

We want our

# Island Back



Newsletter

July 2005

## Letter from the Editor

First of all I want to thank all those of you who so kindly supported us in May and June when we were selling our raffle tickets. It turned out to be a very successful exercise, not only because it enabled us to raise enough money to continue our work of research, education and campaigning for justice but it also gave us a chance to meet and discuss with 100's of local people. This was fun, often hilarious and sometimes moving because we heard so many stories of the struggle it is to keep going in this very expensive Island of ours. It has taught us a great deal. Thank you for your encouragement.

On the evening of the Grand Draw, 23rd June, I returned home and began phoning those who had won prizes. Having met so many of you myself I was only sorry that you couldn't all be winners! A couple of days later we published the lucky numbers in the JEP but for anyone who hasn't seen them here they are again:

1st Prize: £1,000	No. 4940		
2nd Prize: £500	No. 1056		
Other Prizes:	No. 2438	No. 4680	&
	No. 3974		
Food Hampers:	No. 4881	No. 2553	

There are still those in Jersey who do not fully appreciate what we stand for. We know that healthy business makes for a thriving community where the well-being of everyone is high on the agenda. This involves a sense of pride and optimism for the future.

However, this doesn't always happen here, does it? We get told that Jersey is making more £billions than ever. Everything in the garden is rosy. All we have to do is keep paying out more and before we know it we'll all benefit from this great success. Isn't this what they like to call the trickle-down theory?

What we're supposed to believe is that the richer those at the top of the pile get the better off we'll all be. Is this your experience? Well, is it?

**"Trickle-down theory - the less than elegant metaphor that if one feeds the horse enough oats, some will pass through to the road for the sparrows."**

(J.K. Galbraith 1908—Canadian-born American economist )

**Nice ay?**

*Pat Lucas*

### **Want to know more?**

Come to our next meeting. Thursday August 25th,  
7.30pm at St Thomas' Church Hall  
(to the left of the Church), Val Plaisant

Or phone Pat Lucas on 768980  
or e-mail [jeanandersson42@hotmail.com](mailto:jeanandersson42@hotmail.com)  
For more information go to [www.jersey.attac.org](http://www.jersey.attac.org)

# **New Economics Foundation**

**May/June 2005 Issue number 24**

## **Lost tax could put an end to poverty**

WEALTH held in tax havens around the world is costing governments \$255 billion every year in lost tax revenue.

According to new research by the Tax Justice Network, based at **nef**, this money could:

FUND Gordon Brown's request for an additional \$50 billion a year in aid to the developing world over the next decade - in just two years.

COVER what the World Health Organisation classifies as the minimum financing needs for health services for every single person on the planet.

ERADICATE global poverty permanently by 2015, going way beyond the goals of the international targets on halving global poverty by then, known as the Millennium Development Goals.

Actually, the cost of tax havens to the global economy is likely to be much higher because the \$255bn figure does not include tax losses caused by corporate profits hidden in tax havens and the downwards pressure on tax revenues caused by countries engaging in tax competition to attract or retain investment.

"Gordon Brown and the Commission for Africa are ideally placed to act on offshore tax avoidance since so

many of the banks and tax havens that facilitate these processes have British links," said John Christensen, international co-ordinator of the Tax Justice Network.

The Tax Justice Network is calling for action to end cross-border tax evasion and limit the scope for tax avoidance, so that large corporations and wealthy individuals pay tax in line with their ability to do so.

They also want to remove the tax and secrecy incentives that encourage the outward flow of investment capital from countries most in need of economic development.

According to Tax Research Limited, which prepared the figure, the estimated value of assets held offshore does not include corporate profits hidden in tax havens. It also only includes people with liquid financial assets exceeding \$1 million.

"No-one has tried to calculate a number like this before," said Tax Research director Richard Murphy.

[www.neweconomics.org](http://www.neweconomics.org)

This newsletter is produced by Attac Jersey which is a member of the international Tax Justice Network.

[www.taxjustice.net](http://www.taxjustice.net)

## **Regulation! What Regulation?**

One of my critics, Advocate Richard Gerwat, in a letter to the Jersey Evening Post (JEP 14th June 2005) said, "Special purpose vehicles established as Jersey companies have to be pre-cleared with approval by the regulator in Jersey, the Jersey Financial Services Commission (JFSC)". There are over 33,000 companies registered in Jersey, and having done some limited research on behalf of other like-minded individuals in other tax havens, I wonder if it is actually possible for the public or the JFSC to know exactly who the named owners of all these companies are?

What tends to happen is that you ask the JFSC for a list of shareholders of company A that is registered in Jersey. That answer usually comes back as company A is owned by companies B and C that are registered in another tax haven, say Guernsey, where research into companies B and C reveal that their shareholders are a company called D registered in, say the Isle of Man.

Globally there are at least 70 tax havens, so you can see where I am going with this... So, there is probably no way that an individual or interest group or even the JFSC can know exactly who owns what company and the money that is tied up in that company.

I hear you say, but, surely regulators from all over the globe work together to control their finance industry's activities? Indeed the JEP (7th March 2005) covered the story of the JFSC working with its British counterpart, the Financial Services Authority (FSA),

where one of the subjects discussed was money laundering. However, as reported in the Financial Mail in November 2004 the JFSC refused to work with the FSA over the sale of supposedly risk-free split capital investment trusts and the ensuing investigation by the FSA, where stakeholders lost circa £3 billion. Many of these trusts were registered in Jersey.

