

Comments on the 0/10 Design Proposal

by Jurat P.G. Blampied, OBE

A Preamble

- 1.1 When I returned to Jersey in 1953 I was surprised to discover that almost all the legislation dealing with income tax repeated word for word the English fiscal legislation which existed when I started to serve my articles in London to qualify as a Chartered Accountant shortly after the end of the War. I should not have been surprised because when income tax was introduced into Jersey in the 1930's Jersey copied word for word the English legislation which existed at that time.
- 1.2 The principle behind the legislation at that time was that profits were only taxed once and the shield of a limited liability introduced between a trading organisation and the individual shareholders in reality made no difference between the tax payable on those profits when compared with the profits of a sole trader or the individual members of a partnership.
- 1.3 However, differences developed in England because of the introduction of surtax (now higher rate income tax) and profits tax which was introduced for a period after the War. The principal change which was introduced in England was the introduction of corporation tax payable by limited liability companies. However, the principles of the Jersey taxation position have remained unaltered.
- 1.4 I think that 7.2 of the Design Proposal is not correct in some respects. In the post war years a dividend paid by an English company was generally referred to as an appropriation of taxed income to those individuals who were beneficially entitled to it. This has always been and remains the position in Jersey whereas interest paid after deduction of tax in Jersey is grossed up to show the gross amount and the tax deducted is credited to the balance sheet as part of the tax liability of the company. The company obtains relief for the interest paid by deducting the tax which it pays on behalf of the payee.

However, no income tax is shown in the profit and loss account or the balance sheet in respect of the dividend which is paid. As the dividend is an appropriation of taxed income only the net amount of the dividend is shown in the profit and loss accounts.

7.2.2. is therefore not correct. The tax is not retained by the company to meet its normal income tax assessment.

- 1.5 The Design Proposal in, for example, 7.2.3. is not correct when it says that Jersey companies operate a full imputation system of corporation tax. Companies which are resident in Jersey for income tax purposes pay income tax.
- 1.6 Jersey intends to remove the liability of a Jersey resident company to pay income tax under the provisions of Schedule A or Schedule D as at present prescribed and to introduce a form of corporation tax either at a zero rate or at a different rate and to require the shareholder to pay tax on the distribution made to him or on a deemed distribution. Although this may sound relatively straightforward I realise that it is very difficult to introduce changes which will be effective and equitable.

The Deemed Distribution Charge

- 2.1 Because of the various rates of tax to be applied to Jersey resident companies and because, in particular, of the deemed distribution provisions, there is a lack of social justice in the proposals and they also lack equity. I think probably this is most apparent in the deemed distribution charge provisions of clause 24 of the Design Proposal and clause 26 which envisages a deferred charge.

Paragraph 19.3.2 provides that shareholders of public companies be exempt from the deferred distribution charge and the deemed distribution charge where their shareholding is less than 1%.

Otherwise shareholders of public or other companies are liable to income tax at the rate of 20% on the whole of the profit of a public company over a four year period.

- 2.2 What lacks social justice and promotes inequity is that there are a large number of individuals who have a modest number of shares in trading companies or who hold more than 1% of the shares in a public company. Most companies retain profits to finance capital expenditure to repay borrowed money and to finance additional working capital which is required because of inflation. These retained profits are not actually distributed. It is not correct to say that "the retention of trading profits within a company over the long term or indeed indefinitely should be viewed as simply fattening up the company for eventual tax free extraction of the profits" (paragraph 24.3.1).
- 2.3 Indeed this is recognised by proposing the introduction of limited trading partnerships to enable (as paragraph 10.4.3 says) local traders to avoid the complications and changes associated with the zero/ten design proposal.

