STATES OF JERSEY

INTERNATIONAL SERVICES ENTITY: ISSUES AFFECTING TRUST COMPANY BUSINESSES – TREASURY AND RESOURCES GREEN PAPER OCTOBER 2012

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Green Paper

International Services Entity: Issues affecting Trust Company businesses

17th October 2012

PURPOSE OF CONSULTATION

International Services Entity (**ISE**) status is effectively the Goods and Services Tax (**GST**) equivalent for financial services businesses which primarily serve non-residents.

The annual fees payable by ISEs have been increased twice in the past 2 years, and now raise a total of £9.3 million. The ISE regime provides an important contribution to States revenues directly from the financial services industry, and the Treasury wants to ensure that these revenues will continue to be raised in a sustainable way.

After the ISE regime had been in place for 3 years, last year a review considered whether it was working as planned. The aims of that review included –

- Achieving greater equity between the ISE fees charged;
- Reducing the compliance burden associated with ISEs;
- Raising additional revenue from ISEs.

That review found that business was supportive of the ISE regime, but there were concerns that the way ISE fees were calculated appeared inequitable, particularly for companies undertaking Trust Company Business (**TCBs**). The Minister for Treasury and Resources agreed to a further review of the way fees are charged to these businesses.

The purpose of this consultation is to seek views from TCBs of whether further changes to the regime are possible, which would improve the equity and transparency of the way ISE fees are charged to TCBs and their clients.

This Green Paper considers –

- Amending the fee structure for TCBs so that the current "basic" £7,500 fee element is replaced with a scale fee that better reflects the size of the business.
- Clarifying who is liable to pay the £200 "vehicle" element of the trust company fee.

Respondents are invited to comment by answering the questions set out at the end of the paper.

HOW TO RESPOND

The deadline for responses is **5p.m. on 25th January 2013**.

All respondents should indicate the capacity in which they are responding (i.e. as an individual, company, representative body).

If you are responding as a company or representative body, please indicate the nature of your business and/or your clients' business.

Representative bodies should identify who they are responding for and the methodology they used to gather responses.

Please send your responses and any additional comments to:

Tax Policy Unit Telephone: 01534 440532 Fax: 01534 440409 e-mail: tax.policy@gov.je Wendy Martin Director of Tax Policy Cyril Le Marquand House PO Box 353 St. Helier JERSEY JE4 8UL	Heather Bestwick at Jersey Finance Limited is co-ordinating a finance industry response that will incorporate any matters raised by local firms or entities. Her contact details are: Heather Bestwick Jersey Finance Limited 48–50 Esplanade St. Helier JERSEY JE2 3QB Telephone: 01534 836004 Fax: 01534 836001 e-mail: Heather.Bestwick@jerseyfinance.je It is the policy of Jersey Finance to make individual responses it receives available to Treasury and Resources upon request, unless a respondent specifically requests otherwise.

Public submissions – *Please note that responses submitted to all States public consultations may be made public (sent to other interested parties on request, sent to the Scrutiny Office, quoted in a final published report, reported in the media, published on a States of Jersey website, listed on a consultation summary, etc.). If a respondent has a particular wish for confidentiality, such as where the response may concern an individual's private life, or matters of commercial confidentiality, please indicate this clearly when submitting a response.*

1. INTRODUCTION

1.1 International Services Entity (**ISE**) status is an alternative to registration for Goods and Services Tax (**GST**).

1.2 During the tax's design phase it was determined that GST, when introduced, must not place the Island at a competitive disadvantage. As the financial services industry primarily provides services to non-resident clients, it was considered that applying standard GST principles would result in an excessive compliance and administrative burden (e.g. identification of the location of each customer, GST analysis of each supply made, etc.). It was considered this might ultimately place Jersey at a competitive disadvantage.

1.3 It was against this backdrop that ISE status was created, its aim being to collect £5 million – £10 million of revenue from the financial services industry, whilst placing a minimal administration burden on both businesses and the Taxes Office.

