

2.8 Deputy G.P. Southern of St. Helier of the Chief Minister regarding the loss of £2 billion by U.K. tax authorities in Company Tax through the activities of offshore finance centres:

What action, if any, will the Chief Minister be taking to address the findings of the PricewaterhouseCoopers in Appendix E of the Foot Report which estimates that the total of £2 billion is lost by U.K. tax authorities in company tax through the activities of offshore finance centres?

Senator T.A. Le Sueur (The Chief Minister):

I take it that the Deputy is referring to the findings from Deloitte which are attached to the Foot Report. That annex is a very detailed analysis which we are still studying. However, from an initial reading, previous estimates of the U.K. tax cap of £11.8 billion included in an earlier T.U.C. (Trades Union Congress) report were greatly overstated. Deloitte now estimate this gap to be up to £2 billion and believe further analysis could possibly reduce this figure. The report is clear that this is a worldwide figure and that the total attributable to the Crown Dependencies and the overseas territories, either in total or individually, is unidentified. We have always been clear in stating - not only stating but taking - firm action to do all we can to ensure that there is no misuse or illegality in financial services in Jersey. The Foot review sets out very clearly that the Crown Dependencies, and Jersey in particular, comply with international standards of regulation and transparency. Indeed, Members will recall that the recent I.M.F. (International Monetary Fund) ranked Jersey as one of the best performing jurisdictions in a wide-ranging review of standards in operation across our finance industry. What is stated very clearly in the Foot review is that Jersey and the other Crown Dependencies are making a very substantial contribution to the U.K. through the funding of U.K. banks; a total of £195 billion of which Jersey accounts for the lions share, funding which, in its absence, could be expected to require in many cases a further injection of government money at the expense of the British taxpayer, thus I believe that far from causing the U.K. any problems we are a major benefit as a friendly partner in the financial services industry. The Foot review states that the Deloitte study should be a useful input into the thinking of any jurisdiction considering tax changes to ensure sustainability. We will be considering the Deloitte study as part of the review of the Island's fiscal strategy which has already been made clear will have proper regard for ongoing international norms.

2.8.1 Deputy G.P. Southern:

Returning to page 37 of the Foot Report, will the Chief Minister be making an early commitment, as is requested in the recommendations, with a timetable for implementation, to automatic exchange of tax information under the E.U. (European Union) Savings Directives where they have not already done so?

Senator T.A. Le Sueur:

Jersey undertook several years ago to undertake automatic exchange of information, and that would have been a preferred option for the Island if that were to be universally applied. What we do not want to have is a situation where we are put in an uncompetitive situation, that we are applying automatic exchange of information and other countries are not. There is now a much greater move towards automatic exchange of information and I believe that we should be showing a good example in that one but carrying on in line with international norms, we shall not seek to jump the

gun but we should work in conjunction with other countries to ensure that automatic exchange of information is brought in as swiftly as possible.

2.8.2. Deputy G.P. Southern:

What timetable for implementation does the Chief Minister have in mind in order to comply with this very strong recommendation?

Senator T.A. Le Sueur:

The timetable I had in mind would be something in the region of the middle of 2011, but that would depend, as I say, on commitment of other countries as well as Jersey.

2.8.3 Deputy P.V.F. Le Claire:

The question asks about loss of tax revenue to the United Kingdom authorities through the activities of offshore centres. The Chief Minister has indicated that he has undertaken further studies in relation to this Deloitte's report that is attached as a footnote to the Foot review. Is there any inclusion in that evaluation of the City of London as an offshore financial centre? Does that take up part of this overall global loss of revenue to the U.K. authorities because certainly in some circles the City of London is viewed as an offshore financial district?

Senator T.A. Le Sueur:

The Foot review is confined to the Crown Dependencies and the offshore territories so it did not relate specifically to the City of London or any other location throughout the world. That is why, in my answer, I indicated that of the loss it was impossible to quantify how much might be attributable to the Crown Dependencies.

Deputy P.V.F. Le Claire:

Perhaps we could inquire of the United Kingdom authorities what the anticipated loss is of the activities of the City of London to the United Kingdom authorities by their offshore financial jurisdictions?

Senator T.A. Le Sueur:

I am sure if that is a matter of interest to the U.K. Government they are quite capable of making their own inquiries.

2.8.4. The Deputy of St. Mary:

Just a short one. Can the Chief Minister say why he would choose to believe one expert who has a figure of £2 billion, or thereabouts, as opposed to another expert who has a figure of £11.8 billion? Would he say what would happen if it turns out that the higher figure is nearer the truth?

Senator T.A. Le Sueur:

I am not the world's greatest expert on this, but I believe Deloitte's did do a very thorough investigation. They came up with a figure on reasoned analysis which I believe is done on a far more reliable basis than that used by the T.U.C. in their estimate. As Deloitte's made clear, it is still an inexact number but they think it would be less than £2 billion, but certainly nowhere £11.8 that the Deputy was talking about as suggested by the T.U.C.

2.8.5 Deputy M. Tadier:

Does the Chief Minister have any moral issues with us viewing tax as a commodity rather than a socio-economic necessity?

Senator T.A. Le Sueur:

The Deputy is raising questions way outside the Foot Report, and I think what Jersey has to do is to be seen to be acting responsibly and I believe that all we have done over the years demonstrates that we are indeed acting responsibly and we shall continue to do so. Our policies are based on international standards which I hope the Island will continue to maintain.

2.8.6 Deputy M. Tadier:

Perhaps I can rephrase the meaning of my question. To what extent should the Council of Ministers simply be saying to other countries who have a problem with our tax model that if they do not like it they should simply adapt their own tax models; is that a stance that the Chief Minister thinks would be helpful, and is that the actual stance that, in truth, the Council of Ministers takes?

Senator T.A. Le Sueur:

That is what I believe would be a way in which we deal with our international obligations, and our international activities with other jurisdictions is a good example to them of responsible government and I have no wish to be regarded as a contemplational or simply pig-headed jurisdiction, we have a very good reputation which I aim to maintain and enhance.

2.8.7 Deputy G.P. Southern:

What implications do the recommendations made by Michael Foot have for the now abandoned, I hope, Zero/Ten fiscal policy?

Senator T.A. Le Sueur:

I believe that the Foot Report is only peripheral to the discussions on ongoing fiscal strategy but, as I have said, that fiscal strategy is currently under review. The review will be informed by the content of the Foot Report and the Deloitte's annex to it, and a number of other contributions which no doubt will be received from the Deputy and others.

2.8.8 Deputy G.P. Southern:

Does the Chief Minister not accept that the Foot Report does, in fact, suggest ... very strongly recommends that offshore centres do move towards consensus and the norm on international company taxation?

Senator T.A. Le Sueur:

I think what the Foot Report was looking at was stability of tax revenues and possibly, in some cases, a need to diversify their tax base. That will form part of the ongoing discussions on the fiscal strategy about which I am sure we will be talking a lot more over the next 12 months.