

Jersey and the Isle of Man tax regimes to be reviewed b...

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News reaches me of a meeting of the EU's Tax Code of Conduct Group, held last week.

This Group was established to monitor compliance with the [EU Code of Conduct on Business Taxation](#) — established in 1997.

Aficionados of this blog will know that in the wake of publication of this Code — with which the UK's Crown Dependencies are obliged to comply since they are part of the UK for these purposes — The Isle of Man, Jersey and Guernsey (in that order) announced plans to create what were described as zero/ten corporate tax systems.

Suffice to say, I was one of the leading critics of this move and when an advisor to a committee of the States of Jersey in 2005 [exposed Jersey's plans](#) as hopelessly non-compliant with the Code. It followed that the Isle of Man's and Guernsey's were too. The reason was simple: the proposed arrangements kept in place the ring fence that the EU Code was meant to abolish: it just claimed to move it from company tax law to personal tax law. So, as a result local companies remained taxable and those owned by all other people — even if trading in Jersey, Guernsey or the Isle of Man were not. This was blatantly abusive under the EU Code and last year the UK told the Crown Dependencies this was the case (at long last, and after a lot of publicity on the issue from the likes of me).

Each island has now to come up with new tax laws.

Guernsey has said it will do a 10% flat tax rate, irrespective of ownership.

Jersey and the Isle of Man have not announced plans yet.

So, last week the EU's Tax Code of Conduct Group met and considered their responses.

Guernsey they decided is off the hook for now: a 10% across the board tax will keep the EU happy.

As for Jersey and the Isle of Man: no news to the EU was not good news for them. Their

tax arrangements are to be assessed formally in September. I gather Spain and the UK are gunning for Jersey and the Isle of Man and are putting on tons of pressure for rejection of the current arrangement.

Expect a lot of lobbying of Tory and Lib Dem politicians from the Crown Dependencies before September then.

This one is vital: when imposing cuts on everyone else will the Con Dems stand up to the tax havens or not?

There's one to watch out for — and the fireworks will surely fly if they let the Crown Dependencies off the hook.