

### **2.13 The Connétable of St. John of the Minister for Treasury and Resources regarding the future of Jersey's tax system:**

In light of the recent move to clamp down on Jersey's tax system, what efforts have been taken to ensure that Jersey and other Crown Dependencies can work with London to secure financial services growth for London and the U.K. as acknowledged by the United Kingdom Chancellor during his recent meeting with the Minister?

#### **Senator P.F.C. Ozouf (The Minister for Treasury and Resources):**

Firstly, I think it is important to remind the Connétable that the inaccurate headline but correct report by the *J.E.P. (Jersey Evening Post)* was corrected a couple of days after the report following the meetings that I did have with the U.K. Exchequer in Tokyo. In those meetings, I reinforced the benefits that a strong financial services industry in Jersey brings to the United Kingdom and indeed we did agree that more work could be done on this area. While, of course, I cannot speak for the other Crown Dependencies, what we can say is a great deal of work is being done in order to secure our future in the changing financial services world. Members will be aware that approval has been given for a new London office, a new Director of Financial Services has been appointed, and research is underway in the future structure and form of financial services and how that is going to be affecting Jersey. I am not sure exactly what the Connétable meant by a clampdown on Jersey's tax system. Certainly, the States of Jersey and indeed the Council of Ministers, I think, recognises that there is a changing world on tax evasion. Tax evasion has been illegal in Jersey for a number of years. Hence, I do not believe that any of these focuses on tax evasion - certainly not a business which we would wish to be associated with - has any particular concern for our financial services industry in Jersey.

#### **2.13.1 The Connétable of St. John:**

Does the Minister not consider he should be fighting Jersey's corner and being more robust in our defence and drawing to the attention of United Kingdom Ministers that the city of London and also the E.U. (European Union) States should be getting their own house in order before they turn on a jurisdiction such as ours which has got a good record?

#### **Senator P.F.C. Ozouf:**

I could not agree with the Connétable more. Certainly the parlous state of the financial situation of the public finances in many countries is a result of short-term political decision-making - which I do not think this Assembly has been a part of - and inappropriate financial regulation. Clearly, there are some mixed messages being sent from Finance Ministers across the world about how they are going to deal with their problematic public finances. We have strong public finances in Jersey and that is something which the Assistant Chief Minister, the Chief Minister and I regularly explain to politicians and Ministers that we meet from other jurisdictions around the world.

#### **2.13.2 Deputy R.G. Le Hérissier:**

Given the question that the Constable seems to be asking where growth is going to come from, I wonder if the Minister for Treasury and Resources could tell us, given that any system which is based upon secrecy/confidentiality is now under enormous stress and questioning, where does he feel the future growth will come from for Jersey's finance industry?

#### **Senator P.F.C. Ozouf:**

There is a presumption in the Deputy's question that Jersey is a secrecy jurisdiction. We have never had banking secrecy in Jersey and that is why I think in certainly the wider media message where there are big deals done between the U.K. and Switzerland which are paying, I think £13 billion to the U.K. Exchequer, Jersey has not been involved in that sort of thing. We have not had banking secrecy. Yes, we do have a deposit-based system which has U.K. originating business but that is legitimate business. Tax evasion has been illegal in Jersey. We have not had

banking secrecy and if the Connétable is saying that we need to be doing more to explain what we do in Jersey because there is misinformation about what happens in Jersey, then we should be stepping up our efforts on that and the London office is going to help us do that.

**2.13.3 Deputy R.G. Le Hérisier:**

But in the case, for example, of a very large retail bank facing pressure to reveal its U.K. clients, would he not accept people are being dissuaded from coming here and we have to put our mind to future growth? Where does he expect to find it?

**Senator P.F.C. Ozouf:**

I think that is a very good question which is the reason why the Minister for Economic Development and I and the Chief Minister have been strongly supportive of the research that we need to do in future-proofing our financial services industry. The reason why Jersey has been successful is that we have adapted to change in the whole ever-changing world of globalisation. Where globalisation improves, Jersey provides a conduit for that business. We do need to be alert to the changing landscape of banking legislation. The banking review in the U.K. is going to change the nature of the U.K. banking system and we need to adapt and change and prepare for that, but I remain optimistic that Jersey, with its good public finances and good reputation, has a good position and good opportunities for growth in the longer term, particularly in the growing areas of the world.

[11:00]

**2.13.4 Deputy G.P. Southern:**

Does the Minister for Treasury and Resources accept that potential agreement to a U.S. (United States) F.A.T.C.A. (Foreign Account Tax Compliance Act) style agreement with the U.K. would have major implications for the finance sector on the Island?

