

## Tax data relating to high-value residents (“HVRs”) – prepared 4 March 2015

### 1. Number of high-value residents in the Island

*Table 1: the number of HVRs tax resident in the Island: 2009 - 2013*

| <b>Tax year</b> | <b>Number of tax resident HVRs</b> |
|-----------------|------------------------------------|
| <b>2014</b>     | 159                                |
| <b>2013</b>     | 147                                |
| <b>2012</b>     | 142                                |
| <b>2011</b>     | 141                                |
| <b>2010</b>     | 140                                |
| <b>2009</b>     | 134                                |

The HVR population is broken down into three groups determined by the tax regime applicable to the individuals within each group, namely:

- (i) the pre-2005 tax regime;
- (ii) the tax regime that applied from 1 January 2005 to 21 July 2011 (minimum annual tax contribution from those arriving before 30 December 2010 is £100,000, for those arriving on or after this date it is £125,000); and
- (iii) the post-21 July 2011 tax regime (minimum annual tax contribution is £125,000)

The latest complete tax data available is for the 2013 tax year. Tax data in respect of the 2014 tax year will not be available until Q1 2016.

In 2012 and 2013 there were so few HVRs in the Island in the third group that separate analysis of that particular group would be meaningless at this time.

Therefore when answering these questions we have broken the HVR population down into two groups:

**Group One:** pre-1 January 2005 HVRs

**Group Two:** post-1 January 2005 HVRs (who should be paying a minimum of £100,000 or £125,000 per annum)

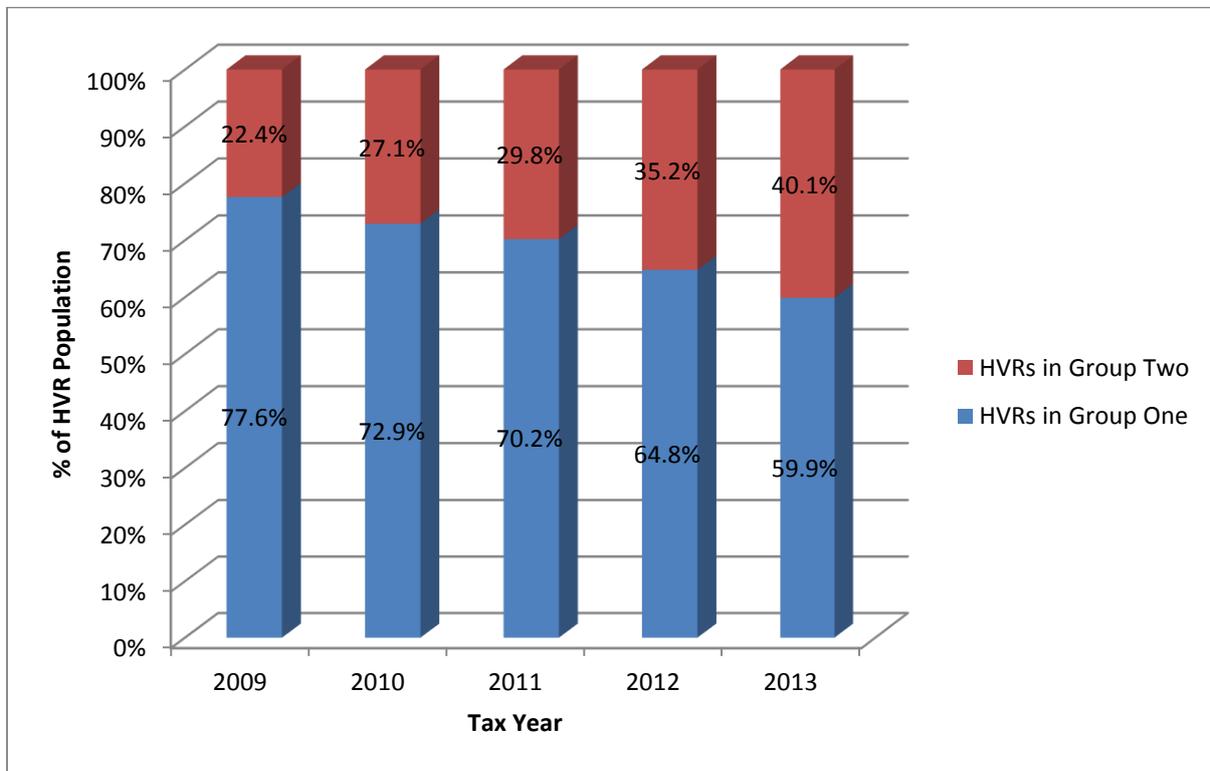
As time passes the number of HVRs in Group One is decreasing (e.g. through death, emigration), whilst the number of HVRs in Group Two is increasing.

