

Jersey's approach to the EU Code is just bravado - ever...

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[My analysis of Jersey's potential failure](#) to comply with the EU Code of Conduct on Business Taxation, yet again, [reached the Telegraph today](#). They reported my opinion very accurately. The Jersey response?:

In response to Richard Murphy's suggestion that Jersey's Zero/10 policy contravenes the Code of Conduct by granting advantages to companies without any real economic activity and substantial economic presence on the island, director of international tax for the States of Jersey, Wendy Martin, said: "The condition requires an advantage to be given.

"Since our general rate of tax is 0 per cent which applies to all companies with some limited exceptions, it cannot be said that Jersey is offering an advantage and therefore it cannot fall foul of this criteria.

"Regardless of this, Jersey is not in the business of what might be considered post box companies i.e. those with insufficient substance to justify their activity.

"International tax standards have progressed significantly in recent years such that domestic tax rules work against corporations shifting their profits to low tax jurisdictions without demonstrating adequate substance.

"It is clear from all of the evidence that the EU Code Group's concern is with the deemed distribution and attribution rules and not the Zero/10 aspect.

"The position taken by Richard Murphy is his view and is both contradictory to his previous position and does not accord with anything that is coming out of the Code Group."

Oh dear Wendy: go back and read what the Code says and what they said again, and then wonder why they didn't wave you through in February this year when you'd

announced that you'd abolish the deemed distribution rules. Was that because that wasn't enough for them? I suggest so.

In that case I'd look long and hard at 3 - because you failed it for good reason.

And my sources (thanks to all of them) suggest three things right now. First, you're not being invited to the next Code review that will consider this. I wonder why that might be? Second I gather that the UK isn't singing from the same hymn sheet as Jersey on this one. Third, even more ominous I hear the Treasury is beginning to share my opinion on the viability of Jersey's economy - looks like they're beginning to think Jersey's going bust too.

All in all - things aren't on Jersey's side. Could be that the bravado from Jersey on this is just that then, yet again.