

21.07.19

12 Connétable J.E. Le Maistre of Grouville of the Chief Minister regarding a limit on the number of high net worth individuals: (OQ.180/2021)

Has a limit been set on the number of high-net-worth individuals who are given permission to take up residency in the Island each year and how many such permissions have been given this year to date?

Senator J.A.N. Le Fondré (The Chief Minister):

Sir, Senator Farnham is answering this question.

Senator L.J. Farnham (Assistant Chief Minister - rapporteur):

No limit has been set, however, we have maintained a longstanding aspiration; 15 approved applications every year. Our 3-year average has been 18, that is slightly above the target due to demand; 17 permissions have been granted so far this year and it is the first half of the year usually seeing the highest number of people applying. I understand there are approximately 4 applications also in train.

4.12.1 The Connétable of Grouville:

Does the Minister accept that letting so many such individuals into the Island is overheating the house market? It is also having an effect on the building industry because usually high-net-worth individuals want to spend money on the houses they buy and is also likely to lead to some land being lost to agriculture because they get many of these individuals that buy the land around the house and put them to soft agriculture, such as orchards, and they will no longer be available to mainstream agriculture.

The Greffier of the States (in the Chair):

Before you answer, could I just ask Members to make sure their microphones are off, unless they are intending to speak because at least one is live at the moment?

4.12.2 Senator L.J. Farnham:

Had a little bit of dog trouble in the background but that is fine now. No, I do not agree with that. The number of high-net-worth families in the Island, taken in context of the whole population, is relatively low; approximately 200 families that fall into that bracket. There is a minimum amount set on property prices, so the property transactions tend to be in the much higher echelon of our property market, whereas the supply and demand issues we are experiencing are sort of at a much lower level in first-time buyer and a more modest family home. The amount of construction work on a domestic basis taken on by them I think is very useful for the construction industry but, again, there is no evidence that this is causing an overheating of the market. I think there are far greater pressures on construction due to the number of large-scale projects we have and simply the demand for thousands of new homes, as I said, at the lower end of the market. I personally think that the high-net-worth scheme and the high-net-worth community bring significant benefits to the Island and I do not think there is any evidence to support the Constable's concerns.

4.12.3 Deputy M. Tadier:

I suppose that is the problem, there is not any evidence either way and my question is: has there ever been a cost-benefit analysis, not just to the economic cost and benefits but of the social and

perhaps more abstract cultural negatives and positives, that are thought to be brought or pertain to the high-net-worth policy framework and the numbers that are brought over?

Senator L.J. Farnham:

That is a good question. We have had probably no fewer than 8 or 9 studies since 2010, the last key one being in 2016. There is no plan to do another study at this stage but I suspect there will be calls for one in the not-too-distant future. I am not sure there is time to get one completed in this term of office. It is something we have on our ministerial agenda for discussion at some time in the near future. But there are no current plans to carry out a study during this Government.

4.12.4 Deputy M. Tadier:

Could the Minister clarify what those studies were, who they were commissioned by and what the outcomes were? I have not heard of these but, if they are in the public domain, could he direct us to them and if they are not could he perhaps make sure they are put in the public domain, if appropriate?

Senator L.J. Farnham:

We had a history of the 1(1)(k) regime in 2010; the author of that was the late Colin Powell. There was the review of the 1(1)(k) regime for the States of Jersey by Withers LLP, also in 2010. We had a report on Jersey's regime for high-net-worth individuals by the Treasury and Resources Tax Department and Policy Unit in July 2011; tax regime for the high-net-worth individuals review in 2013, so again by the Treasury and Resources Department; tax data relating to high-value residents report, March 2015. We had a survey of international relocation for high-net-worth in business by Island ARK; that was also in 2015. We had the comparative analysis of high value residency regimes carried out by KPMG in 2016. Since then the information has been produced, an annual report and infographic by Locate Jersey, just highlighting the key headline figures. I am not sure whether all of those are still in the public domain but if any Member is interested I would be happy to provide further details.

4.12.5 Deputy R.J. Ward:

In previous questions regarding this it is clear that tax regimes are not the same for all; what I will refer to as high-net-worth individuals. Can the Minister confirm that all current individuals are on the same tax arrangements with no special deals? Does he believe that all high-net-worth individuals, even historically, should now be brought on to those similar tax arrangements for fairness, well at least within that sector of the community?

Senator L.J. Farnham:

It is possibly more a question for the Minister for Treasury and Resources. All of the high-net-worth residents will not be on the same tax rate or tax package because all the changes, and when the rules are updated, are not retrospective, so they only apply to incoming high-net-worth residents from that date. There will be a number of different tiers. I am not sure everybody needs to be on the same tax package. I think it would just be too difficult, like I say, with the retrospective nature of the changes to introduce that and I could not support that. Again, I think that is probably best directed at the Minister for Treasury and Resources.

