

STATES OF JERSEY



PARISH RATES: THE STATES' LIABILITY (P.40/2013) – COMMENTS

Presented to the States on 13th May 2013
by the Minister for Treasury and Resources

STATES GREFFE

COMMENTS

The Minister for Treasury and Resources has made it clear in statements that he broadly supports the proposal of the Connétable of St. Helier, as set out in the Working Party's report, that the States should pay rates on its properties from an equity standpoint.

The Minister does intend to reach a solution in this term of office.

The Proposition seeks funding from 2014. The Assembly has agreed funding proposals for the period to 2015 within the approved Medium Term Financial Plan. Consequently, the financial impact of any such arrangements will need to be incorporated into the next Medium Term Financial Plan for 2016 to 2018 and be considered alongside on-going budgetary pressures for spending in other areas.

The cost of implementing the proposal is stated as some £1.84 million in the financial implications of the report accompanying the proposition. This is an annual cost that will need to be matched by savings beyond those already factored into the approved Medium Term Financial Plan.

In a time of financial and economic difficulty, the priorities for the Council of Ministers, and the allocation of funding, is to secure economic growth, create jobs and support front line services such as Health.

The Connétable does not provide a breakdown of the £1.84 million figure quoted between Parishes, but previous analysis undertaken by the Working Party indicates that around two thirds of this sum would be due to the Parish of St. Helier (some £1.2 million) with a further £0.3 million to the Parish of St. Saviour and the remainder distributed between the other Parishes.

In resolving this issue it is important to have an overall understanding of the costs (and benefits) of St. Helier being the Island's capital. It is unlikely that the issue is as clear cut as is argued, due to the more complex relationship between the Parish of St. Helier and the States.

On the issue of rates liability, it is that, over time, the rates received by the Parish of St. Helier for increased commercial development more than exceeds the marginal cost of providing additional services.

The Parish of St. Helier is the principal beneficiary of States funding for infrastructure, urban renewal, fiscal stimulus and regeneration schemes, such as the reclamation of land for development and the creation of a Town Park.

In the vast majority of cases the taxpayer and ratepayer are one and the same, so all things being equal there is a broadly net nil impact on individual members of the public.

If a compensatory taxation measure is required to offset the impact, there will be a relative benefit to St. Helier ratepayers/taxpayers combined costs and a relative dis-benefit to other parish ratepayers/taxpayers costs. It is difficult to see how such a measure improves equity between these 2 groups.

The Minister for Treasury and Resources agrees with the position set out in P.68/2008 that he could only consider the States paying rates on its properties if a compensatory measure were put in place, such as charging the States liability to the Island Wide Rate commercial element.

In conclusion, whilst the Minister cannot support the proposal of the Connétable as currently set out at this time without a compensating financial measure, he accepts that there is an important issue to address and bring to a conclusion.

The on-going review of Property Taxes may provide a means for considering the issues in the context of the wider tax position.

It is important that the actual dis-benefit to Parishes of the States not paying rates on some of its properties is fully understood in order to inform the Property Tax review.

The Minister proposes and undertakes to States members that he will bring forward a proposal by March 2014 for consultation and a way forward in September 2014, before this term of office finishes.

Statement under Standing Order 37A [Presentation of comment relating to a proposition]

The comment was not approved by the Minister for Treasury and Resources until after the 12 noon deadline due to the need to consult with the Council of Ministers before concluding the comments.