

**WRITTEN QUESTION TO THE
MINISTER FOR EXTERNAL RELATIONS AND FINANCIAL SERVICES
BY DEPUTY G.P. SOUTHERN OF ST. HELIER
QUESTION SUBMITTED ON TUESDAY 1st JUNE 2021
ANSWER TO BE TABLED ON TUESDAY 8th JUNE 2021**

Question

Further to reports that proposals from the U.S.A. for a minimum effective tax rate across international trade, whether of 15% or 21%, will be taken to the next G7 meeting, what assessment, if any, has been undertaken of the impact of implementing such proposals on Jersey's own 0/10 corporate taxation regime, in particular the operation of large-profit tech companies within this regime, and on the Island's economy?

Answer

The proposals referred to by the Deputy have been made by the USA, as part of the ongoing OECD negotiations on a framework for the corporate taxation of multinational companies.

OECD jurisdictions must continue work to agree the principles of this framework (Pillars 1 and 2) at an international level, before consideration can be given by any jurisdiction to domestic implementation. This will ensure consistent global implementation, provide certainty to taxpayers and also protect the level-playing field among tax jurisdictions.

Pillar 2 is about ensuring that large multinational enterprises pay agreed minimum effective taxation on cross-border profits. So these proposals are quite rightly targeted/limited in scope, focussing on the world's largest and most globally-mobile companies.

Several key features of the proposed design of Pillar 2 align closely with Jersey's tax model. For example, the proposals currently under discussion recognise the importance of strong rules on economic substance, which are already embedded in Jersey law. The proposals also recognise that funds should not be in scope of the new rules.

Jersey has consistently proved, through external and independent assessments, that we meet all the requirements of international policymakers on the implementation of global tax standards. We believe this means Jersey's tax system is well placed to continue to adapt to global standards, and we will continue to engage in a proactive way with the OECD, EU and global bodies to combat aggressive tax avoidance and profit shifting.