1.4 A review of the ISE regime in 2011 was intended to establish whether the business community considered that the ISE regime was achieving its aims in the most effective manner. The Green Paper issued at that time may be found, together with a summary of the responses received, on the States of Jersey website at:
www.gov.je/Government/Consultations/Pages/InternationalServicesEntities.aspx
This paper should be read in conjunction with those documents.

1.5 In response to the feedback provided in 2011, it was decided that further work was required to improve the equality of the fee structure for Trust Company Businesses (**TCBs**). It was also decided to revisit the question of where the liability to pay the £200 "vehicle" element of a TCB's fee sits.

1.6 The ISE regime was introduced, in part, to ensure that the financial services industry made a visible contribution to GST revenues. Public acceptance of the continued existence of the regime is to a large extent reliant on the expected level of revenue being raised. If the level of revenue collected from ISEs falls, then the sustainability of the regime could be put into doubt. While it is understandable that businesses are keen to minimise cost, it is also important to recognise that the existence of the ISE regime is a factor in the appeal of Jersey to international business.

1.7 Given that business has identified its preference for the continued existence of the ISE regime, and the necessity that the regime is seen to generate an acceptable level of revenue, it is clear that any changes to the ISE regime which reduce revenue in one area must be made up elsewhere. Therefore, all the potential measures discussed in this paper are designed to be revenue-neutral.

1.8 Issues under consideration

1.8.1 Three points made by respondents to the 2011 consultation are discussed in this Green Paper.

1.8.2 Firstly, some respondents suggested that, while they agreed with scaling the fee paid by TCBs according to the number of vehicles to which administration services are being provided, they felt that the £7,500 "basic fee" should also be scaled to better reflect the relative size and profitability of companies in the industry. The options for doing this are discussed in Section 2.

1.8.3 Some respondents suggested that the vehicle element of the TCB fee should be removed entirely. It has also been proposed that there should be a way to allow TCBs to pass on the cost of the vehicle fee to the clients in question, so that the liability for the fee rests with the client rather than the TCB. These suggestions are discussed in more detail in Section 3.

2. FEES FOR TRUST COMPANY BUSINESSES

2.1 Fees currently payable by TCBs

2.1.1 TCBs are automatically eligible for ISE status, provided they apply for the status and pay the annual fee.

2.1.2 This fee is calculated in 3 parts –

- The "basic" TCB fee of £7,500;
- Where the TCB is the affiliation leader for a group TCB registration, a further fee of £200 in respect of each participating member in the affiliated group;
- A further fee of £200 in respect of each vehicle to which the TCB provides "administration" services, with the exception of any trusts administered.

2.1.3 For example, if a TCB has 5 participating members and provides services to 1,000 vehicles, of which 200 are trusts, the total ISE fee payable is calculated as follows –

Element	**Fee element**	**Number of fees**	**Fee due**
Basic TCB fee	£7,500	1	£7,500
Participating members	£200	5	£1,000
Vehicles	£200	1,000 - 200 trusts = 800	£160,000
Total ISE fee payable annually			**£168,500**

By contrast, the highest fee payable by a bank is £50,000. Those banks which carry on a number of different regulated activities must pay the fee due for each category of registration. In the example above, if the TCB activity was carried on by a regulated bank, the total annual fee due would be £218,500.

2.1.4 Basing part of the TCB fee on the number of vehicles administered was considered to be a reasonable way of ensuring larger TCBs paid a higher fee. In addition, many TCBs pass on the vehicle fee to their clients and this fee structure makes it easier to do so.

2.2 Options under consideration

2.2.1 Consideration is being given to replacing the basic £7,500 element of the TCB fee with a scaled fee. This could be based on one of a number of criteria, and respondents are invited to comment on the impact of each on their business, and to identify their preferred option.

2.2.2 Any amended fee structure should make the fee structure more equitable for those who use it, while also retaining the simplicity of the current flat fee structure as far as possible. A new basis of calculation is unlikely to be as simple as the current one. The options discussed here are believed to carry the lowest additional administrative burden for business.