Table 2: the proportion of HVRs in Groups One and Two

| Tax year | Total Number of HVRs | HVRs in Group One | % of total number of HVRs | HVRs in Group Two | % of total number of HVRs |
|----------|----------------------|-------------------|---------------------------|-------------------|---------------------------|
| 2013     | 147                  | 88                | 60.0%                     | 59                | 40.0%                     |
| 2012     | 142                  | 92                | 64.8%                     | 50                | 35.2%                     |
| 2011     | 141                  | 99                | 70.2%                     | 42                | 29.8%                     |
| 2010     | 140                  | 102               | 72.9%                     | 38                | 27.1%                     |
| 2009     | 134                  | 104               | 77.6%                     | 30                | 22.4%                     |

The changing proportion of HVRs in Groups One and Two is illustrated by the following graph:

Graph 1: the proportion of HVRs in Groups One and Two



## 2: Tax paid on average per year

The total income tax paid and the average income tax paid by the HVRs in Groups One and Two is set out below:

*Table 3: the total and average income tax paid by HVRs in Group One*

| Tax year | Total tax paid by HVRs in Group One | Number of HVRs in Group One | Average tax paid by HVRs in Group One |
|----------|-------------------------------------|-----------------------------|---------------------------------------|
| 2013     | £4.089m                             | 88                          | £46.5k                                |
| 2012     | £4.489m                             | 92                          | £48.8k                                |
| 2011     | £6.099m                             | 99                          | £61.6k                                |
| 2010     | £6.927m                             | 102                         | £67.9k                                |
| 2009     | £7.661m                             | 104                         | £73.7k                                |

*Table 4: the total and average income tax paid by HVRs in Group Two*

| Tax year | Total tax paid by HVRs in Group Two | Number of HVRs in Group Two | Average tax paid by HVRs in Group Two |
|----------|-------------------------------------|-----------------------------|---------------------------------------|
| 2013     | £6.542m                             | 59                          | £110.9k                               |
| 2012     | £5.143m                             | 50                          | £102.9k                               |
| 2011     | £4.337m                             | 42                          | £103.3k                               |
| 2010     | £3.268m                             | 38                          | £86.0k                                |
| 2009     | £3.031m                             | 30                          | £101.0k                               |

*Graph 2: comparison of the average income tax paid (in £'000s) by HVRs in Groups One and Two*

