

2.13 Deputy S. Power of the Chief Minister, responding on behalf of the Minister for Treasury and Resources. regarding the loss of tax revenue for the years 2007 to 2010 from non-resident companies:

Could the Minister give an indication or assessment of the loss of tax revenue for the years 2007 to 2010 as a result of the take-over and sale of established Jersey trading companies to non-resident companies?

Senator T.A. Le Sueur (The Chief Minister - rapporteur):

The Comptroller of Income Tax assesses each Jersey resident company and if a Jersey resident is a shareholder of a company, in accordance with the appropriate provisions of the Income Tax (Jersey) Law. However, he does not keep a register of changes in the beneficial ownership of companies so it is not possible to answer this question with any degree of accuracy.

2.13.1 Deputy S. Power:

I wonder if the Chief Minister could give an indication as to whether there is any concern within Treasury and Resources as to the loss of tax revenue from Jersey trading companies which are being sold to non-resident companies?

Senator T.A. Le Sueur:

This is an inevitable fact, a fact of nature, that beneficial ownership of companies does change, but I point out to the questioner that what the sale of that company is doing is transferring an asset generating income from one form to another and instead of dividends from that company the person concerned would now get income from the investment of that cash arising. So it is not necessarily the case that there will be loss of revenue.

2.13.2 Deputy M.R. Higgins:

Surely the department keeps a record of how many companies are paying tax and they must have noticed a considerable falloff in the number of companies paying tax for these companies being taken over by outside firms. Is that not correct?

Senator T.A. Le Sueur:

A reduction in tax revenues is caused by a number of different factors. We have just seen a significant economic downturn and how much of the change in tax revenue is down to the economic downturn, how much due to other forces and how much due to sales of companies is something beyond any Tax Department to analyse.

2.13.3 Deputy T.M. Pitman:

I wanted to ask the Chief Minister what conclusions he draws from his answer in line with the shift from the taxation of businesses on to individuals as highlighted by Deputy Southern, but I do not suppose I can really ask that as he has not given us an answer. Has he got any indication of the figures involved and what does it mean?

Senator T.A. Le Sueur:

As I said in my answer, I have got no indication of the figures involved but I do confirm to the Deputy, as I said in my original answer, that in many cases it is a shift from the company taxation to taxation of the individuals concerned and that may be part of the reason for the increase in personal taxation revenue and a decrease in corporate tax revenue.

2.13.4 Deputy M. Tadier:

Does the Chief Minister accept that he, along with the current Minister for Treasury and Resources, through the introduction of a tax system which militates towards non-domiciled companies, that he and the Council of Ministers have facilitated this kind of behaviour whereby companies will be more likely to become “non-doms” and therefore not pay tax?

Senator T.A. Le Sueur:

There are a variety of reasons which cause a shareholder in a company to dispose of his shares either to another Jersey resident or to a non-resident of the Island. The tax regime is designed in order to generate the most tax revenue for the Island in a fair and efficient way in order to provide the services the Island needs.

2.13.5 Deputy M. Tadier:

Sir, a supplementary if I may. Given that last question, we have created in my opinion a system which encourages this kind of behaviour, is it really the case that the Minister cannot even provide us with some kind of “guesstimate” as to what the actual impact of his policy might be?

The Deputy Bailiff:

Would you like to answer that, Chief Minister?

Senator T.A. Le Sueur:

No, Sir, because firstly any guesstimate would be subject to huge ranges of inaccuracy and, secondly, any changes in behaviour are due to a variety of different personal feelings. I cannot necessarily say why any particular shareholder sells his shares in a Jersey trading company at any particular time but having said that, the shift from corporate taxation to personal taxation is one which was expected and so Members should not be surprised by that.

2.13.6 Deputy G.P. Southern:

Is it not the case that a local who sells his shares is making a capital gain and subject to zero taxes anyway, so there is a net loss in revenue from selling companies into foreign ownership?

Senator T.A. Le Sueur:

I can confirm that we do not have a capital gains tax regime. I tried to make it clear in my original answer that the sale of shares of a Jersey company by a Jersey resident shareholder to whoever that will be will simply transfer the tax burden on that shareholder from a dividend in his company to a taxation on the income arising as a result of the sale of that company. The only tax loss which the Deputy seems to be concerned about is the loss of capital gains tax or a loss of revenue on any potential capital gain which was never there in the first place.

2.13.7 Deputy G.P. Southern:

A supplementary if I may, Sir. The Minister has steadfastly refused to give any estimate. Does he accept that the estimate originally made under Zero/Ten was of £30 million from the non-finance sector and that the current loss of income 2009 to 2008 is some £45 million so £30 million from Zero/Ten and perhaps £15 million from the downturn?

Senator T.A. Le Sueur:

The Deputy quotes figures at me without particularly identifying precisely which source of the revenue he is talking about. If we are talking about the loss of revenue as a result of companies which previously paid taxation at 20 per cent rate which are now assessed at the zero rate and are owned by a non-resident, I could not give a current figure for that revenue. If the Deputy chooses to put that down as a written question, I am sure that the department will endeavour to provide a satisfactory answer to him.

2.13.8 Deputy M.R. Higgins:

From what the Chief Minister has said, the shift to personal tax is inevitable because neither the Chief Minister nor the Minister for Treasury and Resources has a clue how they are going to recoup the company tax. Does he not agree?

Senator T.A. Le Sueur:

As I said, the shift of tax revenue burden from corporate to personal tax was a planned arrangement over several years fully discussed by Members of this House, fully analysed and fully assessed against all the other options. It is the best solution for the Island. It has proved to be the solution for the Island and other alternatives, such as were suggested by various Members of the States, were rejected as being totally inferior and generating significantly lower revenues.

The Deputy Bailiff:

One supplementary, Deputy Power.

2.13.9 Deputy S. Power:

Does the Chief Minister have any indication from Treasury and Resources as to how low he thinks the net revenue figure could be in company tax? The estimate for 2010 was £79 million and for 2011, £65 million. How low does he expect it to go? Does he expect it to go to zero?

The Deputy Bailiff:

I do not think that question relates to the primary question which is the loss of tax revenue as a result of the take-over and sale of established Jersey trading companies.