

Funding the Future

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As readers of this blog will be aware, I take an interest in the economic and taxation affairs of Jersey. That's partly because I advised a Scrutiny Committee of the States of Jersey for a while. It's true, that under pressure from ministers I was replaced by a rampant right-winger, but it's curious to note that the Committee still seems to be listening to my warnings that Jersey's finances are heading out of control. Indeed, the [exchange between me and Senator le Sueur](#), their minister of finance, on this issue is still being reported by him as the definitive exchange on this issue. So it's good to see that the following has been reported in the Jersey Evening Post on 23/1/07 (as their web site is so poor I reproduce it):

TREASURY proposals to fill the Island's impending tax black hole may not work and Jersey could lose virtually all tax on business income, says the chairman of the Scrutiny panel assessing the new zero-ten tax structure.

And Senator Jim Perchard's panel has called upon the Treasury to take forward an alternative proposal to 'extract some loot' from non-locally owned businesses such as high street chain stores.

Meanwhile, the latest proposals could result in a one-year tax holiday for the self-employed if plans to change business tax assessments to a current-year basis are approved.

Next week, the States, says Senator Perchard, are to be asked to create an up to £95 million 'bloody great hole' in the Island's finances and 'seem to be using Elastoplast to fix it'.

In fact, so important is the issue that I've put the whole article [here](#).

The figure of £95 million is too low. As I show [here](#) the real number is likely to be at least as high as £118 million a year. Even Le Sueur agreed when interviewed by me that the figure would be in the range £80 - £100 million, although his own publications always reports £75 million despite that.

But the point is this. It costs near enough [£500 million](#) a year to run Jersey, and it's rising. With the best will in the world the Scrutiny Committee on finance that I served,

and which has now reported again, could find no way in which the loss of tax revenue that the 0% corporation tax Jersey is planning can be made good from other sources. It has, maybe 5 or so years of reserves available to cover deficits running at this rate. Then what? It goes bust, I suggest. The local population cannot absorb the rate of GST required to cover this. It would require a rate of at least 15% - and Jersey (which has no GST or VAT at present) is already one of the most expensive places to live in the world. The local people who provide the backbone of, but not the higher earners in the finance industry (almost all the latter being imported) simply could not afford this.

I know there are those who think this is just gloom-mongering. Or even wishful thinking. It isn't. This Scrutiny Committee confirms that it's reality. Jersey's model for being a tax haven is unsustainable. And there are a lot of very depressed people who would like to see a better prospect for the island than the disaster that seems, inevitably to be coming its way as a result of the Walker / Le Sueur legacy. But it's hard to see how anything but bankruptcy can be avoided now. The finance industry wants 0% tax, and will enjoy it whilst it lasts. And then they'll cast the place aside. That's what vultures do.