

Dear Deputy,

Having previously made a submission I would just like to reiterate the key points which I would hope you would consider:

1. The rules on which 'financial services' in the UK are exempt from VAT. The exemption is largely limited to banking and does not extend to support services such as financial advice, trust and estate management, stock broking, accountancy or legal services which are a significant proportion of the Jersey Finance Industry, banking operations having largely long since been moved to other jurisdictions.
2. The rules with regard to 'place of supply' which apply to services i.e. that if the service is provided in the UK then VAT is chargeable on it even if the service is exported to another jurisdiction.
3. The inadvisability of allowing a different tax structure to apply to a 'favoured industry' which will allow that industry to compete unequally for scarce resources such as land and labour.
4. That if GST is not applied to the finance industry the government may be more likely to raise the rate as there is no detrimental effect for its 'favoured industry'.
5. That through the use of management charges and the like profits can be charged out of one jurisdiction to another to minimise the overall liability to taxation this is not possible with a turnover tax. Since the Isle of Man is already liable to VAT there would seem little likelihood that operations would move to that jurisdiction and other low tax jurisdictions on the edge of Europe have neither the political stability nor the personnel to operate a finance industry currently.

If such information is available to you I would like to see a comparison of the value of tax which could be raised if GST were to apply to everything it applies to in the UK to the finance industry (i.e. a turnover tax of 3%) and the amount of tax that would be raised by charging 10% income tax on the profits. I suspect that the amounts may not be so far apart but would be intrigued to know.

The further thought occurs that if you could renegotiate the double tax treaty with the UK then that turnover tax could apply against UK corporation tax through whatever method they use.

I wish you well in your endeavour and look forward to reading the report.

Kind regards,

Darius Pearce

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