

3.12 Deputy G.P. Southern of the Minister for Treasury and Resources regarding):

Would the Minister inform Members in relation to the E.U. S.T.D. (European Union Savings Tax Directive), whether the amount collected in Jersey is broadly in line with informed estimates and in particular the sums held from U.K. and E.U. depositors and the proportion of these held in funds to which S.T.D. does not apply, such as trusts?

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

The retention tax collected of £13 million is broadly in line with estimates, the original estimate being some £10 million made some time ago without any indication at all of what the likely yield was going to be. Of that £13 million, a vast majority is from U.K. depositors but no information is available to the Comptroller of Income Tax as the actual sums held on deposit and on which the retention tax is suffered, and any calculation to try to answer this question would be a pure guess. Similarly, there is no information available to the Comptroller as the sum is held in deposit by those such as trustees of trusts to whom this retention tax does not apply.

3.12.1 Deputy G.P. Southern:

Does the Minister not agree that, according to Jersey Finance July 2005 figures, some £48 billion was held by U.K. depositors to which could be added £17 billion held by E.U. based depositors - and does he not further agree that over £1 billion in interest would have been paid in this period on these deposits; and using his own figures, this would have reduced a sum for withholding tax of some £107 million, and £13 million was delivered? Does this not indicate that the size of tax avoidance on the Island, from withholding tax, is substantial indeed?

Senator T.A. Le Sueur:

No, it demonstrates that there is a vast majority of funds deposited in Jersey, deposited by companies and trusts.

3.12.2 Deputy G.P. Southern:

Would the Minister not agree that recent moves in Trust Law encourage the avoidance of tax through withholding because of the relative ease that his department has enabled people to avoid paying withholding tax?

Senator T.A. Le Sueur:

No, firstly trusts are set up for a variety of reasons. Secondly, they can go to a variety of jurisdictions. The savings tax directives were not designed with trusts in mind; they were designed in respect of individuals and it may well be that other appropriate measures will be taken in due course for other entities.

3.12.3 Deputy G.P. Southern:

Would the Minister not agree that the recent rise of 30 per cent in the number of trusts being held in Jersey over 2005 indicates that many investors wish to avoid paying withholding tax?

Senator T.A. Le Sueur:

I have no evidence whatsoever about that. I suggest that the rise in the number of trusts in Jersey is due to the increase in confidence in Jersey as a respectable and

sound place in which to do business and that those trusts are formed for a variety of reasons.