

CHECK AGAINST DELIVERY**TAXE 2 COMMITTEE MEETING 14th MARCH 2016****INTRODUCTORY STATEMENT BY COLIN POWELL, ADVISER ON INTERNATIONAL AFFAIRS,
GOVERNMENT OF JERSEY**

Thank you Mr Chairman, distinguished members of the TAXE 2 Committee, let me briefly introduce myself. I am Colin Powell and I advise the Chief Minister of the Government of Jersey on international affairs, particularly international initiatives on tax, financial regulation and anti-money laundering.

Representing the Government of Jersey here today I am pleased to have this opportunity to meet with your Committee. Jersey shares with the Committee the importance of transparency and exchange of information with tax and law enforcement authorities on a global basis in the fight against tax evasion and aggressive tax avoidance. We agree that those who do not comply with the international standards set by organisations such as the OECD and the FATF should be identified, but we also believe that those jurisdictions that do comply, as Jersey does, should be internationally recognised as such. What is important is that any categorisation of jurisdictions should be based on an objective, evidence based, analysis.

It is with this last point in mind, among other things, that we welcome this opportunity to add to your Committee's knowledge of Jersey. In doing so I am working from the premise that the Committee will have before them the letter sent to the Chair by the Chief Minister of Jersey dated the 29th May 2015 and the letter sent to the Chair by the Chief Ministers of Guernsey and Jersey dated the 22nd February 2016,

Jersey's constitutional position is referred to in those letters and is the same as that amply described by my colleague from Guernsey and I will therefore not repeat it.

An aspect covered in the letters but which I would wish to further emphasise is the good neighbour policy that is pursued in our relationship with the EU. Jersey is not in the EU but it recognises that it is part of Europe. A desire to strengthen this relationship led to the setting up of a Channel Islands office in Brussels 5 years ago, ably led by Steve Williams who is with us this afternoon. It is also reflected in an active engagement with EU institutions at both political and official level. The Chief Ministers, who have visited three times in two years, emphasised in their recent letter to the Chair the importance we attach to developing our engagement with the European Parliament, of which this exchange of views today is a further part.

Our extensive tax cooperation with the EU and its Member States is set out in the annex to the Chief Ministers' letter. Following a meeting with the Chief Ministers in January, Commissioner Moscovici commended the Islands for their cooperation and referred to them as important partners of the EU. Our voluntary support of the EU Directive on the Taxation of Savings Income, and in meeting the criteria of the Code Group on Business Taxation, are just two examples of that cooperation which also goes beyond tax matters. Our active cooperation on sanctions implementation, which has been noted and appreciated by the European External Action Service, is another example.

Before referring to Jersey's compliance with the various tax initiatives in which I believe the Committee to have an interest let me touch on one aspect of our corporate tax system, information on which has been referred to in the correspondence with the Chair.

The standard rate of company tax is 0% with a higher rate of 10% being applied to financial services companies. Profits distributed to resident shareholders are taxed in the hands of the latter at 20% being the standard and maximum rate of tax applied to the incomes of individuals.

CHECK AGAINST DELIVERY

No special incentive regimes exist. There are no allowances or exemptions of the sort found in many other countries which have the effect of producing effective rates of corporate tax much lower than the headline rate. With the relatively simple tax structure the Island also has no call for tax rulings of the kind found in many other jurisdictions.

The standard corporate tax rate of 0% is based on two key principles. One is the Code Group principle of non-discrimination between resident and non-resident owned companies and the Code Group has accepted that the Jersey tax system is not harmful. The other is the principle of tax neutrality combined with transparency. As an international finance centre, Jersey acts as a “financial entrepôt” in facilitating the investment of funds drawn from around the world into European financial markets. It is believed that the return to the investors should be taxed in their home country and the business activity generated by the investment in Europe should be taxed in the jurisdiction where that activity takes place.

The Jersey government recognises that for tax to be levied where it is properly due it is necessary for the countries concerned to have information to help them with their tax assessments. With this in mind Jersey has given its full support for the transparency principles central to the current G20, OECD and EU tax initiatives.

