Funding the Future

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Cayman Islands budget on hold as debt crisis worsens | □□□□Business | □□□□guardian.co.uk

The Guardian take:

The Cayman Islands leader, William McKeeva Bush, was today forced to postpone his annual budget as the British overseas territory's debt crisis worsens.

The situation prompted financial leaders of the Caribbean territory to launch a blistering attack on the British Foreign & Commonwealth Office (FCO) minister, Chris Bryant, for demanding the tax haven introduces an employee tax to ward off disaster.

Anthony Travers, chairman of the Cayman Islands Financial Services Association and its stock exchange, argued: "The move from an indirect to a direct system of taxation is a seismic shift which has not been thought through and which is not justified on the facts."

Despite its huge wealth, the overseas territory is strongly resisting pressure to levy taxes to escape a black hole caused by the cost of a large public infrastructure programme and dwindling licence fees from the financial institutions.

"I have canvassed senior business players in Cayman and they have indicated that at the first sign of a payroll tax they will have to consider their options," said Travers. "I believe this will inevitably lead to job losses and it will affect both the highly paid and more junior members of staff and lead not to a revenue increase, but a decrease."

So it least one person in the world believes in the Laffer curve.

And just for once, it may be right because 0% tax is not sustainable when you have nothing else to offer.

I also note:

Cayman Islands leaders are furious the islands and other tax havens have been blamed by G20 world leaders for helping to bring about the financial crisis. But campaigners argue so-called "secrecy jurisdictions" were central to creating financial instability that exacerbated the crash.

Too right we say that.