2.2.3 The alternative bases of calculation set out in options 1 to 3 assume that any changes would be broadly neutral in terms of fees raised, i.e. the total fees raised from the TCB sector remain at their current level regardless of which calculation was used. At this point, there is no intention to change the total contribution made to States revenues through the ISE regime.

2.2.4 Option 4 considers retaining the current basis of calculation, and discusses the pros and cons of doing so.

2.2.5 *Option 1 – base the £7,500 basic element of the TCB fee on the number of clients*

2.2.5.1 Under this option, the basic fee payable by a TCB would be based on the number of clients it administers. For ease, “clients” in this case would be the number of eligible vehicles administered by the company, i.e. an entity, other than a trust, to which a regulated TCB provides “administration services” within the Financial Services (Jersey) Law 1998 and which would otherwise be eligible for ISE listing in its own right.

2.2.5.2 Based on the information currently available, the fee structure could be prepared as follows –

Number of clients	**Basic element of TCB fee**
1 – 50	£2,500
Every additional 50 clients or part thereof	£800

2.2.5.3 If this fee structure had applied in 2011, 66% of TCBs would have paid a lower fee and 34% would have paid a higher fee. The highest fee payable in 2011 would have been £35,300, a 371% increase. The average increase would have been £5,860, while the average reduction would have been £3,138.

2.2.5.4 Because the “vehicle” element of the current TCB fee is based on the number of eligible vehicles administered at the time of the application for ISE listing, it is considered that TCBs are familiar with this basis of calculation. As a result, using this as the basis for the TCB’s own basic element of the fee should not create undue difficulty for businesses.

2.2.5.5 Adopting this basis of calculation would mean that 2 parts of the overall ISE payable by a TCB would depend on the company accurately identifying the number of qualifying vehicles it administers. The Taxes Office would be alert to attempts to artificially reduce the number of qualifying vehicles declared.

2.2.5.6 It is acknowledged that increasing fees based on numbers of clients would create a disincentive to take on new business, but it is hoped that the increase is small enough not to have an excessive impact. Using the fee structure above, the net additional cost of the client that took the company up into the next fee band would be £800.

2.2.5.7 The total revenue raised through the ISE fees would remain broadly unchanged, assuming that the numbers of TCBs applying for ISE status did not change as a result of this amendment.

2.2.6 *Option 2 – base the £7,500 basic element of the TCB fee on number of full-time equivalent employees*

2.2.6.1 Under this option, a TBC would calculate its fee according to the number of full-time equivalent employees (FTEEs) it had in Jersey at the date of its most recent 6 monthly Manpower Return, made to the Population Office in order to comply with the terms of the Regulation of Undertakings Law and its associated Regulations.

2.2.6.2 Many of the respondents to the 2011 Green Paper proposed that instead of the current flat fee structure, a charge based on number of employees would better reflect the size of the business, and indirectly, the benefit obtained from the ISE regime. However, while this may appear to be a more equitable system, respondents are asked to also comment on the extent to which basing the fee on numbers employed may affect hiring decisions and the location of employees.

2.2.6.3 A model for this type of fee structure could be as follows –

Number of FTE employees	**Basic element of TCB fee**	**Increase/ (decrease) in basic ISE fee**	**% increase/ (decrease)**
3 – 4	£2,500	(£5,000)	(67%)
5 – 11	£3,500	(£4,000)	(53%)
12 – 19	£5,000	(£2,500)	(33%)
20 – 25	£7,000	(£500)	(7%)
26 – 48	£10,000	£2,500	33%
49 – 100	£14,000	£6,500	87%
>100	£20,000	£12,500	167%

2.2.6.4 On the basis of the most recent manpower data available at the time of writing (July 2012), 62% of current TCB ISEs would see a reduction in their ISE fee, while 38% would experience an increase. The largest TCB employer would pay £20,000, a 167% increase. The average increase would be £6,100, while the average reduction would be £2,990.

2.2.6.5 Every company that is permitted to employ staff in Jersey is required to submit a twice-yearly return to the Population Office setting out the number of staff they employ on both a headcount and a full-time equivalent basis. The headcount basis includes all employees, including part-time staff. The FTEE basis takes into account the number of full-time employees who would be needed to do all the work in the organisation. Thus, 2 part-time staff, each employed for half the week, would be counted as one full-time equivalent employee.

