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STATES GREFFE

Scrutiny Dept.
Morier House
St Helier, Jersey
JE1 1DD

3 February 2009
for Senator Mrs S.C.Ferguson

Dear Sarah, Zero-Ten tax recovery

On Radio Jersey this morning you invited comments from the public to be sent quickly to Morier House for the scrutiny panel to consider.

Herewith a copy of my letter dated 22nd August 2007 to Senator Terry le Sueur. This is self explanatory and, I hope, may be of some use.

Yours sincerely,

Robert

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Copy

22 August 2007

Senator Terry A. le Sueur
Treasury Minister,
La Porte, La Route de la Porte,St John, Jersey, JE3 4DE
(863994)

Dear Senator,

I do admire the way you are handling the conundrum of how to impose the judgement of Solomon; this when determining how to fill the gap of States income arising largely from the EC guided UK ruling that our "tax exempt" £600 p.a. "brass plate" non-Jersey owned companies is unfair practice.

As you say, GST is bound to be unpopular as the "least worst" choice. Be that as it may, the question remains of how to extract tax from overseas owned companies operating in Jersey . I understand that since such companies operating in Jersey (other than finance paying an agreed 10% tax) will pay tax in the jurisdiction to which profits are returned (e.g. UK), there is little hope that any of this will be returned to Jersey.

Media have reported ideas such as tax based on employee numbers but I believe you currently favour a tax based on rating value of the operating premises, whoever owns the site. This certainly seems the best way but I suggest could be "tweaked" to counter avoidance and provide flexibility.

The idea of taxing ""deemed" minimum value" springs to mind (borrowed from UK practice). The onus is on the premises owner to prove otherwise. Whether or not the premises are Jersey owned (individual or company or trust) then Jersey minimum deemed tax is payable in addition to the Parish rate and Island wide commercial rate. Finance business would be deemed to have this included in the agreed 10% referred to above.

I suggest the "deemed minimum value" for rating tax be based on the formula "ground area x number of floors" (these to include underground storage, garage etc) and any roof area with or without dormers. Note that undeveloped ground area is included in the deemed value at a reduced value rate on the grounds that it is a potential for development and if currently or potentially used for parking or storage is an essential adjunct to the business. For example, consider out of town stores popularity for just this reason as well as building material suppliers like Jersey Steel et al. Such tax can be small, based on Parish assessors data.

This "deemed tax" form would apply therefore equally to both Jersey owned and externally owned businesses without reference to their profits and therefore avoid the "unfair tax" stigma. Further, the tax rate is then variable to suit economic conditions. Jersey owned companies would reclaim the deemed tax as expenses on their Jersey income tax return.

I hope this is considered constructive.

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