

**2.11 Deputy G.C.L. Baudains of the Minister for Treasury and Resources regarding the compliance of the 0/10 proposals within the European Code:**

The Minister recently stated, regarding Zero/Ten and the Isle of Man's position, that Jersey's proposals have been shared informally with U.K. officials and as a result we believe they are fully E.U. (European Union) Code compliant. Can the Minister explain the apparent step back from his previous assertions, for example, in answer to questions on 28th March 2006, that the U.K. had endorsed our position as compliant?

**Senator T.A. Le Sueur (The Minister for Treasury and Resources):**

No, there has been no step back from my previous position. It has always been the case that Jersey, which is fiscally independent from the U.K., never formally asks the U.K. for approval to any changes to its tax laws. But, as a matter of courtesy and to ensure that we do not cause difficulty for the United Kingdom and bodies such as Ecofin, officers from Jersey do discuss matters informally with the United Kingdom as do, indeed, the other Crown Dependencies. The Isle of Man, for example, has just confirmed that they have worked with, and had discussions with, the United Kingdom on the recently announced replacement for their distributable profits charge regime which the Isle of Man is now confident will cause no difficulty within the Code group. It will be unwise for Jersey not to undertake similar informal discussions and soundings and I confirm that we do. I remain confident that our Zero/Ten regime is totally co-compliant.

**2.11.1 Deputy G.P. Southern:**

Has the Minister for Treasury and Resources, to the best of his knowledge, ever made the statement that our proposals are E.U. code of business and taxation compliant?

**Senator T.A. Le Sueur:**

I have stated that the general principles of Zero/Ten are totally Code compliant. I said that the detail had not been discussed.

**2.11.2 Deputy R.G. Le Hérissier:**

Can the Treasury Minister confirm that these soundings are totally verbal and based on his understandings of what civil servants have said to each other or whether he does have a clear specific written document in which these particular views are stated?

**Senator T.A. Le Sueur:**

As I said in my initial response, these are informal comments and they are not put down, as far as I am concerned, in any formal recording.

**2.11.3 Senator S. Syvret:**

Can the Minister give the Assembly an assurance that the taxation recovery mechanism that will be used as part of Zero/Ten in order to recover the lost corporate tax will be Code compliant and will not be defined as another ring-fencing mechanism of the kind that Ecofin wants stopped?

**Senator T.A. Le Sueur:**

I cannot be absolutely certain but I am fairly confident, as I said in my answer, that our proposals are code compliant. We are talking here about the taxation of individual shareholders, not the taxation of companies and it is the taxation of companies which is the concern of the E.U.

**2.11.4 Deputy G.C.L. Baudains:**

I am becoming increasingly concerned that our economy appears to be based on something which is completely uncertain. It has been recently established that the Isle of Man's distributable profits charge is not permitted under the Code of Conduct and Jersey's look-through alternative is really an identical device under another name. When is the Minister going to admit that his scheme for Zero/Ten and look-through in Jersey will at some time be declared non-compliant with the Code?

**Senator T.A. Le Sueur:**

The Deputy makes a false assumption in his question. The Isle of Man distributable profits charge is nothing like our look-through arrangements. Our look-through arrangements, we always have believed, are sound. We equally believe that the Isle of Man's distributable profits charge was suspect. Ours is totally different from theirs. Theirs has been rejected; ours I am confident will not be.

**2.11.5 Deputy R.G. Le Hérisier:**

Would the Treasury Minister confirm that these understandings which he has gained are also confirmed at the most senior political level in the U.K. and, therefore, he is not operating in the dark?

**Senator T.A. Le Sueur:**

I keep repeating, these comments are very much of an informal nature; they are understandings but they are not binding.

**2.11.6 Deputy G.P. Southern:**

Will the Minister inform Members when he will seek, through the U.K. authorities, to formally achieve acceptance from Ecofin that his proposals are in fact E.U. compliant?

**Senator T.A. Le Sueur:**

The first objective is to discuss the proposal, which this House will do in 2 weeks' time. When Members have approved those proposals they will then be submitted through the U.K. to the E.U. for their comments and I have no doubt that the comments will be favourable.

**The Bailiff:**

A final supplementary.

**2.11.7 Deputy G.C.L. Baudains:**

I wonder if the Minister will be kind enough to perhaps in paper form explain to Members the precise difference between the distributable profits charge and our look-through arrangement?

**Senator T.A. Le Sueur:**

I shall endeavour to do so.