

A.T.T.A.C.

Association for the Taxation of Financial Transactions for the
benefit of Citizens.

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To the Editor,

I would be grateful if you would publish this letter in response to the letter written and published in your paper by Mr P Austin on the 31 May 2005.

It is a shame that Mr Austin's letter of 31 May 2005 contains so many inaccuracies.

First of all, Mr Austin argues that the decline in the finance industry in Jersey between 2000 and 2003 was because of "depressed global economic conditions which impacted all financial markets and centres". However, if we take the five largest banks in the United Kingdom (UK) as indicative of the fortunes of the City of London we see that their profits grew on average by 35% between 2000 and 2003. However, London's 35% **growth** over this period and Jersey's 17.5% **decline** indicates that Jersey is suffering real problems, not the cyclical blip shared by others in the finance industry.

Second, it is simply wrong to argue that Jersey is not a tax haven. The Collins dictionary of economics states that a tax haven is "a country that imposes low rates of personal and corporate taxes, and as a consequence tends to attract wealthy individuals and multinational companies seeking to minimize their taxation liabilities". The Jersey finance industry participates in these practices and therefore we are a tax haven where tax avoidance is rife.

In addition, the Organization for Economic Cooperation and Development (OECD) states that a tax haven is a place where non-residents are undertaking financial activities to pay little or no tax. They also say that a place is a tax haven when there is no effective exchange of taxation information with other countries. In addition, they state that in a tax haven the lack of transparency is legally guaranteed to the organizations based there and that there is no requirement that local corporations owned by non-residents carry out any substantial local

activity. In fact, such corporations may be actively discouraged from doing business in the jurisdiction in which they are incorporated.

We in Attac, agree that Jersey does now finally have some information exchange agreements, but these only relate to bank deposits held by individuals. In practice, these arrangements can be avoided because Jersey allows a withholding tax option instead or by shifting cash into trusts, so they are almost wholly ineffective. Jersey also does not require a company to publicize its ownership but, allows the use of nominee directors and shareholders, does not require company accounts to be published and offers a trust regime where the authorities have no knowledge of how many trusts exist or for what they are used. In other words, Jersey has almost no transparency, and it does all of this to promote the use of “special purpose vehicles” based in the Island which exactly meet the fourth OECD criterion of a tax haven activity. Therefore, the spin-doctors might protest but by any objective criteria Jersey is a tax haven and the current tax reform proposals will not alter that status.

Mr Austin also states that Jersey is a leader in agreeing to comply with international requirements on financial regulation. One wonders therefore, why the Isle of Man government, in their tax strategy review paper of 2002 said some tax havens had to be forced to comply with the OECD and European Union initiatives on harmful tax practices. In particular, “The force of the UK position was certainly not lost on Jersey” who, the Isle of Man government said had “to be “persuaded” that it was in their best interest to do so”. Far from taking the initiative on any of these matters, Jersey is a reluctant regulator of any aspect of its tax haven activities.

We in Attac, and indeed the Tax Justice Network reiterate that we have no problem with the finance industry, which is contrary to Mr Austin’s letter where he accuses us of picking on Jersey. Both Attac and the Tax Justice Network are international non-governmental organizations (NGO’s) that campaign for the end of tax evasion (which is illegal) and aggressive tax avoidance (which is immoral) in all nation states which includes tax havens, of which Jersey is one and where secrecy is endemic, this is what attracts wealthy individuals and multinational corporations to come here.

If the Jersey finance industry were willing to operate openly and transparently, and make sure the same conditions applied to the special purpose vehicles and unknown hordes of secretive, supposedly charitable, trusts that they create on behalf of their unknown clients then we would welcome them warmly. However, it seems that the finance industry is not willing to do that. It wants to keep its secrecy and abusive taxation practices. Indeed, Jersey’s financial services regulations are designed to allow that secrecy and the new tax laws are designed to maintain the current levels of abusive taxation practices. This is of course what Jersey Finance called for and got in their submission to the States on the Goods and Services Tax.

This brings us to the core issue that divides us. Mr Austin says that the promotion of the finance industry in its current form is essential to Jersey’s long-term future. We disagree. As Jersey is still a tax haven, no words of comfort from a minor French official will change that, whatever anyone thinks. What is changing is the attitude of civil society all over the world towards tax evasion and avoidance practices. This is reflected in the international accountants KPMG’s report of March 2005 that “Tax has changed dramatically in recent years. Its public profile

has become much more conspicuous, it has acquired moral, ethical and social dimensions that have never been discussed before". Curiously, one of the main reasons for this change as stated by KPMG is the existence of the Tax Justice Network.

We agree with KPMG's assessment. We do not think the world will tolerate the types of financial services Jersey and other tax havens are offering for much longer. We argue that the only threat to the finance industry in Jersey is itself. Therefore, we would welcome a new approach to financial services on the basis we describe in this letter, but we are certainly not calling for an end to the finance industry.

Yours Sincerely,

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

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Attac Jersey is a member of the International Tax Justice Network
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