

4.12 Deputy G.P. Southern of the Minister for Treasury and Resources regarding the deferral of “20 per cent means 20 per cent” taxation proposals on middle and high earners:

Would the Minister agree that having given an undertaking during his election campaign to give further consideration to delaying the start of ‘20 means 20’ taxation proposals on middle and high earners, and in the light of the impact of the recession on the economy, a deferral of this measure could help to boost the economy and, if so, what action, if any, will he be taking?

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

I have given consideration to the issues of ‘20 means 20.’ As I explained to the Assembly at the last sitting, I plan to first seek the advice of the Fiscal Policy Panel to determine whether economic conditions this year justify us taking action to boost the economy by using the Stabilisation Fund. Assuming that the panel indicate that this is the case they have already stated that in determining what action is required we should assess the options on the basis of 3 Ts. They must be timely, targeted and temporary. My preliminary view is that delaying the introduction of ‘20 means 20’ does not and will not meet the requirements of the 3 Ts. ‘20 means 20’ affects higher earners in Jersey. The fiscal stimulus packages being developed by governments around the world target those groups most likely to boost demand the most. General tax cuts have lower multipliers and this does not meet that test. Delaying ‘20 means 20’ would also struggle, I am afraid, to meet the timely objective. The nature of our tax system where we pay in arrears would mean that at this stage it would be very difficult to delay the impact to boost the economy immediately, i.e. this year. Delaying ‘20 means 20’ also means that a decision would turn out perhaps not to be temporary as it is sometimes difficult for the States to reverse decisions such as that and there would be a temptation to prolong and delay the introduction of ‘20 means 20.’ I am determined that we take the best advice based on sound empirical evidence for the most effective fiscal stimulus to the economy and the people of Jersey.

4.12.1 Deputy G.P. Southern:

Does the Minister not agree that a simpler way to boost the economy rather than by piling money into the economy from his Stabilisation Fund is not to take the money out of the economy via taxation, and in the light of the now approval that the reduction in V.A.T. (Value Added Tax) is receiving in the U.K. as an effective measure, would he also consider removal of G.S.T. (Goods and Services Tax) on food and children’s clothing.

Senator P.F.C. Ozouf:

I suggest the Deputy carries out a little bit more research on what the economists around the world are suggesting works as far as the fiscal stimulus package. I would draw the attention of the Deputy to what the I.M.F. (International Monetary Fund) said, that in current circumstances spend increases as in targeted tax cuts are likely to have higher multiples, rather than general tax cuts or subsidies. I suggest that the Deputy reviews what other governments are doing, notably France yesterday in terms of fiscal stimulus package, rather than announcing populous gestures on the floor of this Assembly.

4.12.2 Deputy G.P. Southern:

I presume then the Minister has not read the Institute of Fiscal Studies approval of the reduction in V.A.T. in the U.K.?

Senator P.F.C. Ozouf:

I have actually. I would draw the Deputy's attention to other commentators who are casting some doubt on the whole issue of the reduction of a general cut in V.A.T. and also I would draw the attention of the Deputy of the other measure that the United Kingdom Government have made; not only cutting V.A.T.