

**STATES OF JERSEY**

**Economic Affairs Scrutiny Panel**

**Aircraft Registry**

**WEDNESDAY, 20th JUNE 2012**

**Panel:**

Deputy S.G. Luce of St. Martin (Chairman)  
Connétable S.W. Pallett of St. Brelade  
Connétable M.J. Paddock of St. Ouen

**Witnesses:**

Senator P.F.C. Ozouf (The Minister for Treasury and Resources)  
Deputy E.J. Noel of St. Lawrence (Assistant Minister for Treasury and Resources)  
Director of Tax Policy

**Also Present:**

Mr. T. Oldham (Scrutiny Officer)

[10:36]

**Deputy S.G. Luce of St. Martin (Chairman):**

Okay, Minister, thank you for coming with your team. I am sure you are all aware of the rules and regulations regarding no phones and everybody behaving properly. If anybody needs to leave, can I ask them to do so quietly and we will just kick off very quickly just running around the table for the tape. I am Deputy Steve Luce, Chairman of the Economic Affairs Scrutiny Panel.

**Connétable S.W. Pallett of St. Brelade:**

Steve Pallett, Constable of St. Brelade.

**Connétable M.J. Paddock of St. Ouen:**

Michael Paddock, Connétable of St. Ouen.

**The Minister for Treasury and Resources:**

Senator Philip Ozouf, the Minister for Treasury and Resources.

**Assistant Minister for Treasury and Resources:**

Deputy Eddie Noel, Assistant Minister.

**Director of Tax Policy:**

Director of Tax Policy.

**The Deputy of St. Martin:**

Thank you very much indeed. Minister, we are here this morning because we are investigating the possible setting up of an aircraft registry in Jersey, Guernsey or the Channel Islands and tax has been a big issue for us trying to work out competitive advantages and things like that. Could you just, at the outset, give us your knowledge on what benefits or exemptions that we have which we can apply and transfer to an aircraft registry were we to set them up?

**The Minister for Treasury and Resources:**

Okay, well, the current treatment of aeroplanes - which I am sure you have been briefed on and we can get you a note - is that commercial aircraft are zero rated for G.S.T. (Goods and Services Tax) purposes. No G.S.T. applies to them or to many of the services supplied in connection with them. Private aircraft are subject to G.S.T. at the standard rate of 5 per cent. A "private aircraft" definition is something that I am told is designed and adapted for recreation purposes at a weight of less than 8,000 kilos and is not operated by an airline for international routes and we changed that definition extending this scope in the 2012 budget. On the economic benefit side, first of all, I welcome the fact that you are doing this review because if your conclusions are that this is a good idea for Jersey, then we, Treasury and Wendy Martin as Head of Tax Policy, will then fall in behind and we will put the necessary resources in to analyse and to deliver what a competitive offering for Jersey should be. Obviously, we are aware that there is a difference between Jersey and Guernsey in terms of G.S.T. We would need to maintain competitiveness. You will know the hard line that we have taken on G.S.T. that there are no exemptions and we keep is simple. I think there can be if there is a economic compelling case to do some further review about G.S.T. applicability to aircraft but we need to know the analysis that this is economically beneficial and we will basically fall in behind.

**The Deputy of St. Martin:**

If we went down the road of a Channel Island registry, Minister, but the register was based in Guernsey, would a Jersey owner who registered his plane in the Channel Island registry but signed the documentation in Guernsey ... would that make him applicable for G.S.T.?

**The Minister for Treasury and Resources:**

I am jolly pleased that I have brought my Assistant Minister and the Head of Tax Policy, because both of them know far more about the details than I do. Wendy.

**Director of Tax Policy:**

No, if it falls within the definition of a private aircraft, as the Minister has just defined, if it is a Jersey resident who keeps his plane ... well, he registered it in Guernsey and kept it in Guernsey and did not bring it into Jersey, there would be no G.S.T. applicable to the purchase of that plane or any services that were carried on outside of Jersey. If he imported that plane on anything other than a temporary importation basis, which is not tightly defined but is a short period of time as agreed with customs, then he would be liable for G.S.T. on the importation of that aircraft if he had not owned it for more than 6 months.