2.2.6.6 It would appear more equitable to use the FTE employee figures as the basis for the fee rather than the headcount basis, as it would appear less equitable for part-time staff to be counted as the same as full-time staff for this purpose. However, respondents who consider otherwise are invited to explain their reasoning.

2.2.6.7 Bi-annual manpower returns have to be submitted for the previous 6 months. The basis for the calculation is believed to be well established and understood by businesses, and it is therefore considered that using this as the basis for the fee would not create undue difficulties for the TCB industry. Respondents are invited to comment on this point specifically.

2.2.6.8 As a penalty regime already exists for failing to complete, or inaccurately completing, a manpower return, there would appear to be adequate safeguards in place to ensure that businesses do not declare an incorrect figure. TCBs would be responsible for ensuring that the FTEE figure declared on the manpower return matched that on the ISE application, and would expect to be asked to confirm this during the course of a normal GST audit process.

2.2.6.9 TCBs that are new to Jersey, and applying for ISE status for the first time may not have submitted a manpower return by the time they apply for ISE listing. In that case, TCBs would be expected to base their ISE fee on the number of FTEEs estimated to be employed in the period to 31st December in that calendar year. Alternatively, the fee could be payable based on the number of FTEEs at the date of application, though it is acknowledged that companies may apply for ISE status before taking on staff.

2.2.6.10 Where a single legal entity carries on more than one regulated activity, companies would be expected to make a reasonable estimate of the number of FTEEs employed in the TCB side of the business. A similar approach would be taken in situations involving group employment arrangements. Respondents are invited to comment on any issues associated with this approach.

2.2.7 *Option 3 – base the £7,500 basic element of the TCB fee on turnover.*

2.2.7.1 Under this option, a TCB would calculate the basic element of its fee based on its annual turnover for the previous accounting period. This means that for a TCB that prepared its financial statements to 31st December in any calendar year, its ISE fee for the calendar year 2014 would be calculated based on the turnover shown in its accounts for the year ended 31st December 2013. Alternatively, if the industry considered that this would allow insufficient time for final figures to be available, the calculation could be based on the previous year's figures.

2.2.7.2 Turnover is considered to be a sufficiently understood accounting principle not to create undue difficulty for businesses to calculate their ISE fee. As an additional check, regulated TCBs are required to have their accounts audited by an independent third party, in the course of which the turnover figure would be reviewed. Subject to some checks as required, the Taxes Office could have reasonable comfort that the figure declared in the accounts was accurate, without the need for extensive review.

2.2.7.3 A potential fee structure is set out below. Complete information on turnover of TCBs is not available, so the fee structure has been prepared on the basis of anonymised information provided through the Survey of Financial Institutions compiled by the States of Jersey Statistics Unit. As completion of that survey is not mandatory, and larger TCBs tend to be better represented than smaller companies, assumptions have had to be made in order to prepare a fee structure which broadly collects the same amount of fees from TCBs as under the current regime.

Annual turnover	**Basic element of TCB fee**
First £1 million of turnover	£2,500
Every additional £1 million of turnover or part thereof, to maximum turnover of £15 million	£1,650

2.2.7.4 For the reasons noted above, it is more difficult to be certain that this proposed fee structure will result in a broadly revenue-neutral outcome. As a result, the potential impact is estimated as follows, but should be treated with a degree of caution. Approximately 68% of companies could see a reduction in their basic ISE fee, while 32% could see an increase. The largest fee would be £27,250, an increase of 263%. The average increase would be £7,460, while the average decrease would be £2,850.

2.2.7.5 Newly-established TBCs may not have prepared accounts by the time they apply for ISE status for the first or second year, depending on the date to which they prepare their first set of financial statements. It could be possible to arrange that such companies would pay their fee based on estimated turnover for the first financial periods, based on the company's business plan or other forecasts. Respondents are specifically invited to comment on this approach.

