

**WRITTEN QUESTION TO THE MINISTER FOR TREASURY AND RESOURCES
BY DEPUTY G.P. SOUTHERN OF ST. HELIER
ANSWER TO BE TABLED ON TUESDAY 15th MARCH 2011**

Question

Further to the Minister's written answer to question 6080 on 1st March 2011, would he confirm that the data circulated by me at that same meeting was correct and, if so, how does the loss of income from company tax from 52 % in 2000 to 12% in 2011 (Estimated in the Draft Budget Statement 2011 Summary Table B page 74) and the rise in personal tax from 42 % in 2000 to an estimated 84% in 2011 (same source) meet his budget objective of "raising money in a fair way".

If the Minister does not consider the figures circulated to be correct, would he undertake to provide this data to Members and, if so, when?

Answer

The type of comparison the Deputy is trying to make is potentially misleading. It is concerning that the Deputy is continuing to create the illusion that we can unilaterally determine how much corporate tax revenue we generate. Members are fully aware that as an international finance centre our corporate tax structure must be determined by what keeps us competitive as a finance centre and that if we ignore this principle we will lose much more corporate and personal tax revenue as we lose business and jobs to our competitors, and there are knock-on effects throughout the economy.

The Deputy's interpretation of the figures quoted is misleading for the following reasons:

1. The figures do not include social security contributions, stamp taxes or rates, all of which are paid by companies and individuals. Including these amounts would change the proportions significantly.
2. It is incorrect to state that all GST is paid by individuals. ISE fees accounted for some £5.6 million of revenue in 2010 and are estimated to be £8.7 million in 2011. Companies also pay GST directly if they are not registered for GST (a company whose taxable turnover is less than £300,000 per annum is not required to register for GST) or if they make exempt supplies such as supplies of insurance, postage or medical supplies. It is difficult to quantify the total GST incurred by non registered businesses as they are not required to submit returns.
3. A proportion of impôts and GST is paid by tourists and other visitors to Jersey.
4. A proportion of GST charged by Customs on imports is paid by the non GST registered businesses.

The shift in the balance between corporate and personal taxes seen has been caused in part by the decision to introduce 0/10 to protect Jersey's economy and by the package of other tax measures introduced to compensate in part for the loss of corporate tax revenues, namely 20 Means 20, ITIS and GST.

The shift from a heavy reliance on corporate taxes to personal taxes has already been the subject of public consultation and States debate over a number of years, since the original 0/10 Design Proposal was published in 2004. The global trend over the past decades has been a shift away from corporate taxation in favour of personal taxation, and in that, Jersey is not alone. The reduction in tax revenues from companies has also been affected by the effects of the economic downturn and low interest rates, which have reduced the profits of the highest company income taxpayers. Although company profits have fallen, and with them company tax payments, Jersey has been fortunate that personal income tax receipts have not fallen, as absolute levels of wages and salaries have not been reduced by the effect of the downturn to date.

Fair taxation takes account of people's ability to pay. The tax changes agreed by the States as part of the 2011 Budget debate took account of this, alongside the need for competitiveness and efficiency. The proposed increases in Social Security contributions for those earning above the ceiling will affect businesses and higher earners, not lower earners. 20 means 20 has affected higher earners more than middle earners and has had no impact on low earners. The introduction of ITIS has resulted in more individuals paying the income tax they owe. It must surely be fair for people to pay what they owe. With the introduction of GST, low earners have been protected by increased tax thresholds, uprating of income support and the GST bonus scheme.