4.12.6 Deputy M. Tadier:

Would the Minister agree that these individuals should not be called high-net-worth because, as the pandemic has found, those are the people like nurses, doctors and front line workers who have a

huge worth to our society? Perhaps they should be renamed high individual wealth individuals who come to this Island.

Senator L.J. Farnham:

I could subscribe to that terminology, and it is not taking anything away from the huge contribution given to our society by most members of the community during the pandemic.

4.12.7 Senator S.Y. Mézec:

Does the Minister have any concerns about the quality and the detail provided in the information to members of the Housing and Work Advisory Group when they receive these applications to adjudicate on?

Senator L.J. Farnham:

As the Senator will know, we worked together on the Housing and Work Advisory Group for a period of time and we often were asking for further information, not necessarily on high-net-worth but a number of other applications and appeals and cases.

[16:45]

We have changed the format recently to include much more detailed information, especially in relation to the net worth of the individual and to ensure that their intention is to make Jersey their home and to seek an undertaking that they will make a positive contribution to our community. I think we have improved the information that is coming through but I do not think you can ever have too much information on important applications such as this, and we will make sure we continue to stay alive to that fact.

4.12.8 Senator S.Y. Mézec:

Does the Minister share my concern about the scheme being used inappropriately by individuals who, rather than coming to the Island on 2(1)(e) status and getting the very nice, I am sure, tax benefits that that entails, rather than come in as an employee on a licence like everybody else would have to do, is happening? Would he agree that that is inappropriate and those applicants should instead be steered to coming here on a licence, rather than a mechanism which, let us be honest, is just to avoid paying the full rate of tax?

Senator L.J. Farnham:

Yes, I completely agree with that and I would emphasise and reiterate this is not a salary-avoidance scheme, this is aimed at high-net-worth individuals, completely financially independent people that want to make Jersey their home and want to make a positive contribution to our future. We have already set guidelines in place that place sort of minimum levels of net wealth required to avoid this becoming a salary-avoidance scheme. For this scheme we are not looking for people with low-net-worth and very high salaries with the view to becoming high-net-worth in the years ahead. We have already steered more than one application back towards the J category option, so I completely agree.

4.12.9 Deputy M.R. Higgins:

I hope the Minister will speak with some of his colleagues because one of the reasons for overheating in the housing market is not only foreign direct investment into the Jersey economy but may well also be very high-net-worth individuals also dabbling in the property market. If they are building new homes and apartments this would be very beneficial to the Island. On the other hand,

if they are buying up existing properties and taking them from people who would like to have a home of their own and they wish to get a mortgage or wish to rent a flat that is not so good. Will the Minister please press the Minister for Housing and Communities and others to get on with the register of commercial and retail properties, so we find out who owns what and the impact it has on the housing market?

Senator L.J. Farnham:

Yes, of course I will work closely with the Minister for Housing and Communities wherever possible to ensure we have all of the rules absolutely right to ensure that we get the right sort of investment and the right sort of housing that I alluded to earlier in the Constable of Grouville's question. We need to focus practically all of our effort on the lower end of the market where first-buy family homes are urgently required. High-net-worth cannot come in and just dabble in the property market; they are limited to their own property and perhaps another property - we have mentioned that might be perhaps in their domestic curtilage - but they certainly cannot dabble freely in the property market. But I do know that a lot of our high-net-worth residents do invest primarily in local business and provide many, many jobs for locals.

Deputy M.R. Higgins:

I have to look at that because it is not necessarily correct.

4.12.10 The Connétable of Grouville:

The Minister has admitted that he has exceeded his target of 15 for the last 3 years. It looks like this year we have already let in 17, so the target is going to be way over this year. Would it not be better to have fewer such individuals coming here and charge them more? We could then generate the same income and then it would have less impact.

Senator L.J. Farnham:

We always say sometimes less is more and that is why we have recently increased the bar, as it were, in terms of levels of high-net-worth. We have increased the policy on the minimum property pricing. The idea is to sort of slow down slightly the influx and aim for the higher-net-worth individuals, rather than the higher-paid employers who would rather put into the J category section. I do not think 17 or 20. It does fluctuate, yes. We have had below 18 and below 15 and we have had, I think, well into the high 20s. But I think in the context of the total population, the numbers are very small but I take on board the Constable's points and continue to assure him and other Members that the scheme was aimed to deliver few high-quality residents that will enhance the economy and well-being of the whole Island.