- 2.4 However there are a very large number of small companies trading in Jersey. The suggestion that they would avoid the problems of the zero/ten design proposal ignores the very substantial costs that these small trading companies would incur if they arrange to become a limited trading partnership.
- 2.5 Trading companies, whether public or not, generally retain a significant proportion of their profits and the deemed distribution provisions penalise the small shareholder and lack equity.
- 2.6 For example I hold 880 shares in the Jersey Recreation Grounds Company Limited out of a total issued capital of 10,000 shares of £1 each. I enclose a copy of the balance sheet and the income and expenditure account for the year ended 30th September 2005. This is a very old Jersey company and the shares seldom change hands and have been passed down from one generation to another. There are a significant number of shareholders who hold a small number of shares.

The company is making about £75,000 per annum before income tax and the gross dividend is £7,500. The retained profit is therefore £67,500 per annum and over a four year period the retained profit would amount to £270,000 after the payment of the dividend. The dividend that I receive is £550 gross or £2,200 for four years and under the deemed distribution provisions I would be required to pay income tax at the rate of 20% on £23,760 ($880/10,000 \times £270,000$) amounting to £4,762 which is significantly more than the dividends which I would have received during the four years.

The Jersey Recreation Grounds runs the golf course, tennis courts and other facilities in St. Clement much as a municipal sports centre and the shareholders are not being motivated by profit. There is no possibility of it becoming a limited trading partnership.

THE JERSEY RECREATION GROUNDS COMPANY LIMITED

INCOME AND EXPENDITURE ACCOUNT
FOR THE YEAR ENDED 30 SEPTEMBER 2005

	Notes	2005	2004
		£	£
Income			
Golf		242,290	232,250
Tennis		28,954	28,237
Putting and mini golf		2,875	3,631
Bowls		2,021	2,205
Sales and hire		7,911	11,800
Squash		<u>1,180</u>	<u>1,160</u>
		285,231	279,283
Other income			
Rents receivable		42,165	44,027
Bank interest received		9,930	9,093
Sundry income		<u>1,235</u>	<u>7,311</u>
		338,561	339,714
Expenses			
Manager's remuneration		26,519	25,305
Directors' fees		4,800	5,000
Salaries, wages and social security		142,027	125,767
Rent, rates and insurance		22,688	17,444
Heat, light and water		2,829	2,464
Telephone, stationery and sundries		3,210	4,912
Advertising		-	369
Repairs and general maintenance		18,769	34,481
Annual registration		150	150
Audit fee		2,300	2,300
Accountancy		2,600	2,600
Secretarial fees		3,042	3,627
Legal and professional fees		100	1,300
Bank interest and charges		1,962	1,606
Depreciation	2	<u>32,567</u>	<u>36,390</u>
		263,563	263,715
Net income for the year before taxation		74,998	75,999
Jersey income tax		<u>(18,724)</u>	<u>(17,362)</u>
Net income for the year after taxation		56,274	58,637
Balance brought forward		<u>593,852</u>	<u>541,215</u>
		650,126	599,852
Dividend proposed for the year		<u>(6,000)</u>	<u>(6,000)</u>
Balance carried forward		<u><u>644,126</u></u>	<u><u>593,852</u></u>

There are no recognised gains or losses other than as disclosed above.

There have been no discontinued activities or acquisitions in the current or preceding accounting period.

THE JERSEY RECREATION GROUNDS COMPANY LIMITED

BALANCE SHEET AS AT 30 SEPTEMBER 2005

	Notes	£	2005 £	2004 £
Fixed assets				
Tangible assets	2		453,162	398,175
Current assets				
Stock	4	1,554		2,500
Clubhouse development costs	3	27,581		-
Debtors and prepayments		6,657		1,218
Cash at bank and in hand		289,026		336,974
		<u>324,818</u>		<u>340,692</u>
Creditors: amounts due within one year				
Creditors and accruals		19,194		32,015
Subscriptions paid in advance		43,654		38,560
Current taxation		17,254		22,210
Proposed dividend		6,000		6,000
		<u>86,102</u>		<u>98,785</u>
Net current assets			<u>238,716</u>	<u>241,907</u>
Total assets less current liabilities			691,878	640,082
Creditors: amounts due after one year				
Future taxation			7,619	6,097
Total net assets			<u>684,259</u>	<u>633,985</u>
Capital and reserves				
Share capital	5		12,000	12,000
Investment reserve			28,133	28,133
Revenue reserve			644,126	593,852
Shareholders' funds			<u>684,259</u>	<u>633,985</u>

