the £30m of tax revenues produced, and, if not, why not?

The response also states that “the table above includes income tax assessed in respect of the legal and accountancy professions” and then overleaf that only two of the five subsectors of the finance sector, banking and trust and company administration, will pay tax at 10%, the remainder would be taxed at 0%. How much tax is paid by the fund management, legal and accountancy sub-sectors of the financial services sector?

Will the Minister further explain what role is played by income tax on partnerships and sole traders on tax revenues in the finance sector?

Answer

Part 1

The figures released in response to written question 8734, tabled on 14th April 2015, reveal little change in the pattern of tax revenues from non-financial businesses compared with those previously given for the year 2009. Both, however, are dominated (almost 60% of revenue) by two sectors – “other business services” and “other community services”. In order to better help members understand the Jersey economy, can the Minister provide a breakdown what types of business these two large categories include?

Will he further inform members what contribution each sub-sector within these broad sectors makes to the £30m of tax revenues produced, and, if not, why not?

See table below for a further breakdown of “other business services” and “other community services” and the contribution in respect of each sub-sector. It is emphasised that the tax contribution reflects the position across all entities (ie corporate, partnership and sole trader-in the context of the last two the proprietor is subject to income tax). This explains why there are figures against non finance sectors due to the profits arising to non corporate entities. The figures for tax assessed for the year of assessment 2013 and collected in 2014 are provisional and subject to audit.

Other Business Services	Contribution (2013 YOA) £m	Other Community Services	Contribution (2013 YOA) £m
Accountancy Services	5.2	Recreational Services	0.8
Legal Services	9.4	Hairdressing/Beauty Services	0.4

Other Professional and Scientific Services	2.2	Educational Services	0.3
		Other (further analysis of this figure will be provided to the Deputy in due course)	11.4
Total (included in answer to written question 8734)	16.8		12.9

Part 2

The response also states that “the table above includes income tax assessed in respect of the legal and accountancy professions” and then overleaf that only two of the five subsectors of the finance sector, banking and trust and company administration, will pay tax at 10%, the remainder would be taxed at 0%. How much tax is paid by the fund management, legal and accountancy sub-sectors of the financial services sector?

A breakdown of legal and accountancy services is included in the table above.

Tax of approximately £0.3m was paid by fund management companies in 2013. This will be in respect of property income in Jersey (which is subject to 20% tax irrespective of the nature of the company). Any business profits in respect of fund management services will have been taxed at 0%.

Part 3

Will the Minister further explain what role is played by income tax on partnerships and sole traders on tax revenues in the finance sector?

There is a degree of uncertainty as to the Deputy’s definition of the finance sector for the purpose of this question. If we consider two possible alternatives the position is set out below:-

1. The Deputy is referring back to his written question (6163) tabled in the States Assembly on 29 March 2011 in which he refers to five branches of the finance sector as follows:-

Banking
Trust and Company Administration
Fund Management
Legal
Accountancy

The broad split of total tax revenues on these criteria is:

Corporate: 81%
Partnership - Sole Trader: 19%

(Note: in order to arrive at this split the Taxes Office has had to make an assumption in one specific sector where, under the generic sub sector heading part of the revenue would fall within the finance sector as defined above and part would not. The answer must therefore be considered in this light).

2. The Deputy when referring to the finance sector is relying on the criteria set out in the Income Tax Law that is used to define whether or not a company is a financial services company and considering this criteria as if it were to apply to sole traders and partnerships also. It is a fact that the income tax derived from the finance sector in accordance with this interpretation is almost exclusively received from companies.