

**QUESTION TO BE ASKED OF THE PRESIDENT OF THE FINANCE AND ECONOMICS
COMMITTEE ON TUESDAY 16th MARCH 2004, BY SENATOR P.V.F LE CLAIRE**

Question

Given the proposals to introduce a new fiscal policy which relate to the possible implications arising from the adoption of measures outlined in the Code of Conduct group findings which examined potentially harmful tax measures in EU member States, would the President inform members –

- (a) how many exempt companies there are in Jersey, how their taxes are calculated and on the basis of income from which sources (e.g. Jersey source income), and the tax collected last year in total from these companies?
- (b) the amount of monies held on deposit in Jersey by exempt companies, and, if unknown, the reasons why?
- (c) how many international treasury operations there are in Jersey, how their taxes are calculated and on the basis of income from which sources, and the tax collected last year in total from these companies?
- (d) the amount of monies held on deposit in Jersey by international treasury operations, and, if unknown, the reasons why?
- (e) how many international business companies there are in Jersey, how their taxes are calculated and on the basis of income from which sources, and the tax collected last year in total from these companies?
- (f) the amount of monies held on deposit in Jersey by international business companies, and, if unknown, the reasons why?
- (g) how many captive insurance companies there are in Jersey, how their taxes are calculated and on the basis of income from which sources, and the tax collected last year in total from these companies?
- (h) the amount of monies held on deposit in Jersey by captive insurance companies, and, if unknown, the reasons why? and,
- (i) an approximation of the numbers of people employed in Jersey directly with the previously mentioned companies and financial services?

Answer

I shall reply to the questions in the order that they have been asked, as follows –

- (a) there are approximately 17,700 exempt companies in Jersey. An exempt company pays a charge of £600 per annum. It does not pay income tax on profits or income arising outside Jersey. In the case of income arising in Jersey, apart from bank interest which is exempt in accordance with the usual concession, the exempt company is liable to income tax at the standard rate of 20%, as are the profits of a trade carried on through an established place of business in Jersey. In 2003, the sum of £10.6 million was collected from exempt companies. Exempt companies are at the heart of Jersey's finance industry and are instrumental in providing many of the products and services within that industry;
- (b) this information is not available and would be impossible to collect as it is a private matter between the beneficial owner of the exempt company and its bankers and advisers;
- (c) unlike exempt companies and international business companies, which have their own specific and generic data base on the Income Tax Office computer system, international treasury operations do not, so providing

an accurate answer to this question is not possible. In general terms, international treasury operations book inter-company and other loans through Jersey, an activity which can, of course, quite easily be shifted to other competing jurisdictions. In the past, before the introduction of the international business company facility, some specific treasury operations benefited from the treatment of certain allowable costs but this is no longer the case;

- (d) this information is not available for the same reason as given at (b);
- (e) there are currently 184 international business companies in Jersey. International business profits are taxed as follows –

- first £3 million at 2%
- next £1.5 million at 1.5%
- next £5.5 million at 1%
- remainder at 0.5%.

It is also possible for an international business company to agree a rate of tax on international profits with the Comptroller of Income Tax at a higher rate than 2%. Income or profits other than those arising from international activities are taxed at the rate of 30%. The total tax collected last year from international business companies amounted to £52 million;

- (f) this information is not available for the same reasons as given at (b);
- (g) a captive insurance company is able to take advantage of either exempt company status or international business company status and there are currently 9 captive insurance companies in Jersey. In 2003, the sum of £154,000 was collected from these companies;
- (h) this information is not available for the same reasons as given at (b);
- (i) some 12,900 people, which is approximately 28% of the total workforce, were employed in financial and legal services in 2002. It is not possible to give an approximation of the numbers of people employed in Jersey directly with the previously mentioned companies. Furthermore, not all international business companies are involved in the provision of financial services.