

**WRITTEN QUESTION TO THE CHIEF MINISTER
BY DEPUTY G.C.L.BAUDAINS OF ST CLEMENT
ANSWER TO BE TABLED ON TUESDAY 9th SEPTEMBER 2014**

Question

Can the Chief Minister confirm whether the cost of the US FATCA to UK businesses and individuals has been estimated at £1bn, and has he estimated the estimated cost to businesses and individuals (including trusts) in Jersey?

Answer

HMRC in 2013 when publishing draft regulations for compliance with the US Foreign Account Tax Compliance Act (FATCA) referred to an estimate of the cost to UK businesses over the first five years of between £1.1bn and £2bn. No equivalent estimate is available for the cost to Jersey businesses.

In considering whether such an estimate should be made regard has been had for the fact that, since the HMRC estimate was published, a global Common Reporting Standard for Automatic Exchange of Information to improve international tax compliance, which mirrors FATCA, has been adopted on which HMRC is consulting with businesses in the UK. In due course the UK will be publishing a Tax Information and Impact Note which will include an estimate of the impact on UK businesses arising from this expansion of reporting obligations.

Jersey has joined with the UK and 45 other jurisdictions in an “Early Adopters Group” committed to the implementation of the global standard and it is intended to consult with industry on this in line with the consultation exercise initiated by HMRC. This consultation will seek information on the cost of implementing the US FATCA and the global standard. From discussions with industry to-date it is clear that for the branches of the UK banks a significant part of the cost burden arising from the installation of IT systems is expected to be covered by the parent bank. This will not be the case with many trust companies, for example, who do not have a UK parent.

The cost burden of implementing the FATCA and global standard reporting requirements will be substantial. However, two important points might be made in this respect. Firstly, because FATCA and the Common Reporting Standard have global application, Jersey’s competitors will be equally affected and therefore Jersey’s relative competitive position should not be adversely affected. Secondly, and most specifically in respect of FATCA, meeting the requirements is unavoidable if international business is to be undertaken. Businesses in Jersey recognise that they have no alternative but to bear the costs incurred. For government there will be a consequence in that the implementation costs will impact on the level of taxable profits and the effect of this will be a factor to be included in revenue forecasts.