

8. Statement by Chief Minister outlining the latest Tax Information Exchange Agreements (T.I.E.A.'s)

8.1 Senator F.H. Walker (The Chief Minister):

Sir, with your permission and that of the House yes, I would. It is, as Members would have seen, a very long statement and I feel, if Members agree, it could well be taken as read, but obviously I would be happy to answer questions as appropriate.

Statement included here-

“On the 28th October in Helsinki I signed Tax Information Exchange Agreements (TIEAs) with seven Nordic countries (Denmark, the Faroes, Finland, Greenland, Iceland, Norway and Sweden). A total of ten such agreements have now been signed. The Agreements with the United States and the Netherlands have been ratified by the States. The Agreement with Germany is before the States for ratification in January of next year, and the Nordic agreements will be presented for ratification early in the New Year.

The action the Island has taken in signing Tax Information Exchange Agreements has shown to the international community the commitment of the Jersey authorities to the international principles of information exchange and transparency. The international community for their part have shown their recognition of the action we have taken in a number of ways –

- on October 21st at a Conference on the Fight against International Tax Evasion and Avoidance: Improving transparency and stepping up exchange of information on tax matters held in Paris, the Secretary General of the OECD made the following statements –
 - “a total of twenty-seven tax information exchange agreements have been signed since 2000 and around forty more are under negotiation. Most of the progress however, has been with just six offshore financial centres that are actively negotiating agreements (Aruba, Bermuda, Isle of Man, Jersey, Guernsey and Netherlands Antilles)”; and
 - what is now required is “a clear political recognition being given to those offshore financial centres that have made progress. The politicians in those jurisdictions have taken a high political risk. You need to show them that the choices they made are the right ones and you may want to mention them in your concluding statement.”;
- in the Summary of Conclusions of the Paris Conference it is stated that the participating countries “recognise the efforts made by certain jurisdictions that have set out a new direction for their financial centres and have signed Tax Information Exchange Agreements, which constitute effective instruments for fighting international tax fraud and evasion.”;
- Jeffrey Owens, the Head of the OECD Centre for Tax Policy and Administration, said at the signing of the TIEAs with the Nordic countries in Helsinki on 28th October that “we at the OECD recognise the importance of the progress Jersey has made in signing TIEAs, and in receiving clear political endorsement from OECD member countries. To show that the choice Jersey has made is the right one, we recognise the need for firm action to be taken with regard to those jurisdictions that are not showing the same commitment to tax information exchange”;
- the G20 Summit in Washington held on 15th November issued a Declaration which included the following statements –
 - “national and regional authorities should implement national and international measures and protect the global financial system from uncooperative and non-transparent jurisdictions that pose risks of illicit financial activity.”; and

- “tax authorities, drawing upon the work of relevant bodies such as the Organisation for Economic Cooperation and Development (OECD), should continue efforts to promote tax information exchange. Lack of transparency and a failure to exchange tax information should be vigorously addressed.”

The TIEAs with Germany and the Nordic countries that the States will be asked to ratify are accompanied by a Political Declaration which –

- recognises Jersey’s commitment to comply with international standards and to participate in international efforts to combat money laundering, terrorist financing, financial and other crimes including fiscal crime;
- welcomes Jersey as a member of the community of nations committed to international cooperation and full and effective information exchange on tax matters, and wishes to assure the Government of Jersey that Jersey will be fully and equally treated as such;
- Provides for a continued dialogue to examine what measures could be adopted to further enhance and broaden the political and economic relationship including the further alleviation of elements of double taxation, discrimination and other undesired tax barriers and the further extension of the arrangements for information exchange.

Building on what has been achieved to-date, a further number of TIEA negotiations are currently underway. It is hoped that TIEAs with France and Australia will be signed in the near future. Negotiations on agreements with New Zealand, Ireland and the United Kingdom are also well advanced. The Island authorities also have indicated to Canada, Italy and Spain that they would be interested in progressing TIEA negotiations.

The Council of Ministers believe that the policy pursued in negotiating tax information exchange agreements has stood the Island in good stead. The view taken of Jersey by the OECD generally, and by jurisdictions such as Germany, France and the USA, has been greatly assisted by the fact that tax information exchange agreements have been signed or are close to being so.

Requests for information that are received in accordance with the terms of the agreements are actively and positively responded to. The United States has made four requests since the tax information exchange agreement came into force in 2006, and in all cases the request met the conditions set out in the agreement, were responded to, and messages of appreciation have been received from the US authorities. The agreements provide a number of safeguards for those about who the information is requested, and there cannot be what are described as general “fishing expeditions” by other tax authorities.

We continue to press for action to be taken against those who are not showing the same commitment to the principles of information exchange and transparency as we are. We are encouraged by the G20 Summit Declaration and the views expressed by the OECD which point the way to more vigorous action being taken against the uncooperative and non-transparent jurisdictions a number of which are strong competitors for the financial services business that we enjoy. Jersey has played a very active part in the OECD Sub-Group on Level Playing Field Issues with a view to establishing a methodology to provide a clear distinction between the countries and territories which have substantially implemented the OECD standard on exchange of information and those which have not.”

