

**WRITTEN QUESTION TO THE CHIEF MINISTER  
BY DEPUTY M.R. HIGGINS OF ST. HELIER  
ANSWER TO BE TABLED ON TUESDAY 2nd FEBRUARY 2016**

**Question**

Following publication of the Organisation for Economic Cooperation and Development's Base Erosion and Profit Sharing proposals, can the Chief Minister outline for members the likely affect the measures will have on the Jersey economy and, in particular, the finance industry, given that profit will be reported where the economic activities that generate them are carried out and where value is created?

**Answer**

When considering the effect of the BEPS proposals on the Jersey economy and, in particular, the finance industry it should be first recognised that key aspects of the Jersey business model, such as our leading position in private wealth management and in particular the formation and administration of trusts, are not affected by those proposals.

The G20–OECD BEPS Action Plan sets out 15 key elements of international tax rules to help governments protect their tax bases. We are fully supportive of the BEPS programme and we are ensuring that we remain informed on the progress in implementing the actions making up that programme. Early action is being taken by the UK and other OECD and EU member countries to implement Country by Country reporting of profits by Multi-National Enterprises. While there is expected to be limited application of this to Jersey based enterprises, to show our support for this measure the finance industry is being consulted on what action it would be appropriate for us to take before Regulations are drafted and presented to the States for debate.

As Jersey has relatively few Double Tax Agreements (DTAs), the island is not used for profit shifting and transfer pricing in the way and to the extent experienced by other jurisdictions such as Ireland and Luxembourg. However, consideration will be given to what legislation Jersey will need to enact to participate in the BEPS programme as and when it becomes clearer how the relevant actions are to be implemented by the G20, OECD and EU Member States

From what is known to date there are considered to be opportunities for the Island as well as challenges arising from the BEPS programme. This is particularly so in respect of the matter to which the question refers. The proposal that profits should be taxed where the economic activity that generates the profits is carried out and where value is created fits well with our policy of requiring regulated financial institutions, such as the banks, to have a real physical presence and to be of substance. This is reflected in the fact that the finance industry employs almost 13,000 people and this is in contrast to the position in many of the smaller international finance centres. The BEPS proposals can be expected to reinforce our position and as a result we could see more business moving to Jersey.

In other areas where there may be some questioning of whether the BEPS proposals are being met the decision may well be taken to meet the requirements by creating more value in Jersey and this could be of benefit for local employment and the revenue obtained from the taxing of employment incomes.

The BEPS proposals can also be viewed as being in accord with our present approach regarding the taxing rights of other jurisdictions. The standard rate of corporate tax of 0% is based on two key principles. One is the EU Code Group principle of non-discrimination between resident and non-resident owned companies. The other is the principle of tax neutrality combined with transparency. Our role as an international finance centre can be described as one of acting as a financial intermediary, facilitating the investment of funds drawn from the world at large into European financial markets. It is accepted that the return to the investors

should be taxed in their home country and the business activity generated by the investment in Europe should be taxed in the jurisdiction where that activity takes place.

Because Jersey does not have DTAs with the countries involved, there is a need to adopt a tax neutral regime to avoid discouraging these investment flows which contribute to jobs and growth in the Member States. We recognise however that for tax to be levied where it is properly due it is necessary for the countries concerned to have information to help them with their tax assessments. It is with this in mind that Jersey has given its full support for the transparency principles central to the current G20, OECD and EU tax initiatives.

BEPS may present challenges for some but there is no reason why the overall effect need be detrimental to the Jersey economy, or the finance industry in particular. Indeed both government and the finance industry can see in the proposals much that is in accord with our present policy framework, are aware of the opportunities that can be presented, and are confident of the continued success of Jersey as an internationally recognised quality finance centre.