Island must wait for UK verdict on zero-ten proposal

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THE UK's view on the proposed zero-ten tax change will not be clear until the end of the year at the earliest, according to Treasury Minister Terry Le Sueur.

He says an official response to the proposals is likely only between the law being lodged in November and the States debate in January.

Yesterday a report by the Corporate Services Scrutiny sub-panel on zero-ten tax changes, led by Senator Jim Perchard, said it was still not clear whether the move would satisfy the EU.

The zero-ten changes came about because of pressure from the EU on Jersey's corporate tax system. Under the proposed system, companies would pay no tax – except a 10% rate for the finance industry – but resident shareholders would be taxed on company profits as personal income.

Critics

Senator Le Sueur, who led the design of zero-ten and the rest of the plan to fill the resulting £100m tax gap, says he expects the scheme to satisfy Jersey's critics.

'I have no reason to doubt the law we are proposing will meet UK approval,' he said. 'When what we are proposing is not any more onerous than what other jursidictions have proposed and had accepted.

'I am sure the UK Treasury has taken note of our consultation document and scrutiny report and what we propose. It may will be that if we were proposing anything outlandish they would drop us a hint that it would not be accepted.

'We have had no response that I am aware of from the consultation document and I do not expect one. I take that silence as probably tacit consent, but this is just consultation.'

Senator Le Sueur praised the scrutiny report for its depth and said the proposal to recoup tax from non-resident companies through a tax on rental value of premises was worth further investigation.

The panel were impressed with an idea by Jurat Peter Blampied – a former managing partner of Coopers & Lybrand in Jersey – to make companies pay tax on the rent of their premises, or the deemed rent if they own the property.

The tax could be claimed back against the local tax they pay if the company were registered here, or against the tax they pay in their country of registration.

The effect to the company would be neutral but Jersey would be retaining some money from non-resident firms who would escape income tax under the system.

'The proposals are worth looking at,' said Senator Le Sueur, who added the existing proposal of a £500 'Rudl' charge per employee as a tax raising tool for non-resident firms did not have much of a future.

'They may look simple at first but the devil is in the detail. I am looking at the economic impact, the impact on taxation revenue and the impact on UK tax because many of the businesses are those with UK resident shareholders and the extent to which, if at all, that can be offset.'