**The Deputy of St. Martin:**

Well, would that apply to anybody then. Anybody who is purchasing a plane and the plane is not permanently here and the registration was done outside the Island in Guernsey, they would not pay G.S.T. on the purchase?

**Director of Tax Policy:**

Well, a non-resident is not liable to G.S.T. on the plane anyway so if it is a Jersey resident, absolutely, and so even under the current rules, a Jersey resident acquiring a new plane is almost encouraged to keep the plane outside of Jersey because of the G.S.T. liability.

**The Deputy of St. Martin:**

What exemptions do we have in place at the moment for fuel or things like that for boats?

**Director of Tax Policy:**

For boats, I have to say I do not know. I have not looked at that but that is something we would need to consider.

**The Minister for Treasury and Resources:**

Chairman, I think you know the answer to that question. We have got a tax policy on dealing with income tax and G.S.T. If you are talking about the duty on the fuel, we have agreed that we would not levy road duty on marine fuel and rather we came to an agreement with E.D. (Economic Development) that they would seek to recover a proportion of the duty that you would raise by other charging mechanisms and efficiency mechanisms within E.D. and after having visited Gorey Harbour on a spot-check a few weeks ago to see whether or not our policy was working, I was very pleased to see that there was lots of incoming French trade coming in benefitting our economy. We will always look at these issues. They are politically sensitive but we will always look at them but we have obviously got to maintain the integrity of our duty and G.S.T. systems here. But we will always look at them but we want to know what the economic benefit is and we need the analysis to be done. I do not understand - because I have not been close to it - why this issue of aircraft registry has not moved faster. I am not criticising. I just genuinely do not know. We have a huge agenda of work to do in the Treasury, as I am sure you know. We will respond when a conclusion is made but we need that conclusion to be made. If the analysis has been made, if you agree with that, then we will respond and we will respond as quickly as we possibly can and we will give the most careful consideration to ensuring that the competitiveness of Jersey, as of the other competitors, is secured.

**The Connétable of St. Brelade:**

It would be fair to say that, at the present time, E.D. has not put their business case to you.

**The Minister for Treasury and Resources:**

No. We have not done any tax work on this but we are prepared to do it and we will commit to do it and I have discussed with Wendy just on the way, and Eddie that your review is very important and is helpful to actually progressing matters because if you conclude that this is what we should be doing and E.D. concurs, the sooner we know it, we can deploy resources to look at it and that would be a fair thing to say, Wendy.

**Director of Tax Policy:**

Yes, I think that is right. We have already started looking at what the issues might be. We have not done a lot of the detailed work yet but it is something that is on our work plan to start looking at. We have identified what the issues might be and whether we can resolve them.

**The Connétable of St. Brelade:**

How long have you been looking at it because it seems, I think for all of us, that the G.S.T. issues and the tax issues is one of the major stumbling blocks to moving this forward? How long have you been looking at it and how far have you drilled down in to the issue?

**Director of Tax Policy:**

It has only been a matter of days and weeks and we have not started drilling down in to the issues. We have identified what the issues might be but we have not got full information on what the registry is likely to provide. What service are we likely to be providing and ...

**The Deputy of St. Martin:**

Would it be fair to say, Minister, that your department has not been approached for any detailed advice as to whether this idea was going to run or not?

[10:45]

**The Minister for Treasury and Resources:**

Well, politically, that is the case and, officially, that is the same thing.

**Director of Tax Policy:**

It is, yes.

**The Minister for Treasury and Resources:**

I am not making excuses for the Treasury but we have a massive agenda. Wendy's team is a team of 3 and we can keep that team busy for the next 10 years. We need to have the priorities from departments set about what they are trying to achieve and if that is given a high priority, we will respond. We will also deploy additional resources by ... I do not know the extent to which external assistance could be used. We will do whatever we are asked. That is what we do.

