

Hello Senator Perchard,

Time does not permit me to give an in depth reply to your request for comments. All I can hope to do in view of the time restriction is to point you to specific areas previously discussed and hope that these will be of some help to your Scrutiny Panel Review of the 0/10 design proposal. After all I think you'll be the first to admit that we work hard all the time. What we are doing here is offering you some of the benefits of our research.

The original concept of the EU Code of Conduct on Business Taxation was designed to combat tax avoidance. All the current and future fiscal tax policies in Jersey will do is harm the poor and middle earners.

At present it would seem that the current and future fiscal tax policies in Jersey will harm the poor and middle earners.

Please see attachment Press Release Richard May '06 which deals with Compliance and the EU Code of Conduct and "look through" arrangements.

If you look at Attac Press Release on EU Compliance (second attachment) you will see our thinking which relates to points 3 and 4 of your Terms of Reference.

For further information on EU Tax Compliance please see our website www.jersey.attac.org Go to Links then go to Tax Research. Click on Publications. There you will find two articles that might be helpful:

Jersey's Tax Reforms and the EU Code of Conduct on Business Taxation and Will the Code of Conduct be EU Tax Compliant.

As regards tax compliance it is important that we distinguish between Jersey's promises to become tax compliant and Jersey's actual steps in the direction of tax compliance. This latter is in doubt.

With specific regard to 0/10. In its simplest form it would look something like this:

Jersey registered companies with no physical presence in Jersey and no local shareholders will pay **0% corporate tax**. That means **no tax at all**.

Jersey registered companies with a physical presence in the Island, who have non-Jersey registered shareholders will pay **0% corporate tax**.

De Gruchy's is an example of this.

They will pay the median tax of **£500 per employee**. (This will probably have an effect on employees' wages and/or the extra tax burden will be passed on to customers so prices could rise in the Island as a whole.)

Jersey registered companies with a physical presence in the Island and local shareholders will pay **10% corporate tax**, for example Voisins, King Street but they won't have to pay the £500 tax per employee.

Jersey registered finance companies doing business in the Island will pay only **10%** corporate tax.

The rest of us will have to carry on paying our tax as usual plus the inevitable price rises

and a "Goods and Services Tax".

As the devil's in the detail we'll look out for forms of tax avoidance particularly by those who are being asked to pay a smaller percentage. We will be very surprised if Jersey registered finance companies pay up their 10%. It would seem quite possible, indeed quite likely, that they try to avoid paying anything at all. This may not happen of course. Perish the thought!

Hope this helps.

Pat Lucas

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