**Senator P.F.C. Ozouf:**

The Deputy is asking me a question on that later on. Certainly, as far as the debate about F.A.T.C.A., the United States F.A.T.C.A. agreement is a universal agreement which is applied to jurisdictions equally across the world and Jersey wishes to sign that and be clear about that. The difficulty for the Jersey authorities is when we are asked to do something which our competitor jurisdictions are not and that is always the difficult situation because it looks as though Jersey has been singled out for some of this unfair treatment which often is now a feature sadly of high profile media campaigns dealing with short-term media issues in Parliaments elsewhere.

**2.13.5 Deputy G.P. Southern:**

Is the Minister for Treasury and Resources not aware that the Isle of Man, one of our rivals, has already signed up, or is in the process of signing up, to a U.K. F.A.T.C.A.?

**Senator P.F.C. Ozouf:**

What the Isle of Man has agreed is to negotiate and they have agreed provisionally in order to indicate their agreement, as I understand it, to sign up to a U.K. F.A.T.C.A. agreement. The nature of their financial services industry is obviously different to ours and will be subject to different competitive pressures but our position is that we are willing to sign international agreements which are universal and have a level playing field.

**2.13.6 Deputy T.M. Pitman:**

Save F.A.T.C.A. or “fat cat” legislation for later. Could I ask the Minister for Treasury and Resources, instead of taking the approach that he seems to be that we should not be criticised because other people have not got their house in order, that we all get together, work together and come up with an ethical and moral approach to tax so that tax havens can be eradicated?

**Senator P.F.C. Ozouf:**

This word “tax haven” is an interesting one because the U.K. itself could be regarded as a tax haven by some. Where the Deputy and I probably would not agree is if the Deputy is indicating that there is somehow going to be some global standard on tax rates and some sort of global government. I just do not believe that is going to happen. In the autumn statement last week, the Chancellor of the Exchequer cut corporation tax. The U.K. Prime Minister himself had rolled out the red carpet for French business when there was an issue of rising taxes in France. Tax competition is alive and well between the U.S., the U.K., between E.U. Member States and around the world and as long as there is tax competition, then I am afraid that Jersey will need to continue to compete on that basis.

**2.13.7 The Connétable of St. John:**

A lot has happened since Jersey went into the British-Irish Council and would the Minister agree that sometimes loose talk about what is going on in Jersey and the way we keep on praising ourselves for doing so well is being picked up by the other members around the table and has been creating a lot of our problems? Would it not be far better, Minister, if the least said soonest mended attitude was taken and you and your colleagues who attend keep their cards close to their chests?

**Senator P.F.C. Ozouf:**

The Connétable, I think, is asking me to do 2 completely divided issues. On the one side, he is telling that with Ministerial colleagues we need to be absolutely robust in explaining the good aspects of Jersey. On the other side, he wants me to be less transparent in terms of our public finances. I am proud of being the Minister for Treasury and Resources of one of the most transparent jurisdictions in terms of our G.A.A.P. (Generally Accepted Accounting Procedures) accounts. I have signed a Ministerial decision for the guidance of our public accounting next year which is transparent, G.A.A.P. accounted, which shows people what the liabilities are, shows what our assets are, and that is a virtue and it is one of the things that we can show people. People want stability and certainty when they come to a jurisdiction and with our stability of our public finances, that is one of our unique selling points. I am afraid the Connétable cannot have it both ways.

**2.13.8 The Connétable of St. John:**

Yes, the Connétable would like to but he would like the people who represent us to be that diplomatic that they do not spill the beans, for want of a better word, and say how well we are doing. In these times when everybody has got their back to the wall, the last thing our Ministers need to do when they represent us is say we are doing that well. You just keep your head down below the parapet.

**Senator P.F.C. Ozouf:**

I think the Connétable does make a couple of interesting points because when we say we have strong public finances, at the same time we need to say how very difficult the last 15 years have been for Jersey residents where we have seen, as a result of global competition on those tax rates that I was speaking about before, how we have had to shift the burden and I am afraid that this was absolutely a requirement. We have had to move the shifting burden of paying public services from corporates to individuals and Ministers not only say yes our public finances are strong but yes, we have taken enormous pain and this has been difficult and I have had to stand in this position and ask Members to increase G.S.T. (Goods and Services Tax) and make some very difficult decisions. So we need to say both those things when we are talking to other parliamentarians. Yes, we are strong, but we have taken difficult decisions and we have not kicked the tin can of a problem down to the next Assembly so I agreed with him in part. We need to say all of these things.