



**Jersey Finance**

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14 November 2017

Dear Sir

### **Draft Budget Statement 2018**

We refer to your letter dated 27 October 2017, requesting written submission, providing our views/opinions on the changes proposed in the Draft Budget 2018 and how it might affect Jersey's Finance Industry. We note that the closing date for submissions was Friday 10 November 2017. During a telephone call on Friday 10 November 2017, your office agreed to extend the deadline for Jersey Finance Limited. We appreciate your understanding in this regard.

This response has been prepared by Jersey Finance Limited (JFL), on the basis of discussions and views supplied by Jersey Finance's Fiscal Strategy Group (the FSG). Whilst JFL does not represent Jersey's finance industry in its entirety, and whilst we cannot guarantee that the views of individual members are not at variance with the views expressed, we are as confident as we can be that this response is broadly representative of an industry view.

It is worthwhile mentioning that JFL did not submit written comments to the Treasury and Resources Minister in respect of the changes proposed in the Draft Budget, however, we understand that the points which we have outlined below were addressed in the responses which some of the FSG members submitted individually.

#### **Clarity regarding future of Jersey Corporate Tax**

For the most part we are satisfied with the proposed amendments outlined in the draft statement. However, we feel this was an ideal opportunity to provide clarity in respect of the long-term plan for Jersey tax, to avoid any misconceptions and unnecessary concerns in the interim, so we would have liked to see general tax policy issues better articulated and a clear strategy outlined in respect of the future of Jersey corporate tax.

Some of the specific points which we would have liked to see more clarity on are summarised below:

## **1. Taxation of Larger Corporate Retailers**

In our view, the basis for the Treasury and Resource Minister introducing these provisions was not fully articulated and accordingly, the ultimate intention of the provisions is unclear. The risk is that this could lead to uncertainty regarding whether the long-term plan is to expand the number of companies that will be caught by this law by amending the definition of a “Large Corporate Retailer”.

In addition, an indication in respect of whether there is any intention to ultimately seek to tax digital retailers would have been useful.

## **2. Financial Services Companies**

Any amendments to the “financial services” definition will naturally get the attention of companies within the financial services industry, so it is important that the rationale behind any proposed amendments are clearly explained.

We appreciate that the proposed amendments are relatively narrow, and we assume the reason for the amendment is to close the gaps within the 10% band. However, it may have been helpful to provide an explanation regarding why the definition is being amended, so as not to, through uncertainty, discourage companies from doing business in Jersey.

Specifically, we would have liked to see a clear statement, confirming that there is no intention for the Minister to seek to tax investment managers within the zero-ten regime.

## **3. Concessions**

There are a great number of concessions and practices that need to be translated into legislation. The Minister has chosen to legislate for one concession (the taxation of foreign LLPs), while leaving others as a statement of practice. Unfortunately, no rationale was provided for this decision, which we feel may create uncertainty regarding how the remaining concessions will be treated going forward.

It would have been beneficial if a clear approach was outlined in this regard.

### **High Value Resident Regime**

Whilst the rationale for the proposed changes to the HVR regime is understood, the proposed changes close the door to certain businesses which in our view are exactly the type of business that the Island wishes to attract. For example, successful start-up funds can generate significant income, employ high earners and typically have a low footprint. The current regime allows an element of flexibility whilst the funds are established. Start up funds which are founded by individuals who are not particularly wealthy and do not have other sources of income and so would be unable to pay the minimum contribution in the very early years and so this flexibility is required to attract these funds. Once the funds are established, the income generated and available to the founders often significantly exceeds the minimum requirement in the short term. However, the proposed amendments do not allow for this flexibility and



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may serve as a disincentive, both in respect of individuals looking to establish a fund in Jersey as well as to individuals who are simply looking to invest locally in taxpaying entities.

In addition, it is worthwhile noting that Guernsey (one of Jersey's main competitors in the High Value Resident space) have proposed reducing the tax requirements, while Jersey's minimum tax will be increasing for High Value Residents.

We are concerned that this may impact on the attractiveness of the Island to certain businesses who are considering establishing in the Channel Islands.

**Limited time to respond**

We wish to note that our members were disappointed with the limited time which was afforded to them to respond to the proposed amendments, before they were lodged with the States. As a result, the general feeling is that there was insufficient time to consider the implications of the proposed amendments appropriately.

Thank you for providing the opportunity to provide comments on the changes proposed in the Draft Budget 2018. We do hope these comments are helpful and should you wish to further discuss any of the points raised please do not hesitate to contact us.

Yours faithfully

P.P. 

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