

5.12 Deputy G.P. Southern of the Minister for Treasury and Resources regarding an alternative to the use of deemed distribution under Zero/Ten:

Now that the Minister has been advised that Jersey cannot use deemed distribution under Zero/Ten and comply with the European Union Code on Business Taxation, will he inform Members what alternatives, if any, he has under consideration to solve this problem?

Senator P.F.C. Ozouf (The Minister for Treasury and Resources):

I should first of all refer the Deputy to the answers that the Chief Minister gave to the statement and also my previous answers. I will attempt to give some further colour to the answer. We are not going to take any specific action. We are looking at the existing law to see whether there is any requirement for tightening. We will ensure that where individuals are receiving income from companies they are taxed. The most likely issue that we may expect is shareholders calling income something else. This is not an issue for just the Jersey Treasury. It is the issue that treasuries across the globe deal with. We will look at existing law to see how we can enhance any avoidance of mechanisms that are put in place, that we will certainly have strengthened enforcement and the strengthening of the Policy Unit, which I announced in the budget last year, will certainly give us all the tools at our disposal to deal with any consequences that may come from the abolition of deemed distribution and attribution.

5.12.1 Deputy G.P. Southern:

If I may, on a related question on the zero of Zero/Ten, what measures does the Minister have under consideration for the taxation of foreign-owned trading companies such as Boots and Normans currently pegging only zero per cent?

Senator P.F.C. Ozouf:

I think that is a separate question and nothing in any of the announcements that have been made today in relation to deemed distribution and attribution mean that we are not going to deliver on that commitment. It is 2 unrelated issues and I will stand by my commitment made to the Deputy of Grouville in her proposition that I will bring forward measures in advance of the budget, or certainly in the budget, but I will take advice about the extent to which there will be engagement and some communication on what the likely measures are in relation to those issues later on in the year. It is an important issue that now we have resolved the issues of Zero/Ten we can get on with dealing with that particular work stream. Our work has been really focused on dealing with these issues and the Code Group.

Deputy G.P. Southern:

Clarification if I may, Sir?

The Bailiff:

No. I had seen the Deputy of Grouville. I will come back to you.

5.12.2 Deputy C.F. Labey of Grouville:

The Deputy did in fact ask my question but I would just press the Minister if he could give some form of time scale that these proposals might be brought forward?

Senator P.F.C. Ozouf:

Any proposals in this regard will form part of the budget later on this year. We are not in the habit of announcing tax policy in advance of the budget, but I realise the sensitivity of this issue and I will consider, now we have I hope resolved the issues in relation to Zero/Ten, how we can get on with this work, and certainly this is going to be commanding the Tax Policy Unit's attention over the next coming ... we have got proposals already being worked on but I am not going to announce those certainly in question time or in advance of the budget statement.

5.12.3 Deputy A.E. Jeune:

The Minister when he spoke made reference to around the globe. Is the Minister able to advise whether the Isle of Man have given any announcement on their position?

Senator P.F.C. Ozouf:

I can say that I am advised that the Minister for Treasury in the Isle of Man has given her budget statement, and I understand that she has also made references to removing their equivalent of deemed distribution and attribution in her budget statement, so it looks as though the Isle of Man and Guernsey are aligned on this issue, which I think is obviously a positive development for both jurisdictions.

5.12.4 Deputy M. Tadier:

Having dropped the deemed distribution part of Zero/Ten, does the Minister expect the E.U. to now find the current proposals E.U. compliant?

Senator P.F.C. Ozouf:

All of the issues that we have seen, as I have repeatedly said, concerning Zero/Ten all point... and I know I have been criticised for reminding Members of this... all tackle the issue of deemed distribution and attribution. Removing it puts us back into the position that we were in 2003 where the signal was given that Zero/Ten is compliant. Nothing has changed in terms of the scope of the code in respect of that, so I can see no reason why Zero/Ten is not Code compliant. The issue, which some critics of Jersey are, I understand, making is that we cannot afford to deal with deemed distribution or they thought we could not. We can, we will, and Zero/Ten is maintained. We continue to deliver high levels of transparency and tax neutrality and financial services for the benefit of our community.

5.12.5 Deputy G.P. Southern:

The Minister referred to measures to be brought in to tax non-local trading companies. Would those measures be in the form of taxation or will they be in the form of charges, because if taxation then he will surely, to stay within the E.U. Code of Business Taxation, have to apply them to what used to be the exempt companies and this will give him a serious problem?

[12:45]

Senator P.F.C. Ozouf:

I think that potentially could be a trick question, but I will be very careful in the way that I answer it. There is nothing that is going to be proposed that moves away from the general rate of tax of zero. Absolutely clearly that is the general rate we have of zero. That is at the core of Zero/Ten. There was the special rate for financial services at 10 per cent, the 20 per cent band for utilities. Certainly, as I have indicated, we will look at the scope where appropriate of that 10 per cent and 20 per cent but it must not

undermine the general rate of zero, and I will look at revenue raising matters, which are Code compliant, which are internationally compliant with any other regulations or standards that exist, but I am not going to announce them in question time.

5.12.6 Deputy G.P. Southern:

Supplementary, if I may. Am I correct to interpret from his words that he is talking about charges and fees?

Senator P.F.C. Ozouf:

I would not draw anything in my conclusions. I am not going to announce budget measures in question time on the back of questions in relation to Zero/Ten.