**WRITTEN QUESTION TO THE MINISTER FOR TREASURY AND RESOURCES
BY DEPUTY M.R. HIGGINS OF ST. HELIER
ANSWER TO BE TABLED ON TUESDAY 13TH SEPTEMBER 2016**

Question

Will the Minister provide Members with the number and type of financial services businesses who pay no tax on their business profits and explain the reasons why they do not do so?

Answer

In order to answer the Deputy's question I have assumed that when referring to financial services businesses he is referring to those businesses that come under the regulation and supervision of the Jersey Financial Services Commission.

These are listed on their website as follows:-

- Banking
- Collective Investment Funds
- Fund Services Businesses
- Insurance Business
- General Insurance Mediation Business
- Investment Business
- Money Services Business
- Trust and Company Service Providers

Where any of these businesses are run through a company, the Jersey Income Tax Law is very specific in what is subject to tax at 10% and, therefore, very specific about what is subject to tax at 0%. This is determined by the specific registrations or permits held in respect of the Financial Services (Jersey) Law 1998, the Banking Business (Jersey) Law 1991 and the Collective Investment Fund (Jersey) Law 1988 and whether or not the company has a permanent establishment in Jersey.

Those businesses listed above that would pay at 0% (assuming in corporate form) would include:-

- Fund Service Businesses (including fund management) where their business does not require them to be registered as an administrator or custodian in relation to an unclassified fund or an unregulated fund
- Insurance Business (where this does not include any registered investment business) – typically general insurance business
- General Insurance Mediation Business
- Money Services Business
- Any financial services business that does not have a permanent establishment in Jersey

It is not possible to provide numbers in respect of each type of financial services business that pays tax at 0%. This would need intricate comparison and analysis of Jersey Financial Services Commission and Taxes Office data which would require significant resource.

With regard to the Deputy's final question he will recall that at the time that zero-ten was introduced it was essential, in order to avoid being in conflict with the EU Code Group's criteria for harmful taxation, that zero had to be the standard rate of corporate income tax applied in the Island, meaning that the majority of companies and the majority of profits had therefore to be taxed at zero percent. Jersey's approach was to ensure that these criteria were met, whilst raising revenue from the financial services industry by applying an internationally competitive 10% rate to specified sectors of that industry.

The Deputy may find the statement reproduced from P168/2006 Draft Income Tax (Amendment No 28)(Jersey) Law- of interest:-

> **“3.2 Special rate of corporate tax of 10%**
>
> 3.2.1 A certain and very restricted sector of the Jersey resident corporate sector will be charged at a special corporate tax rate of 10%. They will be specified financial services companies such as banks and trust companies which will be defined as any company licensed, registered or authorised under specified sections of the Financial Services (Jersey) Law 1998, the Collective Investments Fund (Jersey) Law 1988 or the Banking Business (Jersey) Law 1991. The 10% rate will ensure that the financial services industry continues to pay substantial amounts of tax revenues. This is considered acceptable in meeting the criteria of the EU Code of Conduct on Business Taxation, as it is a feature of the way that the EU interprets its approach on harmful tax practices that assessing one – limited – sector at a higher rate of corporate tax (10%) than the general rate (0%) is acceptable.”