The failure of zero /ten is entirely the Crown Dependen...

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A commentator on this blog has said, referring to the UK’s requirement that the Crown Dependencies drop their zero / ten tax proposals, and quoting me in the first instance:

RM: zero/ten is dead - unfortunately IOM and Jersey seem to be slow in realising this

Comment: Don't believe this is true. I think the Islands are extremely savvy and they know perfectly well that zero/ten is "dead" but it works for them so why bury it any faster than they have to? Here in IOM I am pretty sure that when they first proposed it they knew the full package wouldn't pass EU muster and that is why we only found out about the distributable profits charge on resident companies 3 years later. Another 3 years on when that hit the buffers we got the attribution regime and now a full 10 years on the rumblings are that zero/ten doesn't cut it at all. Another model will be on the drawing board as we speak. It is a game of chess in which the Islands work out their next move AND the opposition's next move in the fairly certain knowledge that it will take the lumbering, corrupt, bureaucratic giant a good while to reach the same conclusion.

I admire the admission of cynicism in the official approach to cooperation on tax matters that this comment reveals. I have every reason to think that this is exactly the approach the islands take.

I do, however, think the commentator gives the island’s far too much credit. I was, to some limited extent, involved in this whole process in Jersey. They, like the Isle of Man (with Guernsey, as ever, tagging along) thought zero / ten was really smart. Indeed, I recall an IoM lawyer calling it “a smart piece of footwork” back in 2004 or 2005. And the principle of zero / ten was approved by the EU in 2003.

The difficulty was that having proposed it the islands realised that they could not live with it. the failure of zero / ten has nothing to do with the EU or the UK: if the islands had really mean to charge zero per cent tax on companies there was nothing the UK or the EU could have done to stop them.

But what they realised, especially in the case of Jersey, was that they could not live without maybe a third of their tax revenues. As a result they tried to get round the nightmare they had created for themselves by re-introducing the â€šÃ„Ã²ring fences' the EU had tried to outlaw — specifically charging locally owned companies one rate of tax and those operating â€šÃ„Ã²elsewhere’ to zero tax.

It was not zero / ten that failed. It was the incompetence and dishonesty of local politicians, civil servants and tax advisers in proposing a solution for the islands that failed to deliver the tax revenues that met the island's needs that caused the failure.

And because the cynicism has not gone away I suspect the next proposed solution will fail too.