

2.12 Deputy G.P. Southern of the Chief Minister regarding the possibility of the submission of a complaint to the European Union about the favourable treatment by the United Kingdom Government of the Value Added Tax revenues:

What consideration, if any, has the Chief Minister given to the possibility of submitting a complaint to the European Union, possibly in conjunction with his counterpart in Guernsey, concerning the United Kingdom Government's favourable treatment of the Isle of Man's Value Added Tax revenues?

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

This is not a new matter and it has been considered repeatedly in the past. In the first instance, of course, this is a matter between the Isle of Man and the U.K. Government and I am aware it is currently under discussion and that an announcement is expected shortly.

2.12.1 Deputy P.V.F. Le Claire:

May I ask the Chief Minister whether or not the recent analysis of the situation, that was published in various forms of communication within Jersey recently of the V.A.T. (Value Added Tax) advantages that the Isle of Man is receiving, is accurate?

Senator F.H. Walker:

No, Sir, it was not accurate.

2.12.2 Deputy G.P. Southern:

Nonetheless, and notwithstanding an impending announcement from the U.K. Government, does the Minister accept that effectively a subsidy is offered through the V.A.T. scheme in the Isle of Man to the downward spiral - the race to 'Zero/10' - which we are now engaged in with the Isle of Man?

Senator F.H. Walker:

Yes, Sir, I do.

2.12.3 Deputy G.P. Southern:

Does he not feel that this is a complete absence of a level playing field which would make such tax competition viable for this Island to engage in?

Senator F.H. Walker:

I do consider it tilts the playing field, yes.

2.12.4 Deputy P.V.F. Le Claire:

I was surprised by the Chief Minister's answer that it was not accurate, Sir. Would the Chief Minister be able to indicate, or in the future circulate, exactly what was inaccurate about the statements that were made in relation to the V.A.T. advantages?

Senator F.H. Walker:

I am assuming that the Deputy is referring to the item put out by the Tax Justice Network, and if that is the case I reconfirm that it was far from accurate, and I am more than happy to seek to correct it. But we, in fact, do not have access to the detailed figures ourselves. It is a matter, as I said in my original answer, between the Isle of Man Government and the U.K. Government, but I am quite happy to correct it as far as possible. Certainly, it greatly overstated the figures involved.

2.12.5 Deputy P.V.F. Le Claire:

May I press the Chief Minister then for a consideration - I am not asking for an answer yes or no at this stage - whether or not it might be in this Island's best interest to fully understand the position that the Government of the Isle of Man has with the United Kingdom in this regard, and whether or

not our government is willing to seek to clarify what the actual position is in terms of favourability, so that we are operating in the future with the knowledge of whether or not we are on a level playing field?

Senator F.H. Walker:

I think the answer to the Deputy's second part of the question will be covered by the circulation of the information I offered in response to his last one. I think I would merely say that in relation to the issue, client diplomacy, I think, has a great deal of merit.

2.12.6 Deputy P.J.D. Ryan of St. Helier:

Could the Chief Minister confirm that he, his department and my Scrutiny Panel have had some initial discussion on us conducting a Scrutiny review into the whole aspect of the level playing field and the various confusing parts to it that apply across other particular aspects of the fiscal changes that we are undergoing? Could he confirm that we have already had that and that it is likely that we will be carrying out a review shortly where States Members will, hopefully, as a result of that report, become fully aware of all of the details and that that is the case? Thank you, Sir.

Senator F.H. Walker:

I can confirm, Sir, that that work is being undertaken and that discussions have been held. I think they were productive and will turn out to be productive, but it is the first time it has been suggested to me that that should include the Isle of Man/U.K. common purse arrangement. That is a new proposal. It is not one I believe is worth us pursuing. This is a matter between the Isle of Man Government and the U.K. As I said, it is under review at the moment and we do expect an announcement in the near future. I strongly suggest we leave it there.