The accounts were approved by the directors on

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Director

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Director

2.7 For example also I am a director of B.G. Romeril & Co. Ltd. and I have permission from the directors to comment on the shareholding. There are about nine shareholders who hold between 1% and 10% of the share capital of the company. In common with other companies Romerils retains some 50% of its profits to finance its expansion, to repay borrowed money, to hold additional stocks and to provide for an increase in debtor balances. These individual shareholders will be involved in a significant and additional tax liability because of the deemed distribution provisions. The shareholders are principally relatives and descendants from family and friends of the late Bernard Romeril and the late Roy De Louche who founded the company and none of them enjoy the sort of wealth which would warrant them being selected for an additional liability to tax.

I do not hold any shares in B.G. Romeril & Co. Ltd.

Utility Companies

3. Paragraph 18 of the Design Proposals envisages that utility companies will be charged income tax at the rate of 20%. Presumably individuals who receive dividends from utility companies and who are resident in Jersey will not be required to pay an additional tax as, if they were to be charged additional tax, their position would differ from the shareholders in other public companies and the arrangement would lack equity.

Double Taxation Relief

- 4.1. It is proposed to continue assessing companies to income tax under Schedule A in respect of rental income.
- 4.2 The Design Proposal says that the double taxation agreement between the UK and Jersey does not cover dividends. It would have been clearer if the Design Proposal said that the double taxation agreement extended to all income other than dividends and debenture interest. However, rents received from England are not assessed at present under Schedule A but under Schedule D and when these

are received by a Jersey resident company with a zero corporation tax liability no double tax relief will be given because no Jersey tax will be payable.

4.3 However, under the deemed distribution provisions or, if the whole of the income is distributed to a shareholder, that shareholder will be liable to income tax at the rate of 20% effectively on the net rents received from England. The rents received from England will have suffered United Kingdom taxation. The shareholder will be in a worse position when compared with an individual who receives rents from England in his own name as the shareholder would then be granted double taxation relief.

4.4 The Design Proposal does not deal with the lack of equity in this arrangement.

Generally Accepted Accounting Principles

5.1 Paragraph 10.6.8 proposes that distribution vouchers of companies will prescribe distribution profits based on GAAP. This puzzles me and, in my opinion, what is envisaged should be more accurately described. The adjustments that are made to the profit shown by a profit and loss account in order to establish its income tax liability are comparatively easy to calculate. I assume however that 10.6.8 envisages that the profit shown by the profit and loss account will be the profit described as the profit available for distribution.

5.2 It is a generally accepted accounting practice, for example, that depreciation is provided on buildings owned by a trading company. I assume that this will be allowed as an expense in computing the profit established under a GAAP principle. Similarly, for example, charitable donations are charged as an expense in the accounts of a company under a generally accepted accounting principle. However, charitable donations are not allowed as an expense in computing the taxable profit because a charity is able to claim the tax deducted. I assume however that the 0/10 design proposals envisages that charitable donations will be allowed as an expense.

Stock Dividends

6. Paragraph 19.4 of the Design Proposal deals with stock dividends. This is an arrangement whereby a shareholder can elect to take shares in lieu of a dividend. This is fair and reasonable. It seems to me that stock dividends received by Jersey resident individuals or the companies from UK resident companies should also be assessed to income tax in Jersey.