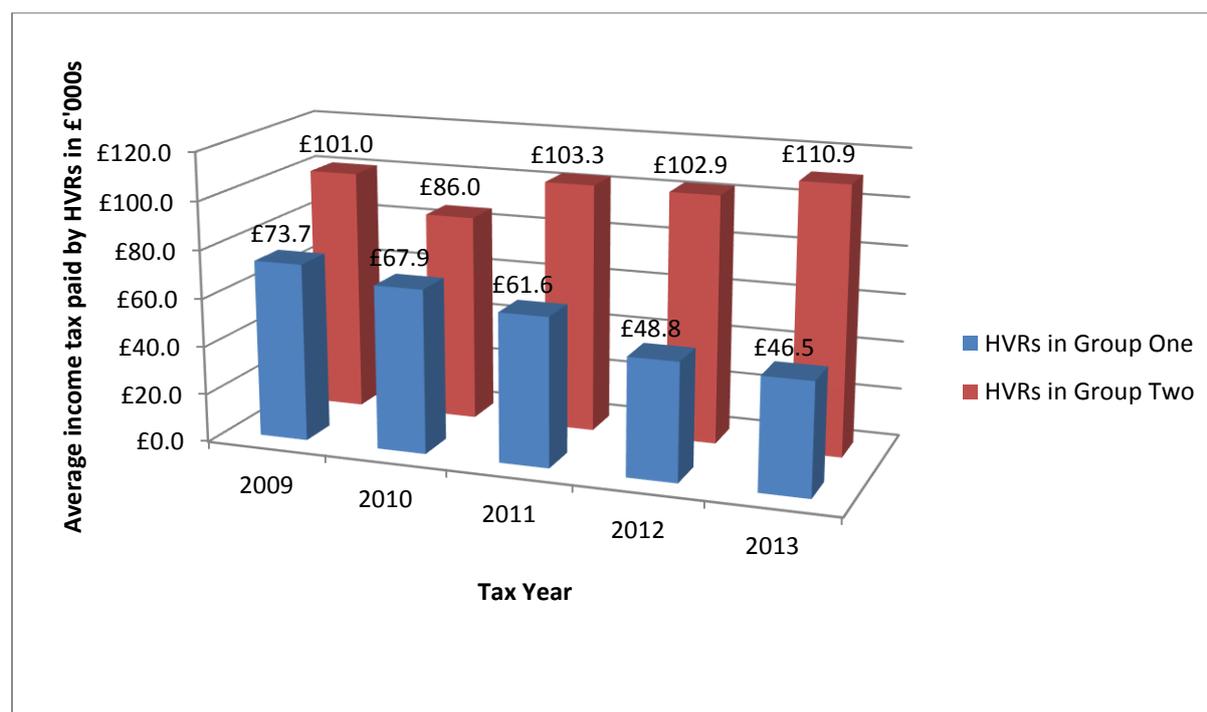


Table 3 and Graph 2 indicate that the average income tax paid by HVRs in Group Two remained around £100k per annum until 2013 whereupon it increased to £111k per annum. This is consistent with the minimum tax contribution expected from HVRs who fall in Group Two (i.e. each HVR in this group is expected to pay a minimum of £100k per annum in tax, whilst some are expected to pay a minimum of £125k per annum). The average income tax payable by this Group should steadily move up towards £125k as time passes.

Table 4 and Graph 2 indicate a reduction in the average income tax paid by HVRs in Group One. The taxation of HVRs in Group One is described fully in a paper entitled “History of the 1(1)k Policy” issued by the Minister for Treasury and Resources on 5 October 2010<sup>1</sup>. The key points in that paper relating to the taxation of HVRs in Group One are:

- The minimum tax contribution agreed by HVRs in Group One fluctuated over time (e.g. minimum tax contributions were as low as £3,000-4,000 in the early 1970s and as high as £200,000 in the late 1990s) as the States policy towards encouraging inward migration of HVRs altered.
- HVRs in Group One had to demonstrate at the time of application that they would have sufficient taxable income to generate the agreed minimum tax contribution. “The objective was also to seek to establish a degree of certainty by looking for a sufficient capital base which applying a conservative rate of return yielded a sufficient income liable to Jersey tax.”

By 2013 all of the HVRs in Group One had been in the Island for 8 years, and some had been in the Island 40+ years. During the period of time that has elapsed since they made their application some individuals have seen their wealth and, correspondingly, their income and income tax contribution rise. Whereas others have seen their wealth depleted through events such as divorce and poor investment choice. Over the time periods involved, this deviation from the initial situation at the time of the application is not surprising.

The table and graph below indicate that, over time, the HVRs in Group Two are becoming more important to the overall level of income tax paid by the HVR population and by 2013 paid more than 60% of the total income tax paid by the HVR population despite representing only 40% of that population<sup>2</sup>.

