

**WRITTEN QUESTION TO THE MINISTER FOR TREASURY AND RESOURCES  
BY DEPUTY G.P. SOUTHERN OF ST. HELIER  
ANSWER TO BE TABLED ON MONDAY 11TH DECEMBER 2017**

**Question**

Will the Minister advise whether the E.U. Code of Conduct for Business Taxation requires that a majority of company profits are subject to tax at a zero rate and that, in this regard, a clear majority of profits is at least 51%?

Will he further inform members what figures, if any, he has for trading company profits, by sector, subject to zero-rate taxation which show that these profits subject to zero-rating constitute the majority of overall company profits when compared with those subject to tax at other rates, including the new 20% 'supermarket tax'?

Will he also inform members what figures, if any, he has for the profits of the 30,000 'non-trading' companies in the Island?

Will he also state what proportion of total companies these figures relate to and when he expects to have figures covering 100% of companies?

**Answer**

**Part 1.**

The EU Code of Conduct Group on Business Taxation assessed Jersey in 2011 and were fully satisfied that a significant majority of companies subject to Jersey corporate tax were subject to the zero rate and that this was therefore the standard rate with no discrimination between locally and non-locally owned companies. To convince the Code Group the Island authorities had previously provided sufficient information showing that the zero rated companies accounted for the majority share of profits and employment. Updated analysis indicates that remains the case notwithstanding that large Corporate retailers are being subject to tax at 20% from 2018.

**Part 2.**

Company Tax Returns

Company profits data collected through company tax returns is currently available for the year of assessment 2015. The filing deadline for the submission of 2016 company tax return is 31 December 2017 hence this data will become available during 2018.

The profits data gathered on the company 2015 tax return is:

- taxable profits of companies subject to tax at the rate of 0% provided there is ultimately a Jersey resident individual owning more than 2% of the ordinary share capital of the company;
- taxable profits of companies which are within the definition of "financial services company" and subject to tax at the rate of 10%;
- taxable profits of companies which are within the definition of "utility company" and subject to tax at the rate of 20%;
- taxable profits arising from the renting of land, property development and quarrying in Jersey; and
- taxable profits arising from the importation and/or supply of hydrocarbon oils in Jersey.

The data gathered on the 2015 tax return relating to taxable profits which are subject to tax at the rate of 0% does not distinguish between the profits arising from trading activities and the profits arising from non-trading activities.

Companies have not been required to indicate which sector they operate in on their company tax return. Some relevant sectional analysis has been completed in the answers to Written Question 504 [http://www.statesassembly.gov.je/assemblyquestions/2017/\(504\)%20dep%20southern%20to%20cm%20re%20breakdown%20of%20local%20non%20local%20ownership%20of%20companies.pdf](http://www.statesassembly.gov.je/assemblyquestions/2017/(504)%20dep%20southern%20to%20cm%20re%20breakdown%20of%20local%20non%20local%20ownership%20of%20companies.pdf) .

The 2015 tax return does not require a company to declare profit which are subject to tax at the rate of 0% where ultimately a Jersey resident individual does not own more than 2% of the ordinary share capital of the company.

#### Information from the Jersey Financial Services Commission (“the JFSC”)

In 2017 the JFSC was commissioned to prepare a report indicating the total amount of profits reported for 2015 by regulated companies which are subject to tax at the rate of 0% where they held relevant data and the Taxes Office did not hold profits data. This information was requested and supplied based on an aggregate basis only.

Based on the data sources outlined above only it is estimated that for 2015 £2.1bn of profits<sup>1</sup> was subject to tax at 0% and £1.2bn of profits was subject to tax at a positive rate of tax.

There are circa 45k companies considered to be resident in Jersey. Circa 11k of those companies are foreign incorporated and are managed and controlled in the Island. Data was available in respect of circa 6k companies. Accordingly, data was available in respect of 13% of the companies considered to be resident in Jersey.

#### **Part 3.**

As outlined in the previous section, the 2015 tax return does not require a company to declare profits which are subject to tax at the rate of 0% where ultimately a Jersey resident individual does not own more than 2% of the ordinary share capital of the company. In the context of a company where ultimately a Jersey resident individual does own more than 2% of the ordinary share capital the 2015 company tax return does not require the company to specifically identify the profits which are subject to tax at the rate of 0% between those profits which arise from trading activities and those profits which arise from non-trading activities.

Accordingly the data for profits taxed at 0% include both trading activities and non-trading activities.

#### **Part 4.**

Work to gather more information regarding the profits of companies is ongoing.

The 2016 company tax return was amended in order to collect profits data from all companies which are trading in Jersey through a permanent establishment. This data will be available in 2018 when the Taxes Office has collated the information declared on the submitted 2016 company tax returns.

The final format of the 2017 company tax return is currently under consideration.

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<sup>1</sup> Profits is stated before any deduction for capital allowances and losses brought forward which can be offset against current year profits under Article 108 of the Income Tax (Jersey) Law 1961.