Preference Dividends

7. The Design Proposals do not deal with the treatment of preference shares.

The Regulation of Undertakings & Development (RUDL) Charge

- 8.1 There are a large number of large companies which trade in Jersey which are subsidiaries of English companies. Prior to the introduction of a zero/ten provision these companies will have paid a substantial amount of tax. For example the Guiton Group Ltd. and A.de Gruchy & Co. Ltd. are now owned by English companies.
- 8.2 There are also a large number of companies incorporated outside Jersey which trade in Jersey in a permanent establishment in Jersey as defined by the Double Taxation Agreement between the United Kingdom and Jersey.
- 8.3 These companies (paragraphs 8.1 and 8.2) will not pay tax in Jersey and their shareholders will avoid paying tax in Jersey on dividends or profits distributed to them.
- 8.4 These companies will therefore enjoy a fiscal advantage when compared with their Jersey competitors. An obvious comparison is between Voisin & Co. and A. deGruchy & Co. Ltd.
- 8.5 The proposed introduction of an RUDL charge is an attempt to reduce the lack of equity.
- 8.6 Paragraph 16.2.2 says that the RUDL charge would be "creditable" against the 20% charge payable by utility or construction companies. It is not clear whether this means that the RUDL charge would be allowed as an expense in computing the profit on which tax would be paid or whether it would be treated as a part payment of the 20% taxation liability.
- 8.7 However my principal concern is for the small trading company. Paragraph 16.1.4 says that the RUDL charge "would not flow through to frank distributions". I assume that this means that it would not be treated as a payment

on account of the income tax which becomes payable under the deemed distribution provisions by the shareholder.

This seems to me to place an unfair burden on the small company and its shareholders and it lacks equity.

Suggestions Relating to the 0/10 Design Proposal

By Jurat P.G. Blampied, O.B.E.

A Preamble

1. I recognise that complicated fiscal legislation inevitably results in anomalies and can be unfair. This is particularly so when different forms of taxation are introduced and when the legislation increases in volume. I recognise also that complicated fiscal legislation increases the opportunity for the avoidance of taxation.
- 2.1 Nevertheless I believe that the zero/ten proposals can be amended to reduce the lack of equity and social injustice to which I have referred in the earlier paragraphs of this paper.
- 2.2 The suggestions made in paragraphs 3.1 to 8.2 that follow deal with principles and do not seek to deal with the detail of the legislation that would be necessary.

Companies Other than Trading Companies

- 3.1 I suggest that companies whose income is assessed under Schedule A or under any of the cases of Schedule D (other than case I) should be dealt with as a separate class for the purposes of the look through arrangements.

Most of these companies will be investment companies holding stocks and shares or land and buildings in Jersey and elsewhere. Where the shares in one of these companies are owned by an individual or, say individuals and their spouses and their lineal descendants (a family company) it does not seem to me that there is any problem in the income being apportioned to those shareholders pro rata to their shareholding. The definition of a "family company" would be similar to the definition of a "close company" as once defined by United Kingdom fiscal legislation. The company is generally there in order to avoid inheritance tax that would otherwise be payable and there are many such companies in Jersey.

- 3.2 .Where a Jersey resident held shares in a Jersey resident company assessed under Schedule A or under any of the cases of Schedule D (other than case I) and where the company is not a "family company" as defined in paragraph 1 above, I suggest that Jersey should grant a "distribution status" to those companies which distribute say 95% of their income. The Jersey resident would thus pay tax on the distributions made to him and not their look through provisions.

- 3.3 Suggestion 3.2 is likely to produce a worthwhile amount of additional tax in Jersey. I know, for example that a practice is developing for individuals to sell their portfolio of investments and invest the cash in a Jersey based accumulation fund which does not pay dividends. I doubt whether the Comptroller will realise what is happening, as I suspect that otherwise he would seek to assess that individual on the accumulated income under Article 134A. I know that this type of investment vehicle is being promoted in Jersey by a number of fund managers and I have no doubt that there is a substantial amount of tax that is being avoided.