2.2.7.6 Companies with more than one activity may not prepare separate financial statements for each type of activity undertaken. In that case, companies would be expected to make a reasonable estimate of the turnover attributable to the TCB activity. Respondents are invited to comment on any issues associated with this approach.

2.2.8 *Option 4 – make no change to the basis of calculation of the basic TCB ISE fee*

2.2.8.1 Leaving the basic element of the ISE fee unchanged would be beneficial to larger TCBs, as they would have to pay a higher fee under an alternative structure. It could also benefit smaller TCBs that would not have to administer a more complex calculation, albeit that the complexity of the calculations may vary depending on the alternative fee structure chosen.

2.2.8.2 Retaining the current flat fee for this element of the TCB ISE fee would also ensure that businesses have more certainty regarding the fee payable from year to year. A company with fluctuating clients, staff and turnover would have a greater degree of certainty as to the ISE fee it would be required to pay in the following year if the flat fee structure were maintained.

2.2.8.3 Banks and other groups which carry on multiple regulated activities within a single legal entity or group of companies must pay an ISE fee in respect of every category of regulation held. Thus, if a regulated bank also holds a TCB licence and a fund services licence, the company’s ISE fee will be £50,000 in respect of the banking licence, £2,500 in respect of the fund services business licence, £7,500 in respect of the TCB licence and £200 in respect of every entity to which the company provides administration services. The total fees payable by multi-activity entities can therefore be very much higher than the bare fees may suggest. Fees as high as £200,000 to £300,000 are not uncommon, while the single highest fee payable is over £400,000.

2.2.8.4 Banking groups with trust company activities have experienced increases in their ISE fees for the past 2 years; in 2010 the fee for participating members of TCBs and their clients doubled, and in 2011 a 67% increase in the fee for banks took it from £30,000 to £50,000.

2.2.8.5 Although it may seem reasonable that those businesses with the greatest activity (and hence, arguably, the highest profitability) should pay higher fees, it is important that the total fee burden on any one sector is not excessive.

2.2.8.6 It is acknowledged that the current flat fee structure is considered to create some inequalities within the TCB industry. Respondents are invited to comment on the extent to which that inequality is balanced by the relative simplicity of the current fee structure, in light of the alternative options set out in options 1 to 3 above.

Questions for respondents:

1. *What would be the likely impact of replacing the current flat "basic" £7,500 element of the TCB ISE fee with a scaled fee, calculated using each of the options discussed above?*

2. *Which of the options 1 – 3 above would best meet the needs of the industry? How do these options compare to option 4, to retain the current flat fee structure?*

3. *What additional administrative or other costs would be associated with each of options 1 – 3? How would each compare to the administration of the current flat fee structure?*

4. *To what extent to you think basing the fee on the number of full-time equivalent employees would affect hiring decisions and the location of employees?*

5. *For a fee calculated on the basis of employees, do respondents agree that the use of the full-time equivalent employee basis of calculation would give rise to a more equitable result than the use of a headcount basis? If so, why? If not, why not?*

6. *For a fee calculated on the basis of turnover, would requiring companies to calculate their ISE fee for a calendar year using the turnover figure from the previous financial period create difficulties? Would a different financial period be preferred? If so, why?*

7. *Would the position of companies applying for ISE listing for the first time be adequately covered by the measures noted above? What other measures could be introduced to ensure that new companies paid a fair fee while not being subject to undue administrative obligations?*

8. *Where more than one regulated activity is carried on by the same company, please comment on any specific issues arising from the proposed methods of calculation, and indicate which of the options would be most, and least, problematic.*

9. *Can respondents identify another system for the "basic" TCB element of the ISE fee that would better meet the needs of industry than those discussed above?*

3. LIABILITY FOR THE VEHICLE ELEMENT OF THE TRUST COMPANY BUSINESS ISE FEE

3.1 As previously noted, the total ISE fee payable by a TCB is based on 3 components, namely the “basic” TCB element of £7,500, £200 in respect of each participating member in a group and a further £200 in respect of every eligible vehicle administered by the group. Although trusts are treated as vehicles and therefore benefit from ISE treatment, no fee is payable in respect of trusts.

