Funding the Future

Jersey to keep zero / ten - but with the abusive bits t...

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Channel TV has reported:

Jersey's Chief Minister has announced that the most controversial part of the Zero 10 tax policy - 'deemed distribution', will be abolished from 1st January 2012.
The move is in response to concerns raised by the EU Code Group, who regulate tax in Europe.

This move was obviously timed to coincide with the Isle of Man budget.

There is no doubt that the new arrangemnt meets the EU's requirements. I can't argue worth that. But the sting is in the tail, as Channel TV also expolains

From today, by abolishing the deemed distribution rules, Jersey shareholders in Jersey companies will be taxed in exactly the same way as non-local shareholders - that means they will be paying tax on the dividend actually received - not on the company's overall profits.
The move is expected to cost the Treasury £10 million a year in lost tax, but it is thought that money will be recouped when the companies are sold, the shareholder dies or leaves Jersey - in other words they might just collect the tax later than expected.

Candidly, that's wildly optimistic. Did Jersey really fight so long just to keep £10 million pa? I doubt it, a lot. The deemed distribution rules are, I'm sure worth more than that so the loss will be much more each year, at least for a while. And behaviourally as well it is obvious that abuse will now rise - the number of new companies in the UK jumped by 40% when a modest 0% tax option was given in 2003. But this is an option to be taxed at will. The loss will be much higher. And as Channel says again:

Zero 10 has cost the islands tens of millions in corporate tax receipts and brought protestors out onto the streets in Jersey.
Those protestors say it has left both islands with financial deficits which have to be filled by tax rises and spending cuts.

Quite.

Jersey Uncut coming your way soon, I suspect.