Trading Companies

- 4.1 I believe that the proposals are at fault because they discount the fact that trading companies will always retain profit to increase their reserves.
- 4.2 I suggest that justice would be served if a trading company was permitted to retain, say, 33-1/3% of its profits before the look through provisions are applied. A public company will inevitably endeavour to distribute as large a dividend as prudence permits in order to maintain the value of its shares and to meet pressure from shareholders.
- 4.3 I recognise that this suggestion would require the introduction of anti-avoidance legislation to prevent income tax being avoided by loans being made to shareholders in lieu of dividends and by placing a company into liquidation.

Suggestions to Raise More Revenue

5. If the suggestions made in paragraphs 3.1 to 3.3 and 4.1 to 4.3 have any merit it will be necessary for the States to seek additional revenue.

Schedule A

- 6.1 The principal benefit in kind which is enjoyed by the more prosperous residents of the Island is the occupation of the property which they own. Unlike other benefits in kind the benefit is not taxed.
- 6.2 The benefit in kind was at one time taxed in England under the provisions of Schedule A. It was also taxed in Jersey under Schedule A which contained similar provisions.
- 6.3 Schedule A was abolished in England for a number of reasons. A principal reason was that rates paid for such things as social services and emergency services and it was argued that the rates paid on a property were a form of taxation which was duplicated, to some extent, by the payment of Schedule A taxation by the owner occupier.

Jersey followed the example of England and owner occupiers of residential property in Jersey ceased to be liable to income tax on the benefit.

- 6.4 Rates on properties in England have been abolished and replaced, initially by a poll tax, and now by a community charge based on bands of values applied to properties. The English Community Charge is much greater than the cost of Parish Foncier and Occupiers rates. For example, the owner of a modest property in Sussex pays a community charge which exceeds the foncier and occupiers rates payable on a much more valuable property in Jersey.
- 6.5 When the Finance Committee considered re-introducing legislation which would tax individuals who owned and occupied their home, the proposal was turned down, because it was considered that it would affect people who were asset wealthy but cash poor and that it would be difficult to administer.

I do not believe that it would have a material effect on individuals who were cash poor. There should be a general allowance from the rental value assessed by the parishes to allow for the cost of repairs and maintenance and insurance and rates and there could be, and I believe should be, a threshold below which tax would not be payable on the net annual value of a property. However, the better off individuals who live in valuable properties would have to pay more and I believe that they should do so.

Nor do I believe that it would be difficult to administer. Every individual who owns property receives a parish rental assessment and it is not difficult for the taxpayer to note the rental value on his tax return. It is also relatively easy for the Tax Department to select a sample of returns which they could compare with the parish returns.

Stamp Duty Payable on the Registering of Wills of Personalty

- 7.1 In a report dated 18th April 2002, ("The Collection of Fees in the Judicial Greffe and the Viscount's Department and Associated Operations") which I prepared for the Judicial Greffier, I recommended in Recommendation 2 of that Report.

That the Finance & Economics Committee be invited to consider:-

- a) Introducing legislation or regulations whereby the value of the immovable and personal estate is aggregated for the purpose of establishing the rate of duty payable.
- b) Establishing a threshold below which duty would not be payable on the combined value of immovable and personal estate.
- c) Increasing and standardising the rate of duty payable beyond the threshold.

- d) Abolishing the cap of £13,360,000 which at present limits the duty payable to £100,000.
- 7.2 Recommendation 2(d) has been implemented but recommendations 2(a)(b) and (c) have not been implemented.
- 7.3 However stamp duty payable on the conveyance of immovable property has been increased. For example on a consideration of £700,000 the stamp duty now amounts to £13,000 and thereafter it is calculated at the rate of 3% for every £100 or part thereafter. The same rates are now applied when a will of immovable property is registered. The difference between the stamp duty payable on the registering of wills of personalty and immovable property has been exacerbated.
- 7.4 I enclose copies of pages 16 to 20 (paragraphs 22 to 38 of my report dated 18th April 2002. (Appendix A) which give my reasons for recommendations 2(a)(b) and (c) of that report. I repeat paragraph 25 of that report.
- “25. I suggest that it is irrational to distinguish between immovable property (such as land and houses) and personal estate (such as cash and shares) for the purpose of assessing the duty payable on an individual’s estate.”
- 7.5 It is perhaps worth saying that there has been no apparent resistance to the increase in stamp payable on the conveyances of immovable property.
- 7.6 I believe that the logic of implementing recommendations 2(a)(b) and (c) is persuasive and that a large amount of additional revenue would be received. Recommendation 2(b) which recommends establishing a threshold below which duty would not be payable has regard to social justice.

