

5.2. Deputy G.P. Southern of the Minister for Treasury and Resources regarding the new European Union Savings Tax Directive:

Will the Minister inform Members whether and when Jersey will co-operate on the European Union Savings Tax Directive and when Jersey will endorse the new European Union Savings Tax Directive which is designed to keep away the tax-evaded funds we say we do not want but for which by refusing to endorse the directive we provide facility?

Senator P.F.C. Ozouf (The Minister for Treasury and Resources):

Jersey signed up to the E.U. Savings Tax Directive when it was adopted by the E.U. in 2003 and has always complied fully with all the commitments made. So I presume the Deputy is referring to the fact that Jersey does not yet fully apply automatic exchange of information. During the so-called transitional period the E.U. agreed that Austria, Belgium and Luxembourg could allow investors to choose whether their information should be disclosed to their home country or whether tax should be withheld on the interest paid to them. Jersey was permitted to apply the same rules. This does not mean that we are not co-operating with the directive; we are applying the rules which the E.U. agreed would apply to Jersey. Jersey has already said that at the end of the transitional period we will, as required, move to automatic exchange of information. On the new directive I assume the Deputy is referring to proposed changes to the directive. These are intended to extend its scope to include payments to companies, trusts and to expand the type of payments that are subject to the directive. These changes were first proposed in 2008 and are some way off from being agreed. The E.U. Commission have advised us that they will not engage with Jersey until the revised directive is agreed by member states. The timing of this is, therefore, out of our control.

5.2.1 Deputy G.P. Southern:

Will the Minister inform Members when the transition period closes and will he explain why since he is so proud of the transparency achieved by the Island and its finance sector, why it still refuses to share information with other tax agencies?

Senator P.F.C. Ozouf:

I think those were 2 questions. The transitional periods were introduced because some Member States felt that their banking industries would be damaged if there was not a level playing field, in particular that they were concerned that if Switzerland, for example, did not sign up to the directive they could be put at a disadvantage. During the transitional period Austria and Luxembourg may apply withholding taxes instead of automatic exchanging of information. Belgium was included in this group but they have introduced automatic exchange from 1st January so there are a number of countries within Europe that still have a withholding issue, and that is the reason why Jersey remains committed to applying automatic exchange of information when there is a level playing field and when there is a compliance with all E.U. member states.

5.2.2 The Deputy of St. Mary:

The question is when. The Minister has not answered the original question. He has given us a lot of additional information. The question was about the transitional period and what time scale are we looking at?

Senator P.F.C. Ozouf:

The Island has committed to exchange automatic exchange of information on the trigger of all of the nation states within the E.U. having complied with the directive in terms of automatic exchange of whole as opposed to withholding. Deputy Southern is treating the matter with some humour, I think, and suggesting that indeed he wants timing. I am not the Minister for Finance of Luxembourg. I am not the Minister for Finance of any of the countries that he has got to decide to move towards automatic exchange of information. When the trigger is that other countries have, Jersey will comply.

5.2.3 Deputy M. Tadier of St. Brelade:

The Minister has told us about this remarkable idea that investors can choose whether or not they wish to have their tax affairs shared with their home countries. Can I ask the Minister what is the sense of this if we are signed up to avoid tax evasion, how this mechanism can work and what proportion does he estimate investors would choose to disclose information voluntarily and what would the benefit of that be?

Senator P.F.C. Ozouf:

I think that I am accused of not giving the answer but I have explained the answer. It is not in the Island's gift as to when other Member States comply. I should just remind Members that those clients who do not choose to have their information disclosed are subject to withholding taxes. That is currently 20 per cent. It is due to increase to 35 per cent in July of this year. These rates are high enough to deter most if not all tax evaders and there is a competitive issue that Jersey faces. Entities in the global community like Singapore do not apply such measures and we have to remain competitive on a level playing field. As far as the amounts are concerned, these are in the public domain. In 2009 we retained £8.9 million, however this is predicted to fall to £2.9 million in 2010 and £2.75 million in 2011.

[10:00]

5.2.4 Deputy G.P. Southern:

Does the Minister accept that his refusal to exchange information with other tax authorities does provide the potential for tax evasion?

Senator P.F.C. Ozouf:

No, I do not. On the one hand, we have to always argue for a level playing field. When there is a level playing across the E.U. we have already, in fact, agreed to put in place automatic exchange of information, and while there is not a level playing field we retain the right in order to withhold information but in order to put in place the withholding tax arrangements. When the E.U. nation states and the other related countries comply then Jersey will comply.