**The Connétable of St. Brelade:**

One of the criticisms made by some of the aircraft representatives this morning was slow government. Do you think that potentially is still going to be an issue because I think some of these things need to move on fairly quickly?

**The Minister for Treasury and Resources:**

Connétable, not under Deputy Noel and my watch. I do not think that slow government is something that I recognise we move. Just look at the work programme of what we have delivered in the last 4 years. If we are asked to deliver something, we will deliver it.

**The Connétable of St. Brelade:**

Glad to hear it.

**The Minister for Treasury and Resources:**

We have put in place under our political management at Treasury ... we have got a Tax Policy Unit and the Director of Tax Policy did not exist for ...

**Director of Tax Policy:**

Eighteen months ago.

**The Minister for Treasury and Resources:**

Eighteen months ago. So we recognise the need for good tax collection and efficient tax collection but also the deployment of resources to deal with tax policy and that is

why Wendy and her team asked the States for more money. We have done it and we have got that fantastic team but, again, all work needs to be prioritised.

**The Deputy of St. Martin:**

I know you said the Guernsey Minister for Treasury and Resources is here today. Have you had any discussions with him previous to today since his election? How do you see moving forward with Guernsey in the next few years?

**The Minister for Treasury and Resources:**

On what basis?

**The Deputy of St. Martin:**

On legislation and on tax harmony and things like that.

**The Minister for Treasury and Resources:**

Deputy Noel and I, I think, have been very encouraged by the new Minister for Treasury and Resources.

**Assistant Minister for Treasury and Resources:**

We had a meeting in Guernsey a few weeks ago. We have had a meeting today. We met with the Minister for Guernsey yesterday as well and there is a new environment now where we hope Jersey and Guernsey are going to be acting more closely together on a whole range of topics.

**The Minister for Treasury and Resources:**

Without straying into other areas, we have agreed some Treasury driven ideas, all the Chief Ministers who are going to be seeing each other at the British-Irish Council tomorrow so we are pushing on the Comprehensive Spending Review and we are pushing on co-operation. We think the Treasuries can act as a catalyst. Do we think that there is always going to be a competitive play between Jersey and Guernsey? Yes, but where one plus one equals 3, it makes total sense. I am completely ambivalent as to whether or not the registry is in Jersey or Guernsey. I just do not mind. I want to know what the economic benefit of the registry is versus the services that would play off the registry but I do not know. That analysis is not done within

the Treasury but we have certainly a very strong co-operative stance with Guernsey and might I also say that I am aware that my former colleague, now the Chief Minister of the Isle of Man, has obviously been making big strides in the area of aircraft registry and from a personal point of view, I sat some of my winter holidays watching Isle of Man registered plane after Isle of Man registered plane come in and I wondered why that was not the case in the Channel Islands or Jersey but I do not know enough about it. It is easy to make these simple points.

**The Connétable of St. Brelade:**

But there are other offshoots obviously. It is not just the actual buying of the plane and the G.S.T. issues involving that. There are obviously G.S.T. issues involving, for example, insurance which, in the Isle of Man, is zero rated. Can you see that type of zero rating being extended to those types of services if the business case was put?

**The Minister for Treasury and Resources:**

I am always very cautious in committing to that but of course if it is in the economic interest of Jersey, what we want to do with our economy. We work hard on maintaining our competitiveness in financial services. We are diversifying it geographically from a product-wise point but we should not have, to coin the old phrase, all our eggs in one basket. We should be seeking to diversify other sectors of the economy which is why we have made the investment in Gigabit. We think the digital economy is important domestically and from a service offering in the longer term. We think that we should be looking outside at other sectors. I understand that registries will drive business. Well, let us get on with it. Let us do it. Certainly from the airport's point of view, you will be aware we do have an ongoing relationship with E.D. because of the future structural change of the airport. I think Eddie and I share a view that the airport would be better incorporated 100 per cent state owned, let me be absolutely clear, but we think the governance's model and the speed to react would be faster within an incorporated state owned entity as opposed to a political body. We, at the Treasury, operate the shareholding function of all utilities. The airport and Ports of Jersey would become a utility and we would manage that relationship on behalf of taxpayers and we would push the Ports of Jersey and we would push them to exploit their land resources. We would push them to deliver alternative streams of income in order to make sure that our landing fees are competitive so I warmly welcome - and



