2025.07.08

4.10 Deputy J. Renouf of the Minister for External Relations regarding OECD Pillar 2 taxes (OQ.171/2025):

Following the announcement that O.E.C.D. (Organisation for Economic Co-operation and Development) Pillar Two taxes will not apply to United States' companies, will the Minister advise the Assembly what steps, if any, the Government is taking in response and what the implications are for the Government's Pillar Two revenue forecasts?

Deputy I.J. Gorst of St. Mary, St. Ouen and St. Peter (The Minister for External Relations):

I am aware of the recent G7 announcement on a proposed carve-out for U.S. (United States) groups from Pillar Two. Negotiations on the way that Pillar Two will sit side by side with the U.S. tax regime are now underway at the O.E.C.D., and Jersey is involved in that process. Our income forecast is correctly based on the legislation that is currently in place. It is a deliberately prudent base case forecast and this rightful base case is reflected in the Budget. In common with all 147 jurisdictions in the O.E.C.D.-inclusive framework, Jersey continues to monitor global developments and ongoing O.E.C.D. discussions. It is of course too early to assess any definitive future impact on Jersey. Our approach remains focused on maintaining our competitive, proportionate and internationally-aligned tax framework.

[11:30]

4.10.1 Deputy J. Renouf:

I thank the Minister for his answer. At Scrutiny last week, the Minister referred to less fulsome tax revenues unplanned. What is his current take on how much less fulsome those revenues will be, given that he might have to put some figures into the Budget?

Deputy I.J. Gorst:

Of course, the Deputy would not expect me to give a number when the Budget has not been yet considered fully at the Council of Ministers' table, but I did make that observation; he is correct. I think I further explained that that observation was a result of existing corporate income tax receipts and that it would flow through into that forecast. Because of course, what we do with Pillar Two is take those in-scope companies out of the existing corporate income tax regime and put them into the new Pillar Two regime, so that less fulsome forecast was arising out of that and not arising out of Pillar Two per se.

4.10.2 Deputy I. Gardiner:

The Minister mentioned that Jersey has an involvement in a recent development. Would the Minister give a bit more detail about what type of involvement and who has involvement to adjust our position to the American changed position?

Deputy I.J. Gorst:

We have been very fortunate that over the years of the development of this particular regime that Jersey has had a seat at the steering group. The deputy director in Revenue Jersey attends that steering group. There is a working party, there is a steering group and then of course there is the full members of the O.E.C.D.-inclusive framework in the round. That steering group tries to thrash out some of the details and was involved in forming the overall proposal. As I said, the understanding between the U.S. and the G7 was a very high-level understanding and all of the detail has still got to be worked through.

4.10.3 Deputy I. Gardiner:

Does the Minister think there is any risk that we can be losing completely our Pillar Two revenues?

Deputy I.J. Gorst:

Of course, without knowing what the detailed arrangements and changes may be, it is not possible at this stage to say one way or the other. The only thing we can say is that we currently, in line with many members of the O.E.C.D.-inclusive framework, have got legislation in place right now and companies in Jersey, as they are within those jurisdictions, have liabilities arising.

4.10.4 Deputy H.L. Jeune:

Will the Minister advise if there is any impact these recent changes will have on funding the delivery of the Sustainable Finance Action Plan and transition to a net-zero economy as outlined after my amendment was accepted in the Budget 2025?

Deputy I.J. Gorst:

This will deal with the receipt side of the equation, not the spend side of the equation.

4.10.5 Deputy K.M. Wilson:

Could the Minister advise what analysis has been undertaken to assess the potential on the Island's international competitiveness and long-term economic strategy?

Deputy I.J. Gorst:

As the Deputy may or may not be aware, one of the streams of the long-term competitiveness strategy is bringing forward a tax strategy, all of which is intertwined with where the requested changes to Pillar Two from the U.S. might land.

4.10.6 Deputy K.M. Wilson:

Can the Minister give an indication as to whether he anticipates any risk of multinational firms relocating or restructuring as a consequence or in response to the announcement that has just been made by the U.S.?

Deputy I.J. Gorst:

The understanding was, as I said, a broad high-level understanding. One can only assume that the G7 thought it necessary to reach an understanding with the U.S. in order to have an article from the Big Beautiful Bill, the 899, removed. That has now been removed so the G7 has been successful in that policy aim. We now have to deal with the after-effect of that understanding, which is extremely detailed and complex. I can, however, affirm to the Deputy, as I said in my closing initial answer, that we remain focused on maintaining a competitive, proportionate, and internationally-aligned tax framework so the scenario that she outlines, the possibility does not happen.

4.10.7 Deputy J. Renouf:

I thank the Minister for his answers. The Budget includes plans to use Pillar Two revenues to help pay for the hospital; £277 million was set aside for this. The Budget included a fallback plan to borrow from the Strategic Reserve if Pillar Two revenues fall short. Does he think this prospect has increased in the light of recent events?

Deputy I.J. Gorst:

I cannot really say frequently enough, there is a lot of detail still to be considered. It is only in knowing what those detailed agreements might be that I am fully able to answer that question. As the Chief Minister has said, and I think as all Ministers have said, they remain completely committed to funding the hospital, whatever the result of those O.E.C.D. and U.S. negotiations might be.