

## Where do the funds in Jersey come from?

Published: January 13, 2026, 11:11 am

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Jersey's defence to the [Action Aid report](#) on tax haven subsidiaries, broadcast on local radio and in the media is threefold.

First, Jersey law has not been broken, so what's the problem (the same could have been said of those practicing apartheid in South Africa at one time by the way, but let's not go further).

Second, using Jersey only implies tax avoidance, not evasion. But then, as Denis Healey said, the difference between avoidance and evasion is the thickness of a prison wall and to claim that using an ISA in the UK is the same as routing funds through complex structures in Jersey are the same thing is disingenuous in the extreme.

Thirdly, the world benefits from Jersey, and most especially the UK benefits from all the investment into the UK that comes from Jersey.

The first two are obvious guff (to put it nicely) so let's look at the third.

This argument comes from a US academic called Prof Jim Hines, oft associated with my friends at the Oxford Centre for the non taxation of Business Taxation. What Jim Hines found when undertaking a study was that countries next to tax havens have high rates of inward foreign direct investment and so, he concluded, benefitted from the existence of the neighbouring tax haven. Jersey is using this argument to say that the UK benefits from its existence.

The trouble with Jim Hines work was that he never asked how the money got into the tax haven in the first place because (and this bit is not rocket science) the cash flowing out of Jersey was obviously not generated in Jersey, it flowed in there in the first place. And where did it flow from (the question Hines did not ask)? Well almost certainly from their nearest neighbouring large economy, of course. Where else?

So where does all the money flowing into the UK from Jersey come from? Why, the UK, most likely. And why does it go through Jersey on its way from the UK to the UK? To avoid tax, of course (re which, see above). In which case it costs us, and does

not benefit us.

So would Jersey now like to stop making such fatuous claims? Because they're really not worthy of any government or quasi-government spokesperson who wishes to be taken seriously.