

2.7 Deputy G.P. Southern of the Minister for Treasury and Resources regarding the effectiveness of the European Union Savings Directive:

Would the Minister advise Members whether he considers the E.U.'s (European Union) Savings Directive to be an effective means of producing revenue and reducing tax evasion?

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

I think the Deputy should perhaps have directed this question to the E.U. Member States since it is they who imposed the E.U. Savings Directive. The purpose of the Directive, as I understand it, is to ensure that interest on deposits is subject to tax in the depositor's country of residence. The primary aim is to ensure that depositors provide full disclosure of information about their worldwide income in their home jurisdiction and those depositors who do provide that information continue to receive their interest gross. It is only from those who have so far declined to provide such information that the Island receives any tax revenue. I do not regard it as a particularly effective method of raising revenue as far as Jersey is concerned since there is no certainty as to the ongoing tax yield. While as far as Jersey is concerned the tax raises a few million pounds a year at present the likelihood is that depositors will over time and as tax rates increase move away from the retention tax arrangements towards those of full disclosure. Jersey does not seek to benefit from tax evasion and we have willingly entered into these tax deduction arrangements. We wish to demonstrate to the E.U. and to the world in general that we are a mature and responsible jurisdiction and to the extent that present arrangements lead to a reduction in the opportunities for tax evasion I do find them effective.

2.7.1 Deputy G.P. Southern:

Does the Minister not agree with the statement made in *The Economist* and widely circulated by his Economic Development Minister that the E.U. Tax Savings Directive has been a flop and those opting to withhold taxes have remitted only a paltry 210 million Euros in total of which our jurisdiction is merely a part?

Senator T.A. Le Sueur:

I think I answered the Deputy's question in my first paragraph when I said it was the E.U. themselves who decided the limitations of their arrangements, and the arrangements that they have imposed do not solve the whole problem by any means. For that reason the yield that they get is perhaps far less than they would have expected. It has nothing to do with anything that we can do in Jersey.