

STATES OF JERSEY



BUDGET STATEMENT 2010 (P.179/2009): THIRD AMENDMENT (P.179/2009 Amd.(3)) – COMMENTS

**Presented to the States on 1st December 2009
by the Minister for Treasury and Resources**

STATES GREFFE

COMMENTS

The Minister for Treasury and Resources opposes this amendment on the following grounds –

- The amendment suggests increasing the Company Annual Registration Fee by 100% (from £150 to £300 per year) without consultation.
- Although there is an opportunity to raise additional revenues, the Minister believes it needs to be properly considered. He commits to undertake a consultation with industry on this matter next year as part of the Fiscal Strategy Review to determine the scope for potential future increases.
- The amendment refers to the Company Annual Registration Fee in Guernsey being £250. Although the Company Annual Registration Fee in Jersey is £150, the vast majority of Jersey companies also pay a £100 to exempt them from GST (the ISE fee). Therefore the total statutory company fee suffered by most Jersey companies is £250, the same as Guernsey.
- Advice received suggests that the late introduction of a change in this fee for 2010 would create a significant administrative burden particularly on the Trust Company Businesses who have already largely completed their billing processes for this year.
- Although the Company Registration Fees are relatively small, they can still determine the preferred place of incorporation and so Jersey needs to remain competitive.
- In financial terms –
 - Although the amendment could raise an additional £4.9 million, it is possible that an increase at this time, without proper review and consultation could result in lost business to the Island which without further research is not quantifiable.

Background

The current position in relation to statutory company fees paid by Jersey companies is as follows –

- The current annual registration fee is £150 per company, of which £35 is retained by the JFSC and £115 goes to the States.
- This has not been increased for several years.
- However, most Jersey incorporated companies – International Service Entities (ISE) – now pay £100 per year for an exemption from GST.
- This means that they pay a total of £250 a year in statutory fees which is equivalent to those fees paid in Guernsey.

Despite the fees being relatively small, they are surprisingly relevant when investors consider the place of incorporation. Remaining competitive is therefore very important.

The Minister recognises that this should be looked at closely, with proper consultation and consideration bearing in mind other costs that may need to be charged to trust companies.

In addition, advice received suggests that increasing the charge now would create a significant administrative burden particularly on the Trust Company Businesses who have already largely completed their billing processes for this year.

The required consultation cannot be achieved in the short time-frame remaining this year, but it is his intention to do so as part of the Fiscal Strategy Review for consideration next year and ahead of the 2011 Budget.

Financial impact

The Amendment proposes increasing the Company Annual Return Fee by £150 per year, potentially raising £4.9 million of additional revenues.

The amendment is based on the misconception that Guernsey companies pay more, and so Jersey can increase its fees without damaging its competitive position. However, the total fees paid by most Jersey companies is the same as those paid by Guernsey (£250), and so the proposed amendment could jeopardise company incorporation and other business, the impact of which is unquantifiable in the time-frame.