1240/5(4934)

WRITTEN QUESTION TO THE CHIEF MINISTER
BY DEPUTY G.P. SOUTHERN OF ST. HELIER
ANSWER TO BE TABLED ON TUESDAY 17th NOVEMBER 2009

Question

Does the Chief Minister consider that the Deloitte estimate of lost tax to through the activities of offshore centres given in the Foot Report as £2 billion is an accurate estimate, and, if not, why?

How does the Chief Minister explain the difference between the Deloitte estimate and the figure of over £11 billion derived from the TUC investigation?

Answer

The Deloitte tax report annexed to the HM Treasury Foot Review is a very detailed analysis, which we are still studying. However, from an initial reading, previous estimates of a UK tax gap of £11.8 billion included in a TUC report were greatly overstated. Deloitte now estimate this gap to be up to £2.0 billion. Deloitte believe this to be a reliable estimate based on the analysis they have undertaken to date, but also believe that further analysis would reduce this figure. The report is also clear that this is a worldwide figure, and that the share of the figure attributable to British offshore centres either in total or individually is unidentified.

Deloitte have analysed the gap to distinguish between items that are ‘policy intended’ (namely, in line with the policy intentions of the UK Exchequer) and the residual balance which is ‘potentially policy unintended’. Deloitte state that much of the earlier £11.8 billion estimate is accounted for by ‘deferred tax’ – an accounting concept, which is a function of a decision by the UK Exchequer to retain a mismatch between book and tax depreciation, and is not a matter of tax avoidance.

UK Ministers have welcomed the Foot Report and in endorsing the review as ‘balanced and intelligent’ have clearly recognised, as I do, the professionalism one would expect from Michael Foot and from Deloitte in their analysis.