Deputy Noel is involved in some of this - the new initiatives that Property Holdings are now involved in in the airport because, clearly, there is potentially lucrative business for Jersey. We want to attract more high net worth economic players into Jersey. Would those individuals have a requirement for private aircraft in a way that perhaps there has not been in the past? We need to make sure that Jersey Airport has got the capacity to serve that domestic market just as a standalone issue.

**The Connétable of St. Brelade:**

There is also a danger there as well I think that there may seem to be some unfairness if we are exempting certain groups of people from certain ...

**The Minister for Treasury and Resources:**

That is exactly why I was cautious.

**The Connétable of St. Brelade:**

That is where the danger may lie.

**Assistant Minister for Treasury and Resources:**

Do not forget that the Isle of Man V.A.T. (Value Added Tax) system is very, very different to our simple low-value G.S.T. system where we have very few or no exemptions. We are not comparing apples and apples.

**The Connétable of St. Brelade:**

No, and I accept that.

**The Minister for Treasury and Resources:**

All 3 of the panel members, you are very welcome new members to the States. We have had long and difficult discussions about G.S.T. and so I am very cautious about anything that is moving away from the principle that, if it moves, you tax it.

**The Connétable of St. Brelade:**

Yes.

**The Minister for Treasury and Resources:**

It is better to re-distribute the revenue from the G.S.T. in other ways but we will look at it because we have to maintain competitiveness. But do I understand the way that V.A.T. works in the E.U. (European Union)? I do not think I do and I do not know whether Guernsey has thought through - they may have done so - how their own absence of G.S.T. is going to be treated within the E.U. in terms of landing. I understand that there is a different treatment of V.A.T. in the U.K. (United Kingdom). We are not part of the E.U. Therefore, our “minimum V.A.T. level of 15 per cent” is not permitted within the E.U. single market.” How does that work? What is the economic offering that Guernsey has got? Is it a G.S.T. play? Is it a location play? Is it a tax neutral play? I do not know what it is. Once we know what the competitive advantage and the opportunity for Jersey is, then let us go for it.

**The Connétable of St. Brelade:**

The competitive advantage in Guernsey might exist at the present time but I think they have got their backs against the wall to some degree with the black hole that they sought to fill so, presumably, that competitive edge may erode somewhat if they had to go down the G.S.T. route.

**The Deputy of St. Martin:**

Well, I think that is supposition.

**The Minister for Treasury and Resources:**

I would not even start the debate about telling Guernsey what to do.

**The Connétable of St. Brelade:**

No, absolutely not.

**The Minister for Treasury and Resources:**

But there could be problems.

**The Deputy of St. Martin:**

If we could move to something now called the Cape Town Convention, Minister. I do not know if you are aware of it.

**The Minister for Treasury and Resources:**

I am afraid I have not had sight of it but I have an official here ...

**The Deputy of St. Martin:**

It only came into being in 2006. You do not need to be overly concerned. It mainly concerns aircraft and if Constable Pallet could just ask ...

**The Connétable of St. Brelade:**

It is just on a general point really. Obviously, you are going to be very aware of and very protective of Jersey's intentional reputation. The Cape Town Convention, in many ways, safeguards banks and those leaseholders that invest in aircraft. If you sign up to it, anybody buying or leasing aircraft, the first call on that, if the business was to go bust or go into voluntary liquidation, the first holder of the ...