Interest on Unpaid Stamp Duty on the Registering of Wills of Immovable Property and Personal Estate

- 8.1 Recommendation 14 of my report dated 18th April 2002 (paragraph 7.1) reads as follows:-
- That the Finance & Economics Committee be invited to consider making provision for charging interest at a rate per annum accruing day by day on duty payable on immovable property and personal estate from a date commencing six months after the end of the month in which the deceased died.
- 8.2 I enclose a copy of page 45 (paragraphs 144 to 147) of that report. (Appendix B). I suggest that for the reasons set out in those paragraphs equity should encourage the implementation of recommendation 14. I also believe that a worthwhile amount of additional revenue would be received and the avoidance of a duty properly payable would be achieved.

A ComparisonStamp Duty Payable on Registering a Will of Immovable Estate
and Stamp Duty Payable on obtaining Probate or Letters of Administration

22. I have argued that the levying of Stamp Duty when obtaining probate or letters of administration for personalty and on registering wills of immovable estate is a form of taxation (Paragraphs 14 to 21).
23. The method of calculating the duty payable is set out in Part I Regulation 50 (Immovable Property) and in Part III Regulation 10 (Personal Estate).

A comparison of the methods is as follows:-

Immovable Estate Where the net value of the immovable property		Personal Estate Where the net value of the personal estate is	
(a) Does not exceed £50,000	50p for each £100 or part of £100 with a minimum fee of £10	(a) not to exceed £10,000	Nil
		(b) not to exceed £100,000	£50 for each £10,000 or part of £10,000
(b) Exceeds £50,000	£250 for the first £50,000 plus £1 for each £100 or part of £100 in excess thereof	(c) to exceed £100,000 but not to exceed £13,360,000	£500 in respect of the first £100,000 plus £75 for each additional £10,000 or part thereof
		(d) to exceed £13,360,000	£100,000

24. A Comparison of the duty payable is as follows:-

Value of Estate	Duty Payable		Difference
	Immovable Estate	Personal Estate	
£	£	£	£
10,000	50	Nil	50
50,000	250	250	-
100,000	750	500	250
200,000	1,750	1,250	500
300,000	2,750	2,000	750
400,000	3,750	2,750	1,000
500,000	4,750	3,500	1,250
600,000	5,750	4,250	1,500
1,000,000	9,750	7,250	2,500
2,000,000	19,750	14,750	5,000
3,000,000	29,750	22,250	7,500
4,000,000	39,750	29,750	10,000

There is no cap on the value of the immovable estate but the duty payable on the personal estate is limited to £100,000 when the value of the personal estate exceeds £13,360,000. It is perhaps just worth observing that the duty payable on £13,360,000 amounts to £99,950 and that any increase in value beyond £13,360,000 gives rise to an additional amount of duty of £50 but no further increase whatever the value of the estate.

25. I suggest that it is irrational to distinguish between immovable property (such as land and houses) and personal estate (such as cash and shares) for the purpose of assessing the duty payable on an individual's estate.

