

**STATEMENT TO BE MADE BY THE MINISTER FOR EXTERNAL RELATIONS
ON TUESDAY 26th JUNE 2018**

Engagement with the EU Code of Conduct Group on Business Taxation

Members will be aware that in December 2017, Jersey was identified as a cooperative jurisdiction by the EU Code of Conduct Group on Business Taxation.

This finding followed an intensive year-long screening process by the Code Group where the tax structures of over 90 global jurisdictions were subject to detailed analysis.

At that point, the Government of Jersey made a number of commitments to address concerns raised by the Code Group in relation to businesses in the Island demonstrating economic substance.

These concerns specifically relate to a perceived lack of economic substance requirements that could lead to profits being registered in Jersey that do not demonstrate real economic activity.

A detailed timetable was sent to the Chair of the Code Group in December 2017. That timetable set out the consultative and legislative process that the Government of Jersey would follow to address the concerns of the EU by December of this year.

Our internal preparations, engagement with industry representatives and the Jersey Financial Services Commission, and dialogue with the EU Code Group and the EU Commission has been an ongoing process for the past six months.

In that time, Jersey has consistently called on the EU Code Group to provide further clarity on its expectations of jurisdictions, particularly on matters of economic substance, so that the necessary policy development and consultation can take place.

On 11 June 2018 the Code Group published a Scoping Document containing guidance for jurisdictions who had made commitments to the Group. This document was discussed at the meeting of EU Finance Ministers on 22 June 2018.

I thoroughly welcome the publication of this document. In particular, I welcome the Scoping Document's reference to the application of methodology adopted by the OECD Forum on Harmful Tax Practices, with its focus on a sector-by-sector assessment of what economic substance means. The publication of the EU Scoping Document was, in part, a product of the work that has been undertaken by Jersey and other jurisdictions with the Code Group and the EU Commission.

While the guidance included goes some way to providing clarity as to a definition of economic substance, further dialogue is required between the Jersey and EU authorities to ensure that our understanding is aligned.

Given the time that has already elapsed since the publication of the EU listing, I am hopeful that the required discussions take place imminently - so that we have the necessary time to meet our commitments to the EU Code Group by the end of 2018. It is the case that Officials will be in Brussels later this week engaging in initial discussions concerning the Scoping Document.

At present, I am pleased to report that progress is being made broadly in line with the December 2017 timetable, and whilst that timetable may be slightly refined, we anticipate bringing necessary legislation to the Assembly during the Autumn session.

I want to provide reassurance to this Assembly, and to the financial services industry, that appropriate time will be given to consultation and scrutiny to ensure that the legislation proposed balances our important commitments to the EU Code Group with Jersey's best interests.

We are also in close engagement with the other Crown Dependencies, with the express intention of seeking alignment on how address common issues.

I emphasise that we are committed as a Government, and as a jurisdiction, to the highest standards of tax transparency and financial regulatory compliance. This has been readily demonstrated in our leading international assessments by the OECD Global Forum on Transparency and Exchange of Information for Tax Purposes and MONEYVAL. Equally, Jersey was an early adopter of the Common Reporting Standards and was one of the jurisdictions to make an early commitment to the OECD's Inclusive Framework on Base Erosion and Profit Shifting (BEPS).

I undertake to update the Assembly on the progress of our engagement with the Code Group following the summer recess.