3.2 In the past, it has been assumed that the majority of TCBs would recoup the £200 fee payable in respect of administered entities from their clients, by increasing fees or by treating it as a disbursement payable on behalf of the client. Trust industry respondents to the 2011 Green Paper on ISEs noted that there is no consistency within the industry regarding the recharging of this element of the fee. As a result, some TCBs may be suffering a higher fee than others for reasons unconnected with their size.

3.3 TCBs may find it difficult to pass on the ISE cost to their clients if, like partnerships, they are not used to paying statutory fees in Jersey. Businesses may choose to absorb the additional cost where passing it on might make entities establish themselves in a lower cost jurisdiction. Clients engaged on the basis of a long-term fee structure may also resist higher fees. Where the TCB is unable to recharge the ISE fee, they will absorb it themselves.

3.4 Consideration has been given to either removing the connection between the fee charged and the number of clients administered, or making the fee the liability of the underlying client entity. An important facet of any change would be to protect the overall ISE contribution to GST revenues, so any changes would have to be revenue-neutral overall. The vehicle element of the ISE regime currently raises approximately £6.5 million of the £9 million of total ISE fees.

3.5 *Option 1: remove the vehicle element from the TCB fee and recover the revenue lost by increasing other ISE fees*

3.5.1 Currently, clients of a TCB that are eligible to be ISEs are treated as ISEs, despite not paying a fee in their own right (albeit that most will be recharged the fee by the TCB in one way or another). If this automatic treatment were removed, presumably only those clients that would benefit from holding ISE status in their own right would apply. At a GST rate of 5%, an entity could buy up to £4,000 worth of goods and services in Jersey before the GST paid outweighed the £200 basic ISE fee.

3.5.2 Many of the entities administered by the trust industry are passive investment holding vehicles with negligible activity in Jersey. Once established, these entities would typically expect to incur some annual accountancy fees, an annual company return fee, administration fees from the TCB administering it and possibly some legal fees. Assuming the TCB was an ISE, it would not be required to charge GST. Regulatory fees are not subject to GST. Therefore, the only GST the entity would be likely to pay would be in connection with its annual accounts and any ongoing legal costs, which would not be expected to exceed £4,000 for a reasonably straightforward entity.

3.5.3 It therefore seems likely that the number of new applications would be significantly lower than the approximately 33,000 vehicles currently listed. It is not possible to say how great the reduction would be, but a reduction of 80% – 90% would not appear unreasonable, given the profile of many of the entities administered in Jersey. This would reduce overall revenues by between £5.3 million and £5.9 million, an average of between £54,000 and £61,000 per TCB, which would have to be recouped from existing ISEs.

3.5.4 It must be remembered that entities voluntarily choose ISE listing. In some cases this will be because the fee charged is less than the GST they would otherwise suffer. Others consider that the fee is less than the time and cost of administering the full GST system, particularly as GST on financial services is a complex area.

3.5.5 Increasing fees, particularly of the order required to maintain a similar level of overall contribution, could encourage more companies to opt out of the regime, reducing revenues still further. While those companies would continue to contribute to overall GST revenues through input GST on their purchases, this would be more difficult to track. Ultimately, the existence of the ISE regime could become impossible to justify.

3.5.6 Under the current fee structure, where TCBs recharge their clients for the £200 vehicle ISE fee, they will commonly justify it on the basis that it is an expense incurred in respect of the client, albeit collected via the service provider. Assuming that the other elements of their ISE fees would increase, respondents are asked to comment on the extent to which they would foresee difficulties in passing ISE fees to clients if the explicit connection between clients and ISE fees was removed.

3.6 *Option 2: remove the vehicle element from the TCB fee and levy a compulsory charge on all entities administered by Jersey TCBs*

3.6.1 Relying on vehicles to apply for ISE status in their own right would result in an unsustainable loss of revenues for the reasons set out above. An alternative would be to remove the vehicle element of the TCB fee and to charge a direct fee to all entities administered by a Jersey TCB and in respect of which the ISE fee is currently calculated. This could be called an ISE fee or it could have another name.

