

3.11 Deputy G.P. Southern of the Chief Minister regarding the proportion of the tax avoidance structures:

Will the Chief Minister state what proportion of the £400 billion in specialist structures for businesses and institutions is in Jersey for the specific purpose of avoiding U.K. tax and advise whether the simplest of these structures, whereby a company which otherwise would have no connection with the Island is registered in Jersey for tax purposes, will continue to form the basis of our finance industry?

Senator I.J. Gorst (The Chief Minister):

No precise figures are available, but the major part of the £400 billion is accounted for by special purpose vehicles and investment funds, and these vehicles are not set up for the specific purpose of avoiding U.K. tax. They are drawn to Jersey because of the experience and expertise of Jersey professionals combined with the attractiveness of Jersey's legislation and are vehicles designed to be attractive to international investors. There are foreign-owned companies being administered in the Island, some of which will be taking advantage of Jersey's tax neutrality but others will not be tax resident in Jersey. Such companies are not the basis of our finance industry, unlike the position elsewhere. This should be evident from the fact that Jersey has only some 30,000 registered companies compared with some million registered in the British Virgin Islands and a greater number registered in Delaware.

3.11.1 Deputy G.P. Southern:

I note that the Chief Minister said that the special purpose vehicles were not designed to avoid tax. Nonetheless, can he inform Members whether they do, in fact, avoid tax elsewhere and pay tax at a zero rate?

Senator I.J. Gorst:

They, of course, take advantage of our tax neutrality. That is along with a whole other list of reasons that someone might come and use Jersey, which I have spoken about many times before. The Deputy seems to be just picking off from one advantage, but these particular entities are coming to Jersey because of the skills and the expertise of our workforce and the ability to access world-class lawyers and accountants and banking facilities and to enable the cross-border flow of global capital and investment.

3.11.2 Deputy G.P. Southern:

I am not sure if the Chief Minister accidentally or deliberately failed to answer the question: do they or do they not pay tax in Jersey or are they zero rated?

Senator I.J. Gorst:

I did answer that question in my very opening sentence where I said, of course, they take advantage of tax neutrality. It does seem, if I may say so - of course, I am not one to complain - that the Deputy's questions this afternoon bear a remarkable resemblance to those questions posted on a certain tax research website.

3.11.3 Deputy T.M. Pitman:

It is always good to address things with experts, is it not, rather than pay a load of money to get what you want said. What I would like to ask the Minister is if these companies, as Deputy Southern tells us, only have a connection with the Island for the purposes of taxation and would not otherwise be here, what credibility can all this talk of sniff test have? Because it would seem to me that if that is the only reason a company is in Jersey, then the actual being here and the ethics behind it has to be a bit questionable. Could the Minister explain that to me?

Senator I.J. Gorst:

I just did in answering the previous question. It does seem - and I am not quite sure how I am going to get over this problem and address the issue - that some Members of this Assembly unfortunately seem ill-informed about the financial services industry which is in Jersey. We have commissioned, and Jersey Finance have commissioned, eminent independent economists to look at the financial services sector in Jersey and see what benefit it is to the United Kingdom and to the rest of Europe and to look at where the flows of cash come from and where they go to. While some Members, I accept, do not like globalisation and would like to roll the clock back, flows of capital need to move around the world. Jersey, with its expertise and all the qualities that I have spoken about, the access to first-class lawyers, an independent judiciary whose judgments are well regarded, a stable political system, a Government which produces balanced budgets and does not have debt and produces surpluses, these are all reasons why these finance companies and these companies that need to move capital around the world and pool investments so that they can get investors from around the world into a particular investment use Jersey, why they use small international finance centres. Of course, on top of that we have our tax neutrality. We, I believe, can move on. The steps that this Government has taken with regard to reaching agreement with the United Kingdom, with the United States being part, asking for the extension of the O.E.C.D. (Organisation for Economic Cooperation and Development) convention, part of the pilot initiative, I believe that we can be proud of what goes on in this jurisdiction. I believe that we have a strong future from financial services and perhaps I need to find some way of trying to address the concerns that one or 2 Members of this Assembly seem to hold on to. I believe that their concerns are unfounded.

3.11.4 Deputy T.M. Pitman:

Does the Chief Minister not think that some of these concerns and confusions might arise when you have people like his Minister for Treasury and Resources making up comments that people such as myself have never said about the Island's benefit to the U.K.? When you have Ministers who just make things up, I would say to muddy the waters about people's views, then that is obviously going to not be a helpful thing, is it? Perhaps if he could call some of his Ministers in to check, would he agree with me?

Senator I.J. Gorst:

I am sorry, I do not believe I am aware of the particular incident that the Deputy is referring to. If there is any concern with regard to the benefit of Jersey to the United Kingdom, then I can do no more than recommend the reading of the Capital Economics report, which is an independent, well-respected group of economists which are used around the world to provide independent advice based on data and statistics.

3.11.5 Deputy M. Tadier:

Following the well-received arrival of the Capital report, which ostensibly shows how funds can flow to the U.K. so that wealthy individuals in the U.K. can also benefit from tax avoidance, will the Minister be supporting an independent, perhaps, review of how Jersey and other tax havens influence and impact on the third world countries so that their wealth can be extracted and sent to wealthy developed world countries as well?

Senator I.J. Gorst:

Once again, it seems that the Deputy makes a comment which I hope he is not trying to indicate that the United Kingdom resident non-doms are avoiding U.K. tax. They are doing exactly what the British Government wants them to do. They are investing capital into the U.K. It is part of the U.K.'s desired tax code that they do that, that they encourage these individuals to come and live in the U.K. and they only tax them on certain of their income arising and assets in the U.K. In fact, the Prime Minister of the U.K. only recently encouraged those individuals who were suffering from high rates of tax in France to relocate to the United Kingdom, so they are not avoiding tax at all. It is part of the U.K.'s strategy for economic growth and that is no bad thing.

I said and have said publicly that I support the U.K. Prime Minister in believing that low taxes can enable economic growth. With regard to the developing countries question, which I think is what the Deputy wanted to ask me about, we had a developing countries conference in 2010 and we want to build on that capacity building. We recognise that there is a need to capacity build in the developing countries. We have approached the African tax administrators and we stand ready to serve and to work with those countries to ensure that they build their capacity and that they also can develop their economy.

3.11.6 Deputy G.P. Southern:

Does the Chief Minister accept that our tax neutral position is now putting the economy of the Island at risk as zero-rated companies increasingly are taken over by foreign ownership and reducing our tax take and increasing the burden on individual personal taxation?

[15:45]

Senator I.J. Gorst:

Of course, we know that the burden on individuals has increased, as it is increasing right across Europe. With regard to the Deputy's comment with regard to foreign ownership, he knows that the rules with regard to deemed distribution have changed and, therefore, all companies are regarded in the same way.