

2.5 Deputy R.G. Le Hérissier of the Chief Minister, responding on behalf of the Minister for Treasury and Resources, regarding tax arrangements for persons employed by the States on ‘contracts for service’:

What local tax arrangements, if any, apply to persons employed by the States on ‘contracts of service’?

Senator T.A. Le Sueur (The Chief Minister - rapporteur):

A person employed by the States under contract of service is an employee for the purposes of the Income Tax (Jersey) Law. Such a person would therefore be subject to I.T.I.S. (Income Tax Instalment Scheme), be taxed at normal rates, as any other person, and be entitled to all the normal tax allowances and reliefs available to any employee.

2.5.1 Deputy R.G. Le Hérissier:

Given the total similarity of conditions, would the Minister therefore outline why contracts of service are offered, rather than contract or permanent actual position?

Senator T.A. Le Sueur:

That is a question about taxation. I am not sure that that question really relates to taxation matters.

The Deputy Bailiff:

No, I think that is a fair objection.

2.5.2 Deputy R.G. Le Hérissier:

Would the Minister, as a humble domestic chartered accountant, outline what are the advantages of a person in placing themselves upon a contract of service and apparently constituting themselves as a company to which they then direct their salary or their payment?

The Deputy Bailiff:

Deputy, if you ask what are the tax advantages, it does relate to the question.

Deputy R.G. Le Hérissier:

Yes, Sir. What are the tax advantages?

Senator T.A. Le Sueur:

The tax advantages are ... basically if the person is employed through a service company, the I.T.I.S. would not be applicable, because I.T.I.S. applies to individuals, and if the person was a Jersey resident member of that company, then as an employee of that company they might be liable. There are unlikely to be significant income tax advantages, other than the fact that the company itself is not an employee.

2.5.3 Deputy G.P. Southern of St. Helier:

Is it the fact that if the service provided was of a non-financial nature and was not concerned with the financial services industry that that company would be zero-rated, and as a company would pay no tax in Jersey?

Senator T.A. Le Sueur:

Companies operating in Jersey are subject to normal laws of taxation, and if it is not a financial services company or a utility company then it would indeed be liable to zero tax, but the employees will remain liable for taxation as employees.

2.5.4 Deputy T.M. Pitman:

Following on from the question that Deputy Le Hérissier eventually asked, talking of advantages from these contracted services, what are the advantages, if any, to the coffers of the Treasury by giving these contracts of service?

Senator T.A. Le Sueur:

There are no advantages or disadvantages of operating a contract of service rather than simply employing the person directly as an employee, so I am not sure of the purpose and nature of the question. The taxation implications are identical.

2.5.5 Deputy M.R. Higgins of St. Helier:

Listening to the answers, I am wondering why were they employed on a contract of service if there is no advantage to the employee or the employer. Could you please state quite clearly why it is being done and what advantages there are and to whom?

Senator T.A. Le Sueur:

That is a question which you would have to look at the minds of the employer and the employee concerned. I was answering a question about local tax arrangements. In terms of a contract of service, it may well be that for matters like insurance purposes or other personal ancillary matters, there may be advantages in working through a contract of service. Those would be separate from any tax advantages or tax arrangements which might apply.

2.5.6 M.R. Higgins:

Can I just ask a further one? Do these people apply to the full-time employee headcount in the States?

Senator T.A. Le Sueur:

To the best of my knowledge they do, but I cannot be specific.