

**WRITTEN QUESTION TO THE CHIEF MINISTER
BY DEPUTY G.P. SOUTHERN OF ST. HELIER
ANSWER TO BE TABLED ON TUESDAY 3RD NOVEMBER 2009**

Question

“Further to answers to oral questions on 20th October 2009, can the Chief Minister advise members what the ‘changing economic circumstances’ were which led to the rejection of Jersey’s zero/ten proposals by ECOFIN?”

Can the Chief Minister confirm whether the Isle of Man’s (IOM) zero ten proposals, which came into effect in 2006, were only judged to be non compliant in October 2007?

Will he state what advice, if any, he has received since 2002 and particularly following the IOM decision in 2007 and what sums have been paid to PriceWaterhouseCoopers (PWC) or others over zero /ten compliance?

Will the Chief Minister release to members any written reports/communication from PWC or other external advisors on the issue of the compliance of zero/ten proposals with the EU Code on Business Tax (EUCBT); internal officer advice/reports on EUCBT compliance; any communication with ECOFIN, HMRC or other UK authorities on zero/ten compliance with EUCBT from 2002 to date?

Will the Chief Minister inform members what taxation alternatives, if any, he has under consideration in conjunction with the Minister for Treasury and Resources, to ensure future EUCBT compliance with the Island’s fiscal strategy, and advise when he will present such alternatives to the Assembly?”

Answer

Jersey’s zero-ten corporation tax regime has not been rejected by either the EU Code of Conduct Group for Business Taxation or by ECOFIN. Similarly, the Isle of Man’s zero-ten corporation tax regime has not been rejected by the EU. The unprecedented change in the world economy that is leading many countries to re-appraise their tax systems and evolve new international norms for business taxation has been widely reported in the press, and we must be ready and able to respond to those changes.

Those States Members present at the time of the debate have previously received a full pack of information as part of the papers supporting the decision to introduce the 0/10 tax structure. Should any member wish to receive a copy of those papers I will ensure that they are made available. This includes an independent Report to the States of Jersey on taxation matters by PricewaterhouseCoopers, issued in May 2004. This report is available on the States Assembly web site.

The release of information relating to advice to Ministers on zero ten and the EU Code of Conduct for business taxation would be likely to cause damage to the economic interests of the Island and would harm the conduct of international affairs and the Island’s relations with other jurisdictions, and so is not available under The Code of Practice on Public Access to Official Information.

It is an accepted tenet of intergovernmental communication that certain communications are regarded as confidential and are not to be made public. This is reflected in the UK Freedom of Information (FOI) legislation and also in our code of practice on Access to Information. It is also set out in the draft FOI law that is being consulted upon. There will therefore be some matters that I will not be able to release, but other than such matters I confirm that I will be as open as possible.

The review of the Island’s fiscal strategy being taken forward by the Minister for Treasury and Resources will assess our options carefully and will examine our options for income and expenditure. There will be extensive consultation with all Members, including a period of public consultation next year, before a proposed fiscal strategy is taken to the Council of Ministers and the States for approval. The Treasury Minister has already

committed to providing detailed papers to States Members on all of the issues under consideration. It is too early to speculate on any possible changes that may be proposed or to presume any particular rate or structure of corporation tax. There will need to be extensive research of tax regimes across Europe and our competitors, including the way in which those regimes apply to particular areas of business activity. Once this work has been completed we will have a clearer view on our future options.

Any proposed changes to fiscal legislation will of course have to come to this House for debate.