

# STATES OF JERSEY



## TAXATION POLICIES: A TRANSPARENT ENQUIRY (P.41/2004) – COMMENTS

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Presented to the States on 1st June 2004  
by the Finance and Economics Committee

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STATES GREFFE

## COMMENTS

As part of its responsibilities the Finances and Economics Committee is obliged to keep fiscal policies under constant review and propose changes to the States as required.

For the last six years significant detailed work has been carried out in response to a changing fiscal climate. The Committee has undertaken to submit a new Fiscal Strategy for consideration by the States before the 2004 summer recess.

In preparation for this there has been extensive research. This has included obtaining expert advice from a wide range of officers, economic advisers and tax experts. The Committee's analysis has been included in four major consultation documents during the period 2001 to 2004. The past and present Finance and Economics Committees have actively sought the views of the public and States members on these documents.

The scale of the work has been significant: the Committee has a dedicated tax and spending internet site, leaflets have been sent to every household in the island, a Jersey Evening Post supplement with circulation in excess of 33,000 was produced, and there have been over 40 public meetings, together with numerous other meetings, seminars and speaking events – quite apart from the significant media coverage and comment. There has probably never been such extensive consultation and communication by any States Committee on any issue.

Feedback has been received from a wide range of individuals, businesses and representative bodies representing the many sectors of the community. Almost 500 letters and emails have been received during the consultative processes alone.

The results have shown that there has been almost universal acceptance of the need to move to a 0/10% corporate tax structure. Significantly, no-one has suggested a feasible alternative to 0/10%. Furthermore, the response from the business community has emphasised how essential it is to have an early decision on the fiscal strategy, in order to avoid losing business to competitor jurisdictions (which have already committed to 0/10% or similar).

In order to have an external overview the Finance and Economics Committee has also commissioned an independent review of its proposals by PricewaterhouseCoopers London office, led by an internationally renowned tax expert. This review has generally endorsed the Committee's proposals but usefully suggested further work be undertaken on environmental taxes, development levies and tax enforcement measures. A copy of that report has been sent to all States members. The Committee's fiscal strategy report and proposition seeks States endorsement to undertake this additional work.

**There is no excuse to delay essential decisions on the fiscal strategy including implementing 0/10%, constraining States expenditure, and promoting sustainable economic growth.**

**On the tax proposals, the Committee does appreciate that more information is needed. The Committee's proposition recognises that view and charges the Committee to do more on the details.**

The Finance and Economics Committee is of the opinion, however, that the additional research proposed in P.41/2004 is not necessary to make the much-needed in-principle decisions sought in the Committee's own proposition. Furthermore it believes that any benefits of undertaking the extensive research proposed, before any decisions are taken, would be totally out of proportion to the damage to the economy and the drain on States revenues arising from delaying urgently needed tax reforms.

The proposition could be regarded as a thinly disguised attempt to block early consideration of the Finance and Economics Committee's fiscal strategy and to cause interminable delay, disruption and uncertainty. This cannot be in the best interests of the Island. Accordingly, the Committee believes the proposition should be rejected in totality, so that the States may consider the Committee's own report and proposition forthwith.