

**WRITTEN QUESTION TO THE CHIEF MINISTER
BY DEPUTY G.P. SOUTHERN OF ST. HELIER
ANSWER TO BE TABLED ON TUESDAY 16TH JANUARY 2018**

Question

Further to the responses to written questions 1(504) and 1(632), will the Chief Minister –

- (a) publish the report commissioned in 2017 from the Jersey Financial Services Commission (J.F.S.C.) indicating the total amount of profits reported for 2015 by regulated companies subject to tax at 0%; and if not, why not;
- (b) give a breakdown of the profits of the 6,000 companies covered, between those incorporated locally and those resident but incorporated elsewhere; and explain how estimates of £2.1 billion of profits subject to 0% tax, and of £1.2 billion of profits subject to higher rates of tax, were made;
- (c) advise whether 4,100 (9%) of the 45,000 companies considered resident in Jersey are trading, with 91% of companies therefore falling outside the tax system (albeit evidence for this is not available in 87% of cases); and
- (d) advise whether around 1,250 (2.8%) of companies linked to Jersey pay tax; whether, of total personal income tax, more than £179 million (44%) arise from the distribution of profits from Jersey companies; and
- (e) provide an estimate of any revenue lost as a result of profit deferral for tax purposes by local companies and state what measures he is considering to address this?

Answer

- (a) The Chief Minister is unable to publish the report in question as the information was provided confidentially to the Taxes Office to assist the Taxes Office in discharging its obligations on the development of tax policy for Jersey. The information contained in the report comes from restricted information collated by the JFSC pursuant to the regulatory laws, which also means it is not capable of publication.
 - (b) It is not possible at the current time to provide a full analysis of the profits of the 6,000 companies split between the companies which are incorporated in Jersey and the companies which are incorporated outside Jersey but are taxed.
 - (c) The companies “within” the Island’s tax system are those which are regarded as resident in Jersey in accordance with Article 123 of the Income Tax (Jersey) Law 1961¹ and non-resident companies which exercise a trade within Jersey totalling approximately 45,000 companies.
 - (d) For the year of assessment 2015 there were c. 1,500 companies which paid tax in Jersey.
-

The total income assessed on personal taxpayers for the year of assessment 2015 was £2.7bn. This included distributions from Jersey companies of £179m. Accordingly distributions from Jersey companies constituted 6.6% of total income assessed on personal taxpayers.

- (e) In the majority of cases where a company is ultimately owned (wholly or partly) by a Jersey resident, individual revenue is not ordinarily lost but deferred until the profits are distributed.

(f) ¹ Article 123 Income Tax (Jersey) Law 1961

- (g) (1)
- (h) (a) a company incorporated under the Loi (1861) sur les Sociétés à Responsabilité Limitée or the Companies (Jersey) Law 1991 shall be regarded as resident in Jersey unless
- (i) (i) its business is centrally managed and controlled outside Jersey in a country or territory where the highest rate at which any company may be charged to tax on any part of its income is 10% or higher, and
- (j) (ii) the company is resident for tax purposes in that country or territory;
- (k) (b) a company incorporated outside Jersey shall be regarded as resident in Jersey if its business is managed and controlled in Jersey.¹⁵⁴¹¹
- (l) (2) The Treasurer, or other officer acting as treasurer for the time being, of any body of persons chargeable to income tax shall be answerable for doing all such acts as are required to be done under this Law, for the purpose of the assessment of such body and for payment of the tax, and for the purpose of the assessment of the officers and persons in the employment of such body:
- (m) Provided that, in the case of a company, the person so answerable shall be the secretary of the company or other officer (by whatever name called) performing the duties of secretary.
- (n) (3) Every such officer as aforesaid may from time to time retain, out of any money coming into the officer's hands on behalf of the body, so much thereof as is sufficient to pay the income tax charged on the body, and shall be indemnified for all such payments made in pursuance of this Law.
- (o)

Work is ongoing to quantify the amount of deferred profits. This work is being informed by the additional information collected through the company tax return for the 2015 and 2016 years of assessment from companies which had a Jersey resident shareholder which owned more than 2% of the ordinary share capital.