**The Deputy of St. Martin:**

The first call on it.

**The Connétable of St. Brelade:**

The first call would remain with the bank and that seems as a benefit to anybody that would lease or buy aircraft on a Channel Island registry. I presume that is something that you would support if it seemed to be internationally the right way to go.

**The Minister for Treasury and Resources:**

Yes, I am speaking completely unsighted.

**The Connétable of St. Brelade:**

I was up until 2 days ago.

**The Minister for Treasury and Resources:**

Yes, the default position ... and, obviously, the Chief Minister's Department and Treasury are looping on this stuff all the time. We do not want activity in Jersey that is going to impair our reputation. Jersey made a choice to be a quality financial services jurisdiction. Yesterday's *Times* article on tax is interesting because it is about a pretty shoddy U.K. tax based organisation that happened to be using,

unfortunately, a Jersey entity. It is for the U.K. to sort that out. We do not want anything that would detract from Jersey's reputation so the default position is what is the Intentional Convention, and we will match it. We do not want substandard treatment in any area. That is the default position but, again, the devil is in the detail.

**Assistant Minister for Treasury and Resources:**

Traditionally, and I do not know what the case is now as I am out of the loop, you could not have a charge on a moveable asset in Jersey which is why, historically, the Isle of Man has been used for leasing of commercial aircraft and we have to sort solutions to that first before we can sign up to ...

**The Connétable of St. Brelade:**

Well, that is what the convention does. It gives you a charge over a moveable object in this case.

**Assistant Minister for Treasury and Resources:**

But we have not got that in Jersey law at the moment, as far as I am aware.

**The Minister for Treasury and Resources:**

I am sighted on that because I know something about that. This is the reforms required in the security interest law and I know that from my period at E.D. where that needed to be progressed. I do not know where it is at the moment. I know that it is very important. The whole basis of lending happens on the basis of the ability to get a secure and certain charge which is administratively capable of being properly done. Whilst we have got good security interest law, it is old and needs to be updated and it would be useful to ask E.D. where they are with that. I know that an eminent individual called Professor Goode has been advising E.D. and the industry and the industry have not entirely been united about the reforms required into the security interest law but you have put your finger on something quite important that needs to be done.

**The Deputy of St. Martin:**

I think, just to clarify it in one quick sentence: "Under the treaty, the first party to register an interest in the subject aircraft but the intentional registry will have an

interest prior and superior to all other interest” so, in some ways, we were interested to see a reaction to that in as much as government would have to fall behind other people.

**The Minister for Treasury and Resources:**

So that is a convention?

**The Deputy of St. Martin:**

It is a convention.

**The Minister for Treasury and Resources:**

Has the U.K. signed up?

**The Connétable of St. Brelade:**

It currently covers the E.U. as a whole.

**The Deputy of St. Martin:**

It is not compulsory.

**The Connétable of St. Brelade:**

Ireland have signed up to it, for example, because they hold the international registry.

**The Minister for Treasury and Resources:**

Right.

**The Connétable of St. Brelade:**

But Malta, for example, have signed up to it because they have got an aircraft register. As we are outside the E.U., for all intents and purposes ...

**The Minister for Treasury and Resources:**

We would need to sign up.

**The Connétable of St. Brelade:**

... we would probably have to be part of it.

**The Minister for Treasury and Resources:**

Of course, there is signing up but just signing up does not mean to say it is reflected in Jersey law and so it would need, in order to become internationally compliant - so I think I have now understood what the convention is about - the process is we would find out what the treaty is, we would sign up and then we would reflect that in domestic law. Then we would need to prove to international bodies that we are doing it properly but the default position is that we sign up.

**Assistant Minister for Treasury and Resources:**

Is there some paper that we can read about that?

**The Deputy of St. Martin:**

Okay, that is fine.

**The Minister for Treasury and Resources:**

We can find out about that.

**The Connétable of St. Brelade:**

It is just something that came to light as we were starting interview people.

