

Jersey stamps its foot in defence of tax abuse

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The [Guardian reports this morning](#) that Sir Philip Bailhache, the foreign minister, former Bailiff and former senior judge of Jersey, thinks it's time for Jersey to declare independence from the UK. As they note:

A barrage of regulatory clampdowns and political attacks on the Channel Islands' controversial financial industry has prompted one of Jersey's most senior politicians to call for preparations to be made to break the "thrall of Whitehall" and declare independence from the UK.

Sir Philip Bailhache, the island's assistant chief minister, said: "I feel that we get a raw deal. I feel it's not fair ... I think that the duty of Jersey politicians now is to try to explain what the island is doing and not to take things lying down.

"The island should be prepared to stand up for itself and should be ready to become independent if it were necessary in Jersey's interest to do so."

In a Guardian interview, he said strained relations with the UK over the past five years had made it "very plain" that Jersey's interests were not always aligned with those of Britain.

As long term readers of this blog will note, this is nothing new. Sir Philip, along with Colin Powell and others from the Jersey establishment, have been touting this idea for a number of years.

And let's be clear - these people do not have Jersey's interests at heart. They have the finance industry's interests at heart. They don't want to be covered by the European Union Savings Tax Directive or the EU Code of Conduct on Business Taxation, both of which have had serious impact upon them. They do want to be able to function as a secrecy jurisdiction untrammelled by intervention.

Remember what a secrecy jurisdiction is. Secrecy jurisdictions are places that intentionally create regulation for the primary benefit and use of those not resident in their geographical domain. That regulation is designed to undermine the legislation or

regulation of another jurisdiction. To facilitate its use secrecy jurisdictions also create a deliberate, legally backed veil of secrecy that ensures that those from outside the jurisdiction making use of its regulation cannot be identified to be doing so.

Jersey is just that. Read the [TJN report on its opacity, here](#). Jersey is seventh on [TJN's financial secrecy index](#). It is a major player on the provision of financial services designed to undermine the rights of democratic states around the world and of course as a result it does not see its interests as being aligned with those of the UK: it is seeking to undermine the revenue of the UK government and that's little short of an act of economic warfare, despite which they demand UK sympathy. The comments on CiF show just how little public support they have.

The reasons for Jersey wanting to split are, therefore, very clear. They want to continue to abuse at will. The real question is could they split?

The UK long recognised that its territories could leave its control if they could secure a majority vote to do so. It's not clear that the Crown Dependencies are such territories: their status is very unclear in this respect. But I'm not convinced anyway that the Jersey hierarchy believe they could get that vote right now. The people of Jersey know where their lifeline is: it is the UK right now, and a vote to leave the net - of which they are a very definite member - would leave them at considerable risk and with nowhere to go- literally - if they declared independence.

And there is real risk. Jersey's finance industry [appears to be weakening steadily](#) - because of global downturn and because of attacks on tax abuse. That's why they're getting so stroppy.

And then there's the budget issue - where the zero-ten tax regime (much altered to ensure compliance with the EU's requirements after a campaign to ensure this happened in which I admit I played a big part) is leaving a massive hole in Jersey's budget. They assumed growth would fill this hole and it is not happening. Their reserves do not cover their pension liability; their ongoing budget situation is perilous. I've long said there is a black hole looming.

But worