4.8 Deputy J. Renouf of St. Brelade of the Minister for External Relations regarding an update on the implementation timetable for Jersey's Pillar 2 tax rules (OQ.7/2026):

Will the Minister provide an update on the implementation timetable for Jersey's Pillar Two tax rules, as well as any anticipated revenue in light of the recent announcement that U.S. (United States) companies will, effectively, be exempt from Pillar Two global tax rules?

Deputy I.J. Gorst of St. Mary, St. Ouen and St. Peter (The Minister for External Relations):

The implementation of timetable remains on schedule. Details can be found on the Revenue Jersey Pillar Two webpage. 2026 will be the first year in which groups in scope will comply with this tax. Regarding anticipated revenue from Pillar Two, we have always taken a prudent approach to our revenue forecast. Jersey has a wide range of groups in our Pillar Two taxpayer base. The majority of these groups will remain within the scope of Pillar Two, following the latest O.E.C.D. (Organisation for Economic Co-operation and Development) guidance. The O.E.C.D. side-by-side proposals are not expected to impact the Pillar Two base case revenues identified in the budget.

4.8.1 Deputy J. Renouf:

I think the Minister has just confirmed that the base case funds of £50 million a year roughly, that the budget relied upon, are still regarded as secure. But can he say, is there still any upside potential in the Pillar Two revenues, which was going to be used to fund various things as stability, Stabilisation Fund and so on or has that disappeared completely?

Deputy I.J. Gorst:

The updated guidance from the O.E.C.D., as the Deputy will know, was lengthy and technical. We have our undertaking, as we have been continually doing throughout the development of Pillar Two, to engage with potential taxpayers who have got structures or firms in Jersey, and we will continue to do that. We remind ourselves of course that the liability was for starting years 2025. These changes will only come into effect in 2026. We would still expect to see an upside in 2025. We will have the first payments on account in May 2026, so we will have a better understanding of what that upside is. But we remind ourselves that this side-by-side agreement means that, as we had always predicted, they will be, potentially, very short term. But we are working through that and we will have more information about whether there will be any unintended consequences around business activity as we move through the next weeks and months.

4.8.2 Deputy K.M. Wilson of St. Clement:

Does the Minister consider Jersey's current approach to Pillar Two to be sufficiently flexible to adopt a further international divergence or reform? What arrangements are in place to reassess the Island's position if the framework materially changes and with whom?

Deputy I.J. Gorst:

We know that the side-by-side agreement means that there is a difference in approach, even though it is accepted as standing side by side for the U.S. and non-U.S. companies. We are focused first and foremost on the competitiveness of the financial services sector and the remaining competitiveness of those Pillar Two groups. As I have said, we are engaging with U.S. groups to understand better the impact that side by side will have on them. We will remain agile and flexible, depending on the outcome of these discussions. We did not approach this as a revenue-raising exercise. We approached it as part of an international agenda; that is how we continue to approach it. But we, equally, approach it from wanting to maintain Jersey as a competitive jurisdiction.

4.8.3 Deputy K.M. Wilson:

Would the Minister identify one concrete risk to Jersey arising from the Pillar Two development that he is actively managing at the moment and one specific action that he has taken in the last 6 months to mitigate that risk?

Deputy I.J. Gorst:

I have personally engaged with taxpayers stateside to mitigate risks. My officials have been party to the conversations at the O.E.C.D. to mitigate that risk. We have been in touch with U.S. Treasury to mitigate that risk. We are doing, I think, a very good job in regard to mitigating that risk. But we remind ourselves that we live in a very highly competitive world. We have America which is putting America first. We have some really important U.S. businesses in Jersey and we want those businesses to remain in Jersey. We, from a departmental perspective, are committed to working with those businesses to ensure that they remain in Jersey.

4.8.4 Deputy J. Renouf:

Can the Minister confirm, therefore, from what I think I understand from his answers, that there will be no tax income expected beyond that which came last year from U.S.-based companies arising from Pillar Two? Can he further state whether there are any actions that the Government is planning or plans to take to try and improve Jersey's position with regard to Pillar Two?

Deputy I.J. Gorst:

As the Deputy knows, our whole approach was one based upon taking the international standard and shaping it to Jersey's advantage; that is why we have got the domestic covered tax rather than the Q.D.M.T.T. (Qualified Domestic Minimum Top-up Tax). That is the approach that we continue to take. Just we need to be careful, I did not say there would be no future income beyond 2025. I said that the upside was more doubtful perhaps for some U.S. companies than might have been previously. But our whole focus is on understanding any actions or decisions those U.S. firms can take in order that we can respond and seek to ensure that they remain here in Jersey because of the value that they bring in regard to jobs, in regard to tax and in regard to the broader growth in the economy. That policy position has not changed. It is the core of everything that we have done that Jersey remains competitive.