

**WRITTEN QUESTION TO THE MINISTER FOR TREASURY AND RESOURCES BY DEPUTY G.P.
SOUTHERN OF ST. HELIER**

ANSWER TO BE TABLED ON TUESDAY 17th JUNE 2008

Question

The Minister, in a response to a question on taxation on 13th May 2008, suggested that effective tax rates on the finance sector were around 12 to 14%. Will he now show members the basis for this estimate and further explain how these figures will be affected by the advent of the 10% tax rate?

Answer

The answer is contained at Part (b) of the answer given on the 13th May, 2008. But to help the Deputy, these rates were found by dividing the £1,054 million by the £138.9 million figures given in that answer. And as that answer made clear, it is difficult to give an effective rate of tax for the company finance sector that is in any way a meaningful figure. These effective tax rates that he quotes are crude approximations, as the answer on 13th May also made clear. The effect of the move to the 10% rate has already been made clear, at various times, in various forums, so I do not intend to repeat the figures here, especially when the figures themselves would be meaningless when the starting point are the crude approximations of the 12% - 14% tax rates, save to say that with a tax rate of 10% being introduced over the next few years as IBC arrangements come to an end, the yield from this source will clearly decline. This is one of the factors contributing to the fiscal deficit (the so-called 'black hole') and the need to find alternative sources of revenue.