Fears over Island's VAT deal - Isle of Man Today

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Isle of Man Today reports:

CHIEF Minister Tony Brown has warned [that] .. the cash-strapped UK is putting pressure on the Manx Government to revise the Island's VAT sharing arrangements. It is feared that between £50 million and £100 million of government revenue per year could be in jeopardy under any move to tighten the revenue sharing arrangements under the Customs agreement between the two countries.

Tynwald members have been invited to a special briefing on economic issues of 'considerable importance to the Island' tomorrow (Wednesday) morning.

The Manx Government's current net revenue spending is £572 million.

With the UK public finances deteriorating rapidly, Gordon Brown's administration is anxious to find new sources of tax revenue.

It is understood that one area coming under pressure from the UK is the Customs agreement with the Island, which currently provides more than half â€šÃ„Ã® over £300 million â€šÃ„Ã® of the Manx Government's income.

Under the terms of the deal, the UK could give two years' notice to terminate the agreement.

As some may know, I have proven, time and again, that the UK provides a massive subsidy to the Isle of Man under this deal. My latest estimate is that the subsidy is at least £230m a year. The Isle of Man has, of course, always denied this. London has not commented. But it looks like someone has been listening (this blog is, I know, read in the Treasury). And better still, action might be taken - which is prima facie ecvidence I am right, of course. I take some satisfaction from that. I take much more satisfaction from knowing that this will transform the economics of the Crown Dependencies. The Isle of Man has sought to ruthlessly undermine Jersey and Guernsey, first by using this tax subsidy to not charge tax on corporate profits and second by offering a low cap on income tax liabilities. It could only do this becasue a significant part of its state income was given to it by the UK taxpayer. Now the Isle of Man might have to charge tax - significant tax - on its own population and on companies. So a) this takes pressure of Jersey and Guernsey b) it means all three can now charge tax on corporate profits located there c) it puts off the day Jersey and Guernsey might go bust whilst putting the Isle of Man at serious risk d) it means that the 'tax havens' might be seriosuly undermined. All in all, very good news. Let's hope its £100 million or more the UK claws back. NB The Foot Commission did have access to all my data on this.