

## HEARING OF EP PANA COMMITTEE ON 9 MAY 2017

### INTRODUCTORY STATEMENT BY COLIN POWELL, ADVISER ON INTERNATIONAL AFFAIRS TO THE CHIEF MINISTER, THE GOVERNMENT OF JERSEY

Chair, we welcome this opportunity to inform your Committee about how Jersey has tackled and will continue to tackle effectively the international requirements for tax transparency, exchange of information in tax matters and issues relating to anti-money laundering that in your letter of the 4<sup>th</sup> April 2017 addressed to the Chief Minister you have identified as issues of relevance to your Committee.

I assume your Committee will have before them the answers to the questions that were put to us, the joint letter to you, Chair, from the Chief Ministers of Guernsey and Jersey and the detailed annex to that letter.

Chair, in your letter of the 4<sup>th</sup> April you state that the purpose of this hearing is to learn about what we have done following the revelations in April 2016 known as the “Panama papers”. However, Jersey’s reaction cannot be appreciated without first understanding what Jersey had done prior to that date.

Jersey has complied with the OECD standard on Exchange of Information on Request since 2002 both bilaterally and, since 2014, multilaterally through the Multilateral Convention on Mutual Administrative Assistance in Tax Matters. As a result there are now 90 countries, which include all the EU Member States, that can request information from us. In 2014 Jersey was one of the “early adopters” of the Common Reporting Standard on Automatic Exchange of Information and the first delivery of information on financial accounts will be made this year to 52 countries which include all the Member States with the exclusion of Austria with whom information will be exchanged for the first time in 2018. This early commitment to tax transparency and information exchange is also to be found in our early membership of the OECD Inclusive Framework on Base Erosion and Profit Shifting and our commitment to country by country reporting in line with the EU Member States.

This commitment to international tax initiatives is also mirrored in a long standing commitment to anti-money laundering and combatting the financing of terrorism. Jersey has had a central register of beneficial ownership information since 1989, tax evasion was included as a predicate offence in anti-money laundering legislation enacted in 1999 and trust and company service providers have been licensed and regulated since 2000.

Independent confirmation of Jersey’s commitment to the international standards on tax matters is to be found in the rating of Jersey as largely compliant by the Global Forum on Transparency and Exchange of Information for Tax Purposes, a rating that matches that of 18 EU Member States including Germany and Italy,

On AML the evidence is to be found in IMF assessments and most recently in an assessment by Moneyval which indicated that of the 49 Financial Action Task Force Recommendations covered 48 were rated as Compliant or Largely Compliant.

However notwithstanding what has been achieved, and internationally recognised as such, Jersey is not resting on its laurels.

- Jersey is committed to further enhancing the existing central register of beneficial ownership information by the more regular up-dating by trust and company service providers of the beneficial ownership information held on the Register.
- In November 2016 Jersey joined with some 50 jurisdictions including all the EU Member States in a commitment to a proposed new initiative on access to beneficial ownership information.
- Jersey continues to play an active role in the OECD Base Erosion and Profit Shifting programme although there is no evidence that Jersey has much if any involvement in profit shifting.
- Jersey is confident that it will not appear on any EU list of non-cooperative jurisdictions. With the support of the OECD, Jersey can satisfy the criteria on tax transparency and base erosion and profit shifting. The criteria on fair taxation should also be met given that Jersey's corporate tax regime has previously been assessed as being compliant with the EU's Code of Conduct on Business Taxation criteria on which it is understood the fair taxation assessment is to be based.

There are also some specific points to make relating to matters your previous hearings have suggested will be of interest to your Committee.

- Whereas there may be jurisdictions where companies can be formed without any obligation to provide details of the ultimate beneficial ownership, if those companies when and wherever formed are to be administered in Jersey the trust and company service providers are required to know who the ultimate beneficial owner is and if they do not do so they run the real risk of being fined or having their licence to operate being withdrawn.
- Jersey's zero rate of corporate tax is not designed to facilitate tax evasion or profit shifting. It provides simplicity and certainty with tax neutrality for multi-jurisdictional investors and the avoidance of double taxation in the absence of Double Taxation Agreements. This has made Jersey attractive for sovereign funds and international investment and has generated capital flows from which many European countries have benefitted in jobs and growth.
- There are many non-tax reasons why Jersey companies are incorporated by non-residents. Those engaged in legitimate investment and business activities wish to take advantage of the Island's political stability, fiscal certainty and neutrality, professional expertise, and flexibility of company laws. Those forming Jersey companies also know

that the ultimate beneficial owner has to be identified and that Jersey is fully transparent in passing information to partner jurisdictions.

- There are many legitimate uses for which trusts are formed - pension funds and individual wealth management – that have nothing at all to do with the management of tax liability, whether legitimate or illegitimate. We have offered to give to interested MEPs a presentation on understanding trusts that we have given to tax officials in a number of Member States. That offer remains on the table.

Jersey is providing all the information being asked of it either on request or automatically. If there is more information required by tax and law enforcement authorities we would be pleased to know of it, and to know when this can be expected to be the subject of a further international standard.

Of paramount importance in our view is the need for the information made available to law enforcement and tax authorities to be adequate, accurate and current. This is of particular importance when providing information on the ultimate beneficial owner or controller of a legal entity or a legal arrangement. This has long been Jersey's prime objective and our leading position in this respect has been internationally recognised. Hopefully Chair it will also be so recognised by your Committee.

We will be pleased to answer any questions arising from this statement or from the answers we have given to the questions previously asked of us.

May 2017