1240/5(6034)

WRITTEN QUESTION TO THE MINISTER FOR TREASURY AND RESOURCES BY DEPUTY G.P. SOUTHERN OF ST. HELIER ANSWER TO BE TABLED ON TUESDAY 15th FEBRUARY 2011

Question

Is the Minister able to offer any explanation of the reasons why HM Revenue and Customs, when linking new enhanced penalties relating to the tax transparency of the territory in which the income or gain arises in relation to Income Tax and Capital Gains Tax, would place Jersey in "category 2" (penalties set at 1.5 times liability) whereas Guernsey, the Isle of Man and Cayman are in "category 1" (penalties set at 1.0 times liability)?

Has the Minister been notified of the reasons why Jersey would be regarded as "less transparent" than Guernsey?

Answer

The UK announced changes to its tax penalty regime in March 2010, which will apply with effect from 6 April 2011. The changes mean that higher penalties may be applied where a taxpayer makes an error in connection with income or gains held outside the UK.

The level of penalty applied depends on where the income or gains are held. Territories are split into three categories, with the lowest penalties applied to transactions involving territories in Category 1, and the highest to territories in Category 3. The classification is based on the degree to which individual territories exchange information with the UK regarding income from savings.

Jersey exchanges information on taxpayers with the UK partly automatically and partly on request under the EU Savings Tax Directive and is therefore in Category 2. Guernsey and the Isle of Man automatically exchange information on savings with the UK under the Directive, and so have been placed in Category 1.

Jersey has agreed to move to Automatic Exchange of Information under the EU Savings Tax Directive once the transitional period has ended.