

# Funding the Future

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In a reply to a comment on this blog I got a most insightful reply from a member of the Channel Islands' finance industry.

I [suggested Jersey and Guernsey would go bust](#).

He said:

*Not impossible at all for Jersey and Guernsey to survive. Jersey has a GST of 3% and Guernsey has none at all. In fact Guernsey is probably the only jurisdiction in the Western world not to have a consumption tax, and Jersey's is about the lowest rate among those that do. Both could very comfortably balance their books by charging GST at rates significantly lower than the UK and Western European rates. I predict that's exactly what will happen.....20% personal income tax rate, 10% GST and 0% corporate tax. Not exactly punitive although it would be a big sea-change for the islands' population who will not readily welcome consumption taxes.*

*If my recollection is correct, Jersey predicts it will raise £45m annually from a 3% GST. A 10% rate would therefore raise £150m a year. Guernsey's economy is two-thirds that of Jersey, so that's circa £100m a year. That option is up the sleeves of our politicians to use whenever they think they need it. The current global recession will merely speed that up.*

So there we have it: the insider's confirmation of what some of us have been saying for a long time: that the GST in Jersey was never intended to stay at 3% and that it would increase to more than 10%. Some of us have had a bet on this since it was first announced.

But let's also face reality. Jersey and Guernsey invited the finance industry into their islands to bring revenue they otherwise lacked. They were meant to subsidise the place.

Now the tables are turning. What is very clear is that those ordinary people living there (the real residents - not the parasitical ex-pat community who are either there to evade tax or provide facilities for those who want to) do not enjoy a high standard of living.

Prices are astronomical. And this move would shift the burden of significant additional tax onto them: most goods and services are subject to the GST. In other words: they would be paying to have the tax evaders in their midst.

Do you really think they'll vote for this? Or will they say 'enough is enough' and like Iceland chuck out those who have been debasing their economy in pursuit of their own greed and seek a different future elsewhere - probably in the EU?

That's what is likely. My commentator can extrapolate all he likes: he should know it is dangerous to extrapolate outside known data.