**The Minister for Treasury and Resources:**

You raise an interesting point because what you need is you need to ... if you are going to go and develop a business segment in the Island, then you need to know all of the elements that need to be in place to do it. Now you might have identified - I have no idea - an issue which is a deal breaker in doing it.

[11:00]

It is all very well having an aircraft registry but unless you have signed up for the convention and got the domestic law in place, you are not going to get any business. Now have you done a full risk assessment on the full issues of the creation of this industry in the same way that the digital economy ... it is not going to happen by accident? There are 5 pillars that need to be in place before Jersey is going to be able

to deliver our dream of creating an I.C.T. (Information and Communication Technology) sector. Each one of those pillars must be in place and you need a co-ordinated approach from government to ensure that all departments are ensuring that that happens. It may exist, I do not know, but I have not seen the business case that links all these things together. You mentioned Malta. Malta is a jurisdiction that I am quite familiar with and, indeed, I saw the High Commissioner in London on Friday. They are moving ahead boldly with aircraft matters, as I understand it.

**The Deputy of St. Martin:**

Well, we were given to understand that they set up a registry and subsequent to that, signed up to the convention and I think they obviously saw that it was something which was beneficial to their reputation.

**The Minister for Treasury and Resources:**

Malta is a good example. The Isle of Man and Malta are competitors. They are our friends but they are our competitors. If they are doing something, then I assume that they are not doing it for fun.

**The Deputy of St. Martin:**

Right, Minister, I am going to wind up because we are very aware that your time is very precious today so we would like to thank you for coming but before you go, I would just like to clear up a couple of things. My intimation - and I am sure the Constables would be the same - is that you very much would like to support this but you would like to see business cases made for any tax breaks, tax exemptions or what have you before you do commit but, in theory, you are very supportive of anything which could help to diversify our economy in this way.

**The Minister for Treasury and Resources:**

Hugely supportive. We will be very interested in your conclusions and if your conclusions are positive and E.D. agrees, we will deploy the resources to make it happen and I would also speak with the Chief Minister to ensure that the whole of the work programme as we have just described are in place. If I may be so bold as to make a recommendation that you might want to consider. If E.D. has not got a single point of responsibility for co-ordinating and progressing this endeavour, I doubt that it

is going to happen quickly. You need to have a single point of responsibility cross-departmental with the appropriate departments engaged. Otherwise, these things, we talk about for a long time but they never happen and off the top of my head, there are certainly 5 departments that need to be involved in this; 2 are sub ones within E.D. So if we are serious about it ...

**The Deputy of St. Martin:**

A classic example of a new body to be set up which can cope with these cross-department projects.

**The Minister for Treasury and Resources:**

You need a project manager. You need a project manager in government that drives change. I am not criticising the public sector but the public sector needs managing in terms of getting things done and you need a single point of responsibility with accountability to do it and that is what I would do.

**The Deputy of St. Martin:**

This particular project - I was going to use the word “confused” but it is a wrong word but I will still use it - is further confused by the fact that not only do we need cross-department work in Jersey but this is a project we performed with Guernsey as well so that is an added level of work which needs to be done.

**The Connétable of St. Brelade:**

Yes, and with the international responsibilities that are on top of that.

**The Deputy of St. Martin:**

Yes, it is almost a test case to see how we can all move forward together in the future.

**The Minister for Treasury and Resources:**

Well, I hope we can.

**The Deputy of St. Martin:**

Which was are looking forward to in many other subjects.



**The Minister for Treasury and Resources:**

I hope we can.

**The Deputy of St. Martin:**

I will just thank you for your time.

**The Minister for Treasury and Resources:**

I am happy to share the working note that the Tax Policy Unit did with you. I will leave you a copy of it. Is it capable of being published? It is capable of being published so this is the note that Tax Policy did for me.

**The Deputy of St. Martin:**

Thank you very much.

**The Minister for Treasury and Resources:**

It has got all the answers that you want to know.

[11:04]