Talking about trusts, of which over 200,000 are registered in Jersey, my critic Advocate Gerwat states that registered charitable trusts in Jersey do many good works for the Island. Indeed they do. I have been on the management committee of one and worked for two others. However, realistically not all the 200,000 registered trusts are participating in charitable works!

In the Business Section of the JEP (30th March 2005 and 31st May 2005) it boasts that Jersey is at the top of the funds and hedge funds pile and that this business is worth £22.7 billion. The JEP reports that there are over 900 hedge funds registered in Jersey. However, as reported in Business Life (July/August 2005) hedge funds have been coming under increasing scrutiny from regulators in America and the FSA have also said they are taking a very close look at hedge funds and especially their lack of transparency. I wonder when Jersey's regulator will take action?

Why am I so concerned about the perceived lack of financial services regulation locally and globally? Well, currently third world countries receive circa £55 billion in aid packages whilst some of their governments, dictators and the multinational companies working in these

countries redistribute their riches to some of the world's tax havens, of which half are British territories, Crown dependencies or ex-colonies.

The amount believed to be lost to these developing countries as a result of tax haven activity is between £280 and £470 billion. Enough said!

Chris Steel Dip SP&C, Cert SocSci (Open).

## **The Tax Loop**

A member of a third world country, be he a private individual or public figure (like a president) wishing to invest his ill-gotten gains secretly and also avoiding tax, invests his pile in a tax haven, say £100,000,000 at 4% tax free, netting him a cool £4,000,000, a nice little earner!!

The Tax Department of his country will be denied the revenue from this wealth, compounded by others at the same game.

The infrastructure of the struggling country will gradually be eroded to the point that in desperation the government turns to the World Bank and asks for a loan, say A COUPLE OF £BILLION, just to tide them over. After a couple of years they find that they cannot pay any of the interest let alone any of the capital, and the country continues to sink. There is a cry to let this struggling country off its loan obligation, which is done.

Not surprisingly banks are there to make money, not to GIVE vast amounts of money away, and the loss will have to be made up, so up go the bank rates. Who now pays



for the loss of that loan? We do, and the tax evasion goes on unabated with the gleeful sanction of the tax haven concerned. We are now back to square one.

**Who in all this gains?**

- 1/ The individual dodging tax
- 2/ The world banks
- 3/ The tax haven.

Not Jo Soap who is paying for it!!

**Can this be right?**

John Heys

**Breaking news.**

Former States economic adviser **John Christensen**, who was elected a fellow of the Royal Society for the Encouragement of Arts Manufactures and Commerce in April, has been awarded a three year bursary by the Joseph Rowntree Charitable Trust to fund his role as coordinator of the international secretariat of the Tax Justice Network. A Jerseyman who grew up in Saint Peter, John is based at the New Economics Foundation in London and also carries out joint research with Dr Mark Hampton - another Jerseyman - at Kent University.

Chartered accountant **Richard Murphy**, who is principal tax adviser to the Tax Justice Network and is currently engaged as an independent adviser to the Jersey States' Scrutiny panel on Tax Reform, has been appointed to membership of the research committee of the Association of Certified and Chartered Accountants - a major accounting professional body.



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Association pour une Taxation des Transactions financières pour l'Aide aux Citoyens

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## **A brief presentation of ATTAC :**

ATTAC is an international organisation that was born in France in 1998, following an appeal published in *Le Monde Diplomatique* ( December 97) to raise awareness within national and international public opinion about new issues in a time of globalisation. I.Ramonet, chief editor of *Le Monde Diplomatique*, reminded his readers of a research by U.S Nobel-Prize winner James Tobin to prevent the risks of economic and political turmoil resulting from new techniques and technologies at work in the world of finance. The unexpected response to his article led to the birth of a national association a few months later. It is now present in 45 different countries and has a membership of 30,000 members in France alone.

It is an “Association” as described in French Law ( Loi de 1901) which enables it to act publicly as a “moral person” through meetings, publications, forums...It follows a French tradition of “Education populaire orientée vers l’action”, i.e with an aim to share knowledge and expertise to develop citizens’ awareness on all issues related to the organisation of society ( environment, culture, economy,

education, media,...) as a non-religious, non-discriminatory, non-secret, non-violent organisation. Most Attac movements in the world have followed this pattern and fulfil the same function. Thus, "Attac-Jersey" can be seen as a "subsidiary" of Attac-France and Attac-International via its links with Attac-Saint-Malo ( Attac Pays malouin/Jersey) .

A strong sense of solidarity unites all groups throughout the world and evidence of this can be found in the many exchanges and international forums organised over the last few years. In this, it fully confirms its association status: neither a trade union nor a political party, it aims at facilitating information exchanges and individual access to the widest knowledge available to develop democracy and citizenship.

More information can be found on all websites related to or run by ATTAC ( [attac.org.fr](http://attac.org.fr))

*Jacques Harel*

Prof. University of Rennes  
Co-ordinator Attac France / Attac Jersey

**ATTAC stands for  
the Association for the Taxation of financial  
Transactions for the benefit of Citizens**



**A thought from a soldier of Liberating  
Force 135**

**"We have the power to make changes.  
Let us all use our votes and show that  
we all love Jersey and want the shackles  
removed so that once again we can say,  
'I am proud to be a Jerseyman!' I find  
that difficult to do the way things are.**

**We can win. Let's do it!"**

**(Kenneth Godfray)**