

Press Release

Embargoed until 10.01 5 May 2006

Jersey's new tax laws: Richard Murphy was right, "look through" had to go

The States of Jersey published details of its new tax laws this morning. They are designed to comply with the requirements of the EU Code of Conduct on Business Taxation.

Richard Murphy FCA of Tax Research advised the Shadow Scrutiny Panel that investigated this issue last summer. He told that Panel that the plans published at that time by Senator Le Sueur did not meet the requirements of the EU. He said that the plan for "look through" taxation would have to be abandoned. And in cross examination of Senator Le Sueur he also showed that the "black hole" the new taxes would have to fill was bigger than Senator Le Sueur had estimated, and he showed as a result that more new taxes would be needed.

Richard Murphy has been proved to be right. He said "The new laws that today's report proposes are nothing like those discussed last summer. Look through has been abandoned, as I said it would have to be. And, as I predicted, the "black hole" is bigger than Senator Le Sueur thought, which is why he's introducing a new poll tax on the working people of Jersey, unless they work for the finance industry."

Richard Murphy continued "Jersey has heeded my advice. Despite all the abuse laid on me, this report recognises that I was right when I said that "look-through taxation" did not comply with the EU's requirements."

He added "Real efforts have been made to comply with the EU's requirements this time. I have continuing doubts in some areas, and especially with regard to what are called Foreign Incorporated Investment Companies, where the proposed changes are an invitation for tax abuse and may not comply with the Code. But my real concern is with the choices that Senators Le Sueur and Walker have made in introducing new taxes."

He explained his concerns "Whenever Senator Le Sueur had a choice between the interests of the people of Jersey or the interests of the finance industry in preparing his new tax laws he has chosen finance." This, he said, is reflected in a critical paragraph (3.1.5) in the document which says:

"When considering reform of the island's tax system it is essential to adhere to good tax design principles. Any reform of the tax system needs to acknowledge that the island's public services are available primarily to residents and should be funded primarily by them."

Richard Murphy said "No one should be fooled by this statement and think it a fact. For the last 30 years Jersey's economy has been built on the basis of the finance industry paying for a substantial part of Jersey's public services. The "black hole" of more than £100 million that the new laws and GST is meant to fill are clear evidence of that fact. And this paragraph makes clear that Senators Walker and Le Sueur intend to reverse the old order of things. To date the finance industry has paid to be in Jersey. Now the people of Jersey are to pay for finance to be in the island. That's a choice, and it's a bad one."

He continued "The tax proposals will be disastrous for real business in Jersey, and for the people

who work for them. Small business using limited companies will face substantial administrative and accounting burdens as a result of the new laws. Minority shareholders in Jersey companies could face big tax charges on income they have never had, which is bound to discourage any new investment in business as well as being an abuse of human rights, but worst of all is the RUDL charge.”

He explained what this meant “The RUDL charge means that all business (except those in the finance sector) will have to pay an average of £500 a year for the right to employ someone. This is an extra tax on the owners of smaller businesses. They’re bound to pass it on to employees by cutting pay rates just when those people will also be suffering from the new GST. And yet again, this extra burden will discourage any business but finance from coming to the island. This charge is a poll tax on real business and its employees in Jersey. It shows that Senators Le Sueur and Walker have sold Jersey out.”

In conclusion he said “These policies weren’t necessary. When I advised Scrutiny that “look through” would not work and that new taxes were needed I made some simple proposals which could have raised the money. For example, more money than the RUDL will raise could have been levied by raising the annual company registration fee to £750, which is what offshore companies already pay including tax. But they’ll now see that charge reduced by £600 a year, which each worker in Jersey will have to make up from the £500 RUDL charge. And I proposed a similar, but smaller, charge on all Jersey trusts. Neither would have penalised the finance industry. And if Jersey would adopt a capital gains tax on the sale of shares by Jersey residents most of the complications in the new deemed distribution charge could be avoided. But Senator Walker has turned his back on the people who elected him to embrace those who have money. The people of Jersey will be poorer for it. The EU’s requirements could have been met without this price being paid. But Senator Le Sueur has chosen otherwise.”

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