

The Isle of Man can't balance its books - maybe it shou...

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It was budget day in the Isle of Man yesterday, and as [Energy FM reported](#):

The Island needs to dip into its reserves to balance the budget.

This year the Isle of Man is suffering a loss of £48m from changes to the VAT sharing agreement.

he government plans to transfer £55m from reserves, despite what it calls 'considerable progress to reduce departmental budgets.'

There are also plans to make withdrawals from the reserves in the next two budgets, before rebalancing in 2015.

The Isle of Man has had more than two years to plan for this VAT reduction now, since the UK announced it was going to withdraw its massive VAT subsidy to the island following my exposÃ©s on the subject on this blog. What is very evident is that it does not know how to make its books balance without this subsidy - as I always suggested would be the case. The reality always was that the Isle of Man could only afford to be a tax haven because the UK paid for it to be so.

And don't get fooled by the 'balanced in three years' ruse - all finance ministers say that. What it means is they can only ever forecast two years hence so all their wishes are fulfilled in three years time. George Osborne suffers from the same malaise. The reality is that what this really means is they have no idea how to make their books balance, now or at any time in the future.

So let me offer a simple suggestion to them: try raising some tax. It helps pay for the services your electorate want. It's not rocket science and it's what you'll have to do. The only slight trouble is, it would shatter the tax haven image. And right now the Isle of Man would rather raid the reserves than do that. But as I've always asked, how long can they risk doing that?