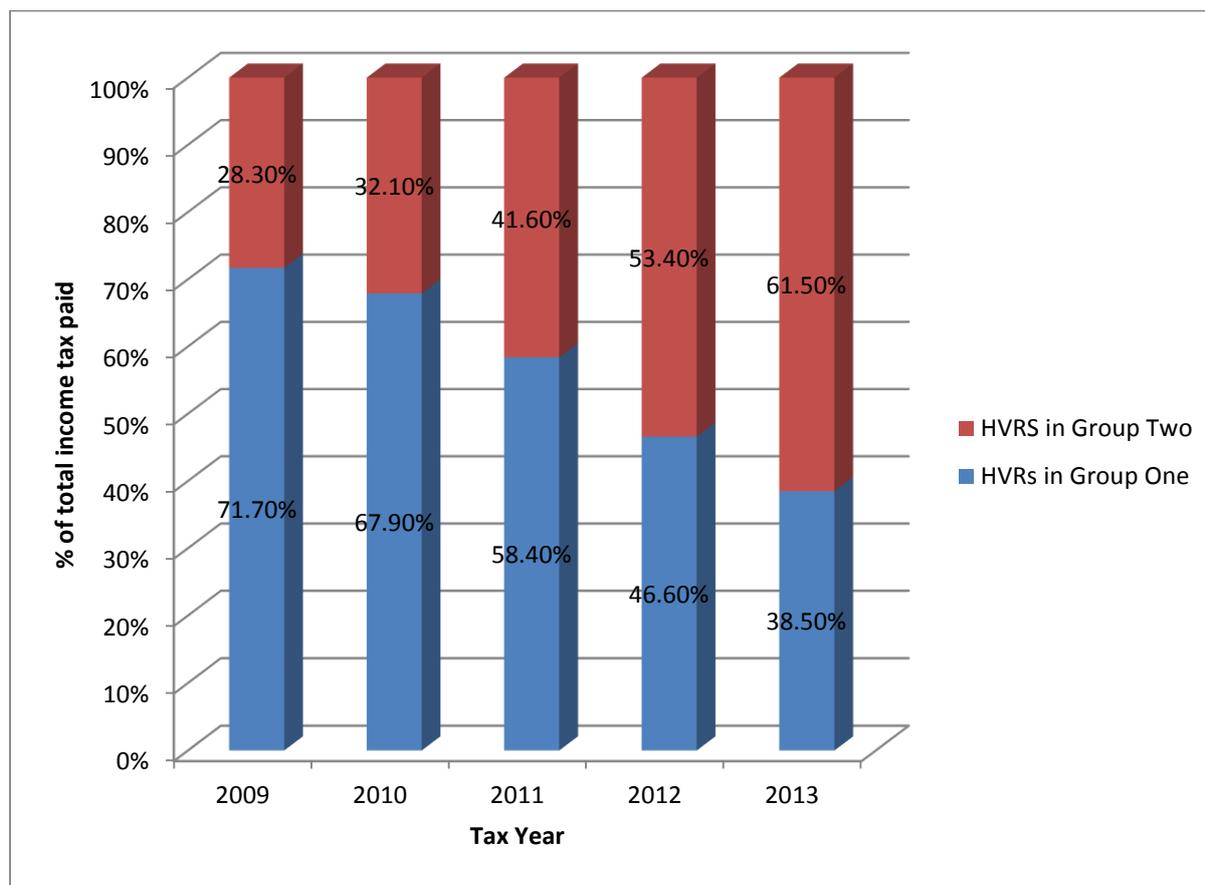
*Table 5: the total and proportion of income tax paid by HVRs in Groups One and Two*

