1240/5(7772)

WRITTEN QUESTION TO THE CHIEF MINISTER
BY DEPUTY G.P. SOUTHERN OF ST. HELIER
ANSWER TO BE TABLED ON MONDAY 15th JULY 2013

Question

Does the Chief Minister accept that the chart (Figure 1) contained within the Capital Economics report published on 2nd July 2013, summarising the sources and destination of Jersey managed wealth, demonstrates that the total for the United Kingdom sourced funds must include the £150 billion of funds from non-doms, who only place funds in Jersey to circumvent the taxes due in the UK?

Does he further accept that the chart shows that

a) less than 50% of funds managed in Jersey are invested in the UK, and;

b) a significant proportion of funds invested in the UK from Jersey did in fact come from the UK in the first place and only went to Jersey to avoid or evade tax by taking advantage of our tax- neutral status?

Answer

I do not accept that those who qualify under the UK tax system as resident non-domiciled (non-doms) place funds in Jersey to circumvent the taxes due in the UK. The use of Jersey by the non-doms is the result of deliberate UK Government policy. UK non-doms could place their assets anywhere outside the UK with the same tax effect.

It is important to understand that the UK tax system has for many years encouraged non-nationals to live and work in the UK. Indeed Prime Minister Cameron quite openly welcomed wealthy French non UK domiciled people to London when French income taxes were being raised.

These 'non-doms' are welcomed to the UK and encouraged to stay there by the UK tax system which for non-doms only taxes UK source income and foreign income remitted to the UK. There is no UK tax liability arising in respect of foreign income that the non-doms do not remit to the UK.

The non-doms can hold their foreign income anywhere outside the UK and only pay UK tax on any sum remitted to them in the UK. The advantage for the UK in having this foreign income held in Jersey is that, in addition to ensuring that the UK is seen as a most favoured place of residence for the non-doms (which has also helped to attract foreign manufacturers and financial institutions to locate in the UK with employment and tax revenue benefits), the funds placed in Jersey are included in the funds upstreamed to the UK by the Jersey banks.

The Chart (Figure 1) in the Capital Economics report to which the second part of the question refers is a pictoral presentation of the more detailed information contained in Figure 36. This shows that of the value of assets held, administered or managed in Jersey it is estimated that 47% of the underlying asset is located in the UK. This figure reflects two aspects of Jersey role as an international finance centre. One is its importance to the UK economy and the other is the international nature of its business.

Figure 35 in the Captial Economics report shows the value of assets held, administered or managed in Jersey by location of ultimate contributor, settlor, investor or depositor. This shows a figure for the UK of 36%. However this does not mean that the funds came from the UK. A third of the UK figure is attributed to the non-doms who while resident in the UK will have placed foreign income in Jersey. A proportion of the money arising from UK based corporates will be money invested by institutions in Jersey funds that had a non UK source. It is incorrect therefore to state that the figure shown for the UK in Figure 35 represents money that " only went to Jersey to avoid or evade tax"

It is also incorrect to suggest that all the money invested into the UK from Jersey and all the money that the UK is identified as the contributor are the same money.

Some of the UK investment funds are routed through Jersey for investment in Europe or elsewhere around the world.

Similarly we know that many of the funds received by our banks internationally are then 'upstreamed' to the parent bank in the UK. Additionally wealthy individuals from around the world use Jersey to pool funds for investment into the UK.