

Jersey is celebrating losing on zero /ten

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I frequently find tax haven behaviour bizarre at best. The mindset that can believe that offshore is a reality is one I admit I do have difficulty understanding.

As example of its weird thinking there was an editorial in the Jersey Evening post yesterday that sung the praises of the States of Jersey and the political hierarchy for their success in securing victory for zero / ten taxation.

It takes extraordinary logic to think that Jersey won on this issue. From 2004 to 2011 Jersey persisted in arguing that its deemed distribution rules - an integral part of zero / ten, designed to ensure that the tax haven ring fence denying tax haven privileges to its domestic population, were legitimate. It wriggled, argued, spent a great deal of money, consulted widely, and stuck to its guns up to presentations made at the EU last autumn.

And the EU said it was wrong. However Jersey turned it was wrong they said; the rules were abusive.

Now Jersey has given in and is abandoning those rules, accepting an assurance from its Treasury Minister that it will only cost £10 million or so a year (even though very recently a States member was assured by the same Treasury Minister that they actually had no idea of an accurate estimate of the sum involved) and has declared that a victory.

Well, all right then. If being proven wrong with a resulting considerable loss in tax, which all admit will impact significantly on the ordinary people of Jersey is a victory then I concede it is - but only because the criteria used to say so is that this is a victory for the finance industry in Jersey. And that's very, very different from being a victory for Jersey itself.

I also suspect the story has yet to reach a conclusion. I await the anti-avoidance rules that will, no doubt be coming soon to limit the loss to Jersey from this retreat. What chance is there that the ring fence will reappear then? After all, Jersey got the victory it

declared yesterday in June 2003, but then introduced the deemed distribution rules when it realised it could not afford zero / ten. Will we now see this happen all over again?