

**From:** Darius Pearce  
**Sent:** 22 May 2006 23:39  
**To:** editorial@jerseyeveningpost.com  
**Subject:** Letters to the Editor

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Dear Sir,

The emperor does not have new clothes, he is standing naked in the rain. Will no one tell him?

Has the government has somehow convinced itself that the people of Jersey believe that taxing pensioners to subsidise the, arguably excessive, profits of the finance industry is the way forward, I would seek to remind them that they should be representing the people of Jersey not the finance industry.

However there are a few specific points your readers may wish to consider:

The exemption to GST for financial services, first released very quietly in 2000, does not follow Singapore, but pre-empts possible changes to their law. Perhaps it is actually the Singapore government which is following Jersey's plans.

Secondly the Isle of Man are required to charge VAT at 17.5% on most financial services and seem to be unconcerned about any vast exodus of finance.

Thirdly, I direct your readers to Article one of Protocol three of the 1972 Act of Accession of the UK to the European Union; we are a full member of the EU customs union and required to comply with all EU regulations in the area of sales taxes which means this favoured treatment of a particular industry is going to cause problems. If the government believe that this breach will be ignored by the likes of France and Germany then they have little understanding of the realities of European politics, these countries will seize any opportunity to squeeze the United Kingdom.

Fourthly, Guernsey has similarly had to change it's taxation base and has successfully avoided the potential breaches of EU, Company and Human Rights law which the Treasury department appear to believe do not apply to them. The nature of their changes mean that they provide the security that the finance industry demands, without the threat of international legal challenges.

I simply can not understand how anyone can believe that our plans our going to benefit anyone in Jersey in the longer term.

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## Treasury and Resources Department

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The Editor  
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1 June 2006

Our ref: TLES/JH/LP

Dear Sir

On Friday 26 May you published a letter from Mr Darius Pearce. This letter contained substantial inaccuracies about the States decision to move to a zero ten corporate tax system which cannot be left to pass without comment and correction.


1. Mr. Pearce stated that under The European Union's Protocol 3 Jersey is a full member of the EU customs union and is required to comply with all EU Regulations in the area of sales taxes. This is not correct. Protocol 3 contains neither provision nor requirement for the Island to apply sales taxes in line with EU Regulations and the absence of such taxes does not affect the free movement of goods to which Protocol 3 applies. It is also worth pointing out that Protocol 3 does not apply to services including financial services.
2. Next, Mr Pearce asserted that the Isle of Man charges VAT at 17.5% on most financial services and seemed to be unconcerned about any consequential loss of tax revenue. In fact, the IoM broadly follows the EU model which exempts some financial services, but treats others as taxable or outside the scope. This presents problems for the Isle of Man in competing for fund management services, which remain extremely VAT-averse. It is precisely because of complexities such as these that we have proposed the simplified GST rebate scheme contained in the proposals currently out for consultation.
3. Mr Pearce suggests the proposed GST scheme for financial services in Jersey does not follow Singapore, but pre-empts possible changes to their law. He may care to read the Inland Revenue of Singapore website to see that such a scheme does indeed operate and has done for many years. I make no apologies for taking their scheme into account in research and in modelling our own proposals.
4. Guernsey is cited as having successfully avoided potential breaches of EU Company and Human Rights Laws which Mr Pearce alleges will arise in Jersey under our current zero/ ten proposals. He provides no detail for this assertion. It is my understanding that the Guernsey proposals do not differ much in detail from our own (in terms of investment companies for example). However, rather than engaging in yet another sterile debate on this issue it will soon become clear whether our own



proposals create any difficulties in the areas he mentions, since they are known to the UK government and will be put before the EU for any comments they may have.

It is a pity that Mr. Pearce did not check his information either with me or with one of my officers. Had he done so we could have explained the true situation to him, in more detail than is possible in this letter, and avoided the need to correct the many errors of fact contained in his letter.

Yours faithfully

A handwritten signature in black ink, appearing to read 'Terry Le Sueur', with a long horizontal line extending to the right.

**Senator Terry Le Sueur**  
Treasury and Resources Minister

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