WRITTEN QUESTION TO THE MINISTER FOR TREASURY AND RESOURCES BY DEPUTY G.P. SOUTHERN OF ST. HELIER ANSWER TO BE TABLED ON TUESDAY 20th APRIL 2010

Question

"In a speech on 17th March to the Chamber of Commerce, the Minister said -

"Even after 0/10, much higher levels of corporate tax are paid per capita here than in virtually any place in the world – including other Crown Dependencies."

a) Can the Minister explain what "corporate tax per capita" means in economics and in what way is it relevant criterion for comparison with other economies?

b) What evidence does he have to support his statement that "corporate tax per capita" is higher here than elsewhere?

c) Does the Minister accept that a more valid comparison of corporate tax between jurisdictions is the percentage of profits paid as tax?

d) Could the Minister confirm that, on 2007 figures, corporate income tax stood at £196m and net profit in the Finance Sector was £1,460m, giving a maximum tax rate for business of 13.4%?

e) Given that these figures relate to a tax rate of 20%, will the Minister give estimates of tax revenue in real and percentage terms from the finance and non-finance sectors under 0/10 for 2010?

f) Will the Minister publish a comparison of corporate tax take as a percentage of profit with appropriate jurisdictions including other offshore centres?"

Answer

a) Corporate tax per capita is the corporate tax revenue received by the government divided by the population to give an idea of the scale of corporate tax revenue per person. It is a relevant comparison because it is one way of measuring the level of public funds derived from corporate tax and therefore the amount which has to be made up through other sources – largely personal taxes – to achieve a certain level of revenue per head to fund public expenditure.

b) The table below summarises the evidence which supports the statement and shows corporate tax per head for a range of countries and that Jersey is third highest (and higher than the other Crown Dependencies).

Corporate tax per head, 2008

	Jurisdiction	**£ at PPP**	
1	Norway	£4,682	
2	Luxembourg	£3,066	
3	**Jersey**	**£1,580**	**
4	Guernsey	£923	*
5	Japan	£906	
6	Switzerland	£889	
7	Canada	£887	

8	United Kingdom	£837	
9	Denmark	£833	
10	Finland	£825	
11	Sweden	£797	
12	Belgium	£782	
13	Korea	£777	
14	Italy	£764	
15	Ireland	£750	
16	United States	£746	
17	Czech Republic	£738	
18	UK	£712	*
19	New Zealand	£692	
20	France	£639	
21	Austria	£617	
22	Portugal	£580	
23	Spain	£570	
24	Iceland	£497	
25	Slovak Republic	£446	
26	Germany	£442	
27	Hungary	£344	
28	Isle of Man	£308	
29	Turkey	£162	*

* Figures for 2009
** Figure for 2009, adjusted for zero/ten

Source: OECD, national Budget documents

c) No the Minister does not accept that a more valid comparison of corporate tax between jurisdictions is the percentage of profits paid by tax. Jersey is an offshore centre operating in a very competitive world and must keep its corporate tax rates competitive relative to other offshore centres and corporate tax rates in other larger economies that are not offshore centres do not provide a useful comparison. Corporate tax per head gives a better indication to Islanders of the extent we all benefit from being an offshore centre, retaining our competitive position and the financial services businesses that are based here.

d) It is not possible to extrapolate 'a maximum tax rate for business' from these figures as taxable profits in the finance sector were not only charged at 20% for some entities, but also at International Business Company rates, which range from 2% up to 30%.

e) This is not possible as 2010 profits will not be assessed and charged to tax until next year at the earliest and the profits for earlier years, which will yield tax in 2010, have only recently been assessed, many on an estimated basis. In addition, robust statistical information on corporate profits in 2010 will also not be available until the Financial Institutions Survey and GVA figures are published for 2010 (in 2011).

f) A substantial amount of work would be required to answer this question and may not even be fruitful, as data on corporate profits in other jurisdictions and in particular offshore centres may either not be readily available or even published. Given the answer to c) above the Minister does not feel it would be a sensible use of the Treasury's resources to collect, analyse and publish such information.