26. Consider, for example, an individual dying with a net estate having a value of £600,000 apportioned as to £400,000 for a house and land and £200,000 for cash and shares. It will be seen from the table set out above (paragraph 24) that a total duty payable would be £5,000.
- 26.1 If on the other hand the estate comprised £200,000 for a house and land and £400,000 for cash and shares the duty payable would be £4,500.
- 26.2 The differentiation lacks logic or so it seems to me.
27. The rate of Inheritance Tax (at one time known as Estate Duty) in England exceeds the Stamp Duty payable in Jersey by a dramatic amount. One of the principal reasons that individuals have been lured to take up residence in Jersey and to acquire a domicile of choice in Jersey has been to reduce the tax payable on their death.
- 27.1 However, no Inheritance Tax is payable in England on an estate which has a net value of less than £242,000 belonging to an individual dying after 6th April 2001. The tax threshold has been increased in each annual budget for at least the last twelve years.
- 27.2 However the value of an estate which passes the tax threshold is at present liable to Inheritance Tax at the rate of 40%.
28. The method of calculating Stamp Duty in Jersey lacks social justice or so it seems to me.
29. Many individuals own their own home but enjoy a modest personal estate. They may even suffer liabilities which reduce their personal estate to a negative amount.

30. On the other hand the Stamp Duty payable in Jersey on a large estate has a negligible impact on the value of the estate.
31. This comparison (paragraphs 22 to 30) suggests that it would be just to change the system of assessing the duty payable on an individual's estate.
32. In my final report on Stamp Duty on the Purchase of Property Mortgages and Leases dated 5th September 2001, I recommended that Stamp Duty on the purchase of property in the contract value range Nil to £250,000 be abolished (Recommendation 2) and that additional Stamp Duty be obtained by increasing the rate of duty applicable to higher value ranges (Recommendation 3).
33. The recommendations that follow are in harmony with those recommendations and with other recommendations contained in my report dated 5th September 2001.
34. I recommend (**Recommendation 2**) that the Finance & Economics Committee be invited to consider:-
 - a) Introducing legislation or regulations whereby the value of the immovable and personal estate is aggregated for the purpose of establishing the rate of duty payable.
 - b) Establishing a threshold below which duty would not be payable on the combined value of immovable and personal estate.
 - c) Increasing and standardising the rate of duty payable beyond the threshold.
 - d) Abolishing the cap of £13,360,000 which at present limits the duty payable to £100,000.

35. Paragraphs 22 to 26.2 give the reasons for suggesting that the artificial distinction between immovable and personal estate should be removed for the purposes of calculating the duty payable. (Paragraph (a) above).
36. I believe that social justice invites the Finance & Economics Committee to consider the recommendations in paragraphs (b) (c) and (d) above for the reasons that follow.
37. It is sometimes argued that the Jersey Taxation system favours the more affluent members of our society. The paragraphs 27 to 30 support this view. Jersey is a low tax area but in England an individual leaving an estate with a net value of £242,000 would pay no tax, whereas an individual in Jersey leaving a modest estate consisting of a house valued at £200,000 and personal estate of £50,000 would pay duty of £2,000.
38. I have obtained some statistical information and in paragraphs 184 to 199 that follow I give an indication of the financial consequences that should result in the event of Recommendation 2 being adopted.

Interest on Unpaid Duty

144. I am told that there is from time to time delay in the registering of wills of immovable property. I am told also that testators who own valuable property can, and do, avoid Stamp Duty by advising their immediate family how to deal with the property following their death and on that basis die intestate and no duty becomes payable.
145. If it is accepted that the duty payable is a form of taxation (Recommendation 1) equity requires duty to be paid on property passing under an intestacy and for the duty to be paid within a reasonable period after death.
146. Inheritance Tax is due to be paid in England within a period of six months after the end of the month in which the deceased died. Provision is made in England for interest to start to run for each month of the year following the expiration of the six month period. The rate charged has varied between 4% and 11% per annum and is currently charged at the rate of 4% per annum and accrues day by day.
147. I recommend (**Recommendation 14**) that the Finance & Economics Committee be invited to consider making provision for charging interest at a rate per annum accruing day by day on duty payable on immovable property and personal estate from a date commencing six months after the end of the month in which the deceased died.