3.6.2 Introducing a separate fee would remove the discretion that TCBs currently have over whether to pass the fee on to their clients. Under the current fee structure, TCBs may choose to absorb the cost of the vehicle element of the ISE fee where they consider that the client will not or cannot bear it. This would no longer be the case if a separate fee was introduced.

3.6.3 The liability would be charged directly to the client so the administrator would have no role other than that of collection agent, though an additional level of administration would be required to charge and pay over a separate fee in respect of every eligible vehicle.

3.6.4 TCBs would be required to disclose the names of all clients to the Taxes Office so the fee could be levied. Under the current fee structure, TCBs are permitted not to disclose the names of their clients, although this information must be held in case of audit by the Taxes Office.

Questions for respondents:

10. Would respondents support the removal of the vehicle element of the overall TCB calculation so that clients of TCBs would no longer automatically be treated as ISEs, on the basis that the revenue lost as a result would be recouped through increasing the fees charged to existing ISEs? Why or why not?

11. Would TCBs bear more of the burden of ISE fees themselves if the explicit link between the vehicle element of the fee and number of clients administered was removed?

12. Would respondents support the introduction of a direct charge to be levied on all entities administered in Jersey to replace the current fee structure? If so, why, and if not, why not?

13. What would the impact be of requiring details of all administered entities to be registered with the Taxes Office?

4. QUESTIONS FOR RESPONDENTS

Fees for trust company businesses

1. What would be the likely impact of replacing the current flat "basic" £7,500 element of the TCB ISE fee with a scaled fee, calculated using each of the options discussed above, namely –

    - Option 1 – base the £7,500 basic element of the TCB fee on number of clients

    - Option 2 – base the £7,500 basic element of the TCB fee on number of full-time equivalent employees

    - Option 3 – base the £7,500 basic element of the TCB fee on turnover.

2. Which of the options 1 – 3 above would best meet the needs of the industry? How do these options compare to option 4, to retain the current flat fee structure?

3. What additional administrative or other costs would be associated with each of options 1 – 3? How would each compare to the administration of the current flat fee structure?

4. To what extent do you think basing the fee on the number of full-time equivalent employees would affect hiring decisions and the location of employees?

5. For a fee calculated on the basis of employees, do respondents agree that the use of the full-time equivalent employee basis of calculation would give rise to a more equitable result than the use of a headcount basis? If so, why? If not, why not?

6. For a fee calculated on the basis of turnover, would requiring companies to calculate their ISE fee for a calendar year using the turnover figure reported in their annual accounts for the previous financial period create difficulties for businesses? Would a different financial period be preferred? If so, why?

7. Would the position of companies applying for ISE listing for the first time be adequately covered by the measures noted above? What other measures could be introduced to ensure that new companies paid a fair fee while not being subject to undue administrative obligations?

8. Where more than one regulated activity is carried on by the same company, please comment on any specific issues arising from using the proposed methods of calculation, and indicate which of the options would be most, and least, problematic.

9. Can respondents identify another system for the "basic" TCB element of the ISE fee that would better meet the needs of industry than those discussed above?

Liability for the vehicle element of the trust company business ISE fee

10. Would respondents support the removal of the vehicle element of the overall TCB calculation so that clients of TCBs would no longer automatically be treated as ISEs, on the basis that the revenue lost as a result would be recouped through increasing the other TCB ISE fees? Would their responses be different if increases were to be made to all ISE fees? Why or why not?

11. Would TCBs bear more of the burden of ISE fees themselves if the explicit link between the vehicle element of the fee and number of clients administered was removed?

12. Would respondents support the introduction of a direct charge to be levied on all entities administered in Jersey to replace the current fee structure? If so, why? If not, why not?

13. What would the impact be of requiring details of all administered entities to be registered with the Taxes Office?

General

14. Are there any anticipated future changes or trends in the TCB commercial environment that should be considered when developing future ISE or GST policy? Please outline the changes or trends and provide background to support your view.