

**WRITTEN QUESTION TO THE MINISTER FOR TREASURY AND RESOURCES
BY DEPUTY S.Y. MÉZEC OF ST. HELIER
ANSWER TO BE TABLED ON TUESDAY 26th APRIL 2016**

Question

Further to the Minister's answer to question 9345, tabled on 12th April 2016, could the Minister explain how and under what circumstances the tax agreements reached with those High Value Residents who came to the Island before 2005 could be altered by the government?

Answer

It is worth clarifying the position of those High Value Residents ("HVRs") who established residence in Jersey before 2005. In this regard the Minister recommends that the Deputy reads the International Adviser's excellent summary of the history of the 1(1)(k) policy which was prepared in 2010 (see: <http://www.gov.je/Government/Pages/StatesReports.aspx?ReportID=465>).

The following extracts from that report are particularly relevant in the context of the Deputy's question:

"11. Throughout the 1970's, 1980's and 1990's the tax requirement was used for the main part as a "rationing tool". The idea was that if the States only wished to have, say, 15, 10 or 5 consents granted the tax requirement should be set to achieve this number. That is, those who were granted consent were those most likely to make the biggest contribution to the Island's tax revenues. The principle was that if only 5 consents were to be granted they should be the best in terms of the tax contribution to be made.

12. There has been some misleading language used in describing the policy adopted in the 1970's, 1980's and 1990's. There were no "deals" struck or negotiations that led to any agreement that a person paid less than 20% on the income they received that was liable to tax in accordance with the provisions of the Income Tax Law. All applicants were required to show that they would have sufficient income liable to Jersey tax at 20% to more than meet the minimum requirements set. That requirement was set as the basis for limiting the number of consents each year. Generally speaking the "hurdle" heights set had the desired effect of producing the number of applications and subsequent consents in line with the States' policy of limiting the total number of consents in each year. All applicants had to satisfy the Housing Committee, with advice from the Economic Adviser and subsequently the Chief Adviser, that they would have sufficient taxable income to meet the requirements."

The Deputy's question implies that HVRs who arrived before 2005 entered into agreements which lowered their effective tax rate; this is not the case, they were taxed on all their income in accordance with Jersey's Income Tax Law in exactly the same way as any other personal taxpayer. The only "agreements" entered into was that each HVR agreed to pay a minimum amount of income tax each year (each HVR having to evidence that they had sufficient taxable income to generate that amount of tax).

As the International Adviser's report makes clear, the minimum amount of income tax required from a HVR altered over time, depending on the States position on encouraging the immigration of HVRs. The States have consistently applied the policy position that the minimum tax contribution required

from each individual HVR is determined at the time of their arrival and is not adjusted if later arriving HVRs are required to meet a higher (or in some cases lower¹) minimum income tax threshold.

¹ As the International Adviser's report highlights some HVRs arriving in the 1990s agreed to pay a minimum tax contribution of £200,000 per annum; whereas the current minimum income tax contribution is £125,000 per annum.