

3.3 Deputy G.P. Southern of St. Helier of the Chief Minister regarding short-term changes to the way Jersey conducted its business as an offshore finance centre as a consequence of recent discussions with the U.K:

What short-term changes, if any, will there be in the way Jersey conducts its business as an offshore finance centre as a consequence of agreements reached between the Chief Minister and the U.K. (United Kingdom) Prime Minister prior to the recent G8 meeting?

Senator B.I. Le Marquand (Deputy Chief Minister - rapporteur):

The Chief Minister was already committed to taking action to combat tax evasion and aggressive tax avoidance and the Chief Minister's agreement with the United Kingdom Prime Minister ahead of the G8 summit will further enhance this. An action plan was presented on the prevention of the misuse of companies and trusts, which builds on our present internationally recognised leading position on transparency and beneficial ownership. Work will continue with industry and a regulator in Jersey's continued support of the international initiatives referred to in a communiqué issued following the G8 summit.

3.3.1 Deputy G.P. Southern:

I note the use again of "aggressive tax avoidance". Will the Deputy Chief Minister give us his definition at what is aggressive tax avoidance and state how many cases of aggressive tax avoidance has Jersey investigated and stopped in, say, the past 5 years?

Senator B.I. Le Marquand:

I have no idea in relation to the second part of the question. Many have attempted definitions of this and it is quite difficult to define. People have talked about sniff tests and things of this nature but defining what is aggressive tax avoidance and what is legitimate tax avoidance is quite difficult.

3.3.2 Deputy G.P. Southern:

If we have not got a definition of it and we do not know how many cases are there how can we convince ourselves to suppressing aggressive tax avoidance, which we have?

Senator B.I. Le Marquand:

There are 2 specific pieces of work which are being attempted in this area. I have described already the sniff test but there I also the setting up, following up the recommendations of McKinsey, of a sound business practice committee with the Director of Financial Services, the Director General of the J.F.S.C. (Jersey Financial Services Commission) and the Chief Executive of Jersey Finance Limited as members, which will seek to identify business practices which conflict with Jersey's aim to be a quality, well-regulated international finance centre and will recommend action to address activity that that is not in line with this aim. So that is a practical approach which is being taken by setting up of a sound business practice committee.

3.3.3 Deputy R.G. Le Hérissier:

With reference to the McKinsey Committee, which the Deputy Chief Minister has now raised, would the Deputy Chief Minister outline whether the recommendations made by that committee, other than very vague generalities, which quite frankly could have been found in a Jack and Jill guide to future business development, would he outline how those recommendations have been affected by the meeting that was held in 10 Downing Street?

Senator B.I. Le Marquand:

I am sorry, I missed which committee the Deputy was referring to.

Deputy R.G. Le Hérissier:

The McKinsey Report, the famous McKinsey Report which has only been revealed to the States in a very limited way.

Senator B.I. Le Marquand:

The McKinsey Report of course is not a committee, it is essentially advice as to the future direction in which we should seek to go because of the changes which are happening in the finance world generally, particularly in the banking world. In a sense, one of the recommendations that I understand of McKinsey was that we should continue to comply with international standards and that of course is what we will be seeking to do.

3.3.4 Deputy R.G. Le Hérissier:

No, that is not satisfactory and I think most of us could have reached that conclusion without being paid £1 million. Could the Minister outline in more detail whether those recommendations have been, for example, derailed by the meeting that was held or the recommendations that emerged from G8?

Senator B.I. Le Marquand:

No, I do not think they have. I think we are talking about parallel things here, as I understand it. Essentially one is advising us on a direction in which our finance business should be going, the sort of markets which we should be seeking to enter into or gain further ground in, the sort of structures that we should have in place, and the other is about the issue of international standards and how we are going to be part of that. I do not see those as being in any way in contradiction with each other. They virtually support it.

3.3.5 Deputy G.P. Southern:

I will try and be specific. Is it not the case that the final statement to written question 6 given by the Chief Minister: “Jersey will continue to encourage business that is able to take full advantage of our tax neutrality.” When applied to mining and oil companies booking profits here in Jersey simply to avoid tax does that constitute aggressive tax avoidance?

Senator B.I. Le Marquand:

I would have thought it probably did because what we are about is tax neutrality not about preventing tax being paid in appropriate jurisdictions.

The Deputy Bailiff:

We come to question 3 which Deputy Trevor Pitman will ask of the Deputy Chief Minister.

Deputy S. Power of St. Brelade:

Before the Deputy asks his question; oral question 3 has been fully answered by written question 7 and I would ask the Deputy to withdraw the question on the basis that I cannot understand the relevance of this question to the business of the Chamber and I suggest the question is a complete waste of the Chamber time.

The Deputy Bailiff:

Deputy Trevor Pitman, you are invited to withdraw it. The question has been approved, you may put it.