| <b>Tax year</b> | <b>Total income tax paid by HVRs</b> | <b>Total income tax paid by HVRs in Group One</b> | <b>% of total income tax paid by HVRs</b> | <b>Total income tax paid by HVRs in Group Two</b> | <b>% of total income tax paid by of HVRs</b> |
|-----------------|--------------------------------------|---|---|---|--|
| <b>2013</b>     | £10.631m                             | £4.089m   | 38.5%                                     | £6.542m   | 61.5%  |
| <b>2012</b>     | £9.632m                              | £4.489m   | 46.6%                                     | £5.143m   | 53.4%  |
| <b>2011</b>     | £10.436m                             | £6.099m   | 58.4%                                     | £4.337m   | 41.6%  |
| <b>2010</b>     | £10.195m                             | £6.927m   | 67.9%                                     | £3.268m   | 32.1%  |
| <b>2009</b>     | £10.692m                             | £7.661m   | 71.7%                                     | £3.031m   | 28.3%  |

<sup>1</sup> See: <http://www.gov.je/Government/Pages/StatesReports.aspx?ReportID=465>

<sup>2</sup> See Table 2 and Graph 1 above.

Graph 3: the proportion of income tax paid by Groups One and Two



Note: as requested, the above figures relate exclusively to income tax, but the HVR population also makes a contribution to States revenue by way of GST, social security contributions and stamp duty. For example, it is estimated that the stamp duty paid on house purchases by arriving HVRs in the years 2009-2014 was approximately £7.7m.

In addition, in their report<sup>3</sup> dated 11 October 2010 Withers LLP and Panopticon Policy stated:

**“The economic effects of 1(1)(k)s are large.** We have derived estimates from the income tax payments made by 1(1)(k)s in 2009 that **their economic impact is at a minimum of £50-70 million**, however, this estimate is both extremely conservative and subject to many uncertainties.”

<sup>3</sup> See:

[http://www.gov.je/SiteCollectionDocuments/Tax%20and%20your%20money/R%20Review%20of%201\(1\)\(k\)%20regime%20for%20the%20States%20of%20Jersey%2020111011.pdf](http://www.gov.je/SiteCollectionDocuments/Tax%20and%20your%20money/R%20Review%20of%201(1)(k)%20regime%20for%20the%20States%20of%20Jersey%2020111011.pdf)

### 3: Tax paid collectively by HVR population

*Table 6: the total income tax paid by the HVR population*

| <b>Tax year</b> | <b>Income tax paid by HVRs</b> |
|-----------------|--------------------------------|
| <b>2013</b>     | £10.631m                       |
| <b>2012</b>     | £9.632m                        |
| <b>2011</b>     | £10.436m                       |
| <b>2010</b>     | £10.195m                       |
| <b>2009</b>     | £10.692m                       |

### 4: Percentage of Jersey's total tax take accounted for

*Table 7: percentage of personal income tax paid by HVR population*

| <b>Tax year</b> | <b>Income tax paid by HVRs</b> | <b>Total personal income tax for tax year<sup>4</sup></b> | <b>% of personal income tax</b> |
|-----------------|--------------------------------|---|---------------------------------|
| <b>2013</b>     | £10.631m                       | Not yet available   | Not yet available               |
| <b>2012</b>     | £9.632m                        | £361.760m   | 2.7%                            |
| <b>2011</b>     | £10.436m                       | £360.946m   | 2.9%                            |
| <b>2010</b>     | £10.195m                       | £345.087m   | 3.0%                            |
| <b>2009</b>     | £10.692m                       | £324.800m   | 3.3%                            |

In their 2012 Jersey population update report<sup>5</sup> the Statistics Unit estimated that the resident population of Jersey at the end of 2012 was 99,000. Based on this estimate the HVR population makes up less than 0.15% of the Island's population, while paying approximately 3% of the Island's total personal income tax.

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<sup>4</sup> "Total personal income tax for tax year" is calculated by reference to the tax assessments relating to that tax year. Due to differences in how tax revenues are accounted for in the States accounts, these figures do not appear in the States accounts for the relevant years.

<sup>5</sup> See: <http://www.gov.je/Government/Pages/StatesReports.aspx?ReportID=945>