Jersey believes that each jurisdiction should have the right to set its own tax rates according to its own requirements but that each jurisdiction should also comply with internationally accepted principles of fair tax competition supported by transparency and information exchange.

This leads naturally to a description of Jersey’s position in relation to what we see as key elements in the international fight against tax evasion and aggressive tax avoidance.

1. Exchange of Information on Request

Jersey has been committed to exchange of information on request in accordance with the international standards since the OECD initiative in 2002.

A total of thirty eight tax information exchange agreements (TIEAs) and ten double taxation agreements (DTAs) have now been signed of which thirty four TIEAs and eight DTAs are in force. In addition since June 2014 Jersey has been party to the Multilateral Convention on Mutual Administrative Assistance in Tax Matters and, through this, information can be exchanged currently with a further 22 jurisdictions.

From 2009 to 2013 Jersey was one of the vice chairs of the Peer Review Group of the Global Forum on Transparency and Exchange of Information for Tax Purposes which body oversees the assessment of compliance with the international standard.

2. Automatic Exchange of Information (AEOI)

Jersey supported the G5 initiative on the adoption of the Common Reporting Standard and was an early adopter of the Standard, signing the Multilateral Competent Authority Agreement in Berlin in October 2014. Jersey legislation has been enacted and the first exchange of information will take place in 2017.

Jersey is a vice chair of the Global Forum’s AEOI Working Group an appointment which reflects Jersey positive contribution to this initiative.

CHECK AGAINST DELIVERY

3. Beneficial Ownership

Jersey has had for a long time a central register of beneficial ownership and will have no difficulty in matching the requirements on beneficial ownership transparency in the 4th AML Directive. The World Bank in its report “The Puppet Masters” identifies the Jersey Model as one which sets the conditions under which the company registry can be considered a viable option for providing beneficial ownership information. That is, the information in the register is subject to effective validation by the Registry, the company service providers that supply the information are subject to effective regulation, and the Registry is staffed by those with sufficient expertise.

Jersey also is a leader in the extent to which it meets the anti-money laundering recommendations of the Financial Action Task Force on beneficial ownership of companies and trusts. This applies to the Task Force recommendations generally and it is to be noted that Jersey established tax evasion as a predicate offence in 1999 many years before this became a recommendation of the Task Force.

4. Base Erosion and Profit Shifting (BEPS)

Jersey is fully supportive of the BEPS programme and is ensuring that it remains fully informed on the progress in implementing the Actions making up that programme. Early action is being taken to implement Country by Country reporting of profits by Multi-National Enterprises. While there is expected to be limited application of this to Jersey based enterprises, to show support for this measure the finance industry is currently being consulted prior to legislation being presented to parliament, which legislation is expected to be similar to that enacted by the United Kingdom.

As Jersey has relatively few Double Tax Agreements (DTAs), it is not used for profit shifting and transfer pricing in the way and to the extent experienced by other jurisdictions. However, consideration will be given to what legislation Jersey will need to enact to participate in the BEPS programme as and when it becomes clearer how the relevant Actions are to be implemented by the G20, OECD and EU Member States.

The proposal that profits should be taxed where the economic activity that generates the profits is carried out and where value is created fits well with our historic policy of requiring regulated financial institutions, such as the banks, to have a real physical presence and to be of substance. This is reflected in the fact that the finance industry employs some 13000. The BEPS proposals can be expected to reinforce this position.

5. Assisting Developing Countries

Jersey is directly engaged with developing countries through the offer of assistance with the fight against financial crime. This is reflected in the successful prosecution of those engaged in corruption in Nigeria and most recently Kenya and the repatriation of the stolen funds. In discussion with one of the NGOs active in this area Jersey has also indicated that in principle it is not against entering into an automatic exchange of information agreement on a non-reciprocal basis so that information can be provided to the developing country without the need, at least for a time, for them to introduce the procedures required for the collection of information to be sent in return.

In conclusion the hope is that through these introductory remarks, and the answers we will give to the questions to be asked, the Committee will recognise and accept that we have the same commitment to compliance with the relevant international standards in the fight against financial crime and that we have put that commitment into effective practice.