The Bailiff:

Are Members content to allow the Chief Minister to treat this statement as having been read and to proceed straight away to questioning of the Chief Minister? Very well, Deputy Breckon.

8.1.1 Deputy A. Breckon:

I would ask the Chief Minister if he would like to comment on the fact that Iceland are included with their attitude to some of the banking crisis with their own national bank and the treatment of depositors, if it was in fact considered to take Iceland out of there and give them some of their own treatment back.

Senator F.H. Walker:

I had difficulty in hearing that, but I think I understood the question is what is my view on Iceland being one of the signatories? Is that pretty well the question?

The Bailiff:

Would you mind repeating the question? I must say I found it difficult to hear too, Deputy.

Deputy A. Breckon:

Iceland are included in that for the Tax Information Exchange Agreement and the question to the Chief Minister is, was it considered taking them out in view of their national attitude, their national government attitude, to the banking crisis?

Senator F.H. Walker:

I understand the question now. No, it was not. Iceland is one of the 7 Nordic states with whom we signed the T.I.E.A. and there was no suggestion at that time that they should be taken out. There was a huge amount of discussion going on between the Finance Ministers of the Nordic countries at the time we were there, and indeed with the media, on the question of Iceland, but I see no reason at this juncture not to maintain the T.I.E.A. I assume the States will clearly want to keep a close watch on the situation as it evolves.

8.1.2 Deputy A. Breckon:

Could I ask a supplemental on that? Will the Chief Minister then see that as a gesture, if you like, on our behalf not to take any action and hope that they would reciprocate by sorting out their banking situation and review their situation, especially with the U.K.?

Senator F.H. Walker:

There is no question from what we gathered at the meeting and the discussions that were held with the Icelandic Treasury Minister that they are doing everything possible to sort the issue out with, in the main at least, the support of their fellow Nordic states. What will eventually emerge, I do not yet know; I do not think anyone yet knows. Very clearly, Iceland is aware of the absolute importance of resolving the situation both for depositors and indeed for their own reputation.

8.1.3 Deputy I.J. Gorst:

I just want to welcome the Chief Minister's statement albeit unspoken. T.I.E.A. has not always had a smooth ride either in this Chamber or at large in the Island. However, I think in the current climate they are proving their worth in gold and I wonder if he would confirm that his successor, whoever that might be, will continue his cautious, but firm, approach in signing more of these agreements in the future?

Senator F.H. Walker:

I am sure the Deputy will understand I cannot speak for my successor, but I cannot believe that Jersey would wish to do anything other than to continue with this approach. The Deputy is right, it has been a little bit of a bumpy ride at times and the industry - certainly elements of the industry - has not always been in favour of the signing of these T.I.E.A., but I think now the way the international climate has developed, there is very much more support for them than

previously there was. I agree with the Deputy entirely: they are now worth their weight in gold and basically we need more and I am confident we will have more in the near future.

8.1.4 Deputy P.J.D. Ryan:

Just quoting from the Chief Minister's report, the action the Island has taken in signing T.I.E.A. has shown to the international community the commitment of the Jersey authorities to the international principles of information exchange and transparency, and I think could probably be added to that the Island's commitment to regulation as well. That is all in the context of developing our international identity and also in the parallel context of the review that is being carried out by the U.K. Government of our regulation that we know is coming. Can I just refer the Chief Minister to - it was in fact 1998 - 10 years ago, where we had the Edwards Report: we are now getting a report in 2008. Does he think that at some time in the future, perhaps in 2018 - 10 years hence - we should be seizing the initiative and committing to appoint our own independent reviewer of our regulation in order to seize the initiative perhaps from the U.K. Government on these matters?

Senator F.H. Walker:

The Deputy is quite right when he says this is about the development of our international identity and our regulation, but it is also about more than that. It is also demonstrating the position that Jersey wants to hold in the world and this is being increasingly recognised by the member states that we have signed T.I.E.A. with - by the E.U. leaders' meeting in Paris, by G20 - and what we are now looking for is for action to be taken against those jurisdictions that have not signed T.I.E.A. We think here particularly of Switzerland, Luxembourg, Singapore and so on. We are encouraged, at last, by the signals we are getting from member states of the E.U. and the O.E.C.D. (Organisation for Economic Co-operation and Development) that action is indeed being taken and the pressure is being ratcheted-up. As for our own independent review, I am not sure what weight it would carry in the international climate. In a way, we are having that because we invited the I.M.F. to come to Jersey to undertake their review so in a way we are having our own independent review. I can see, as I said in answer to an earlier question, why the U.K. Government feel that a review of the Crown Dependencies and Offshore Territories is necessary at this time. I cannot see forward to 2018. Members of the States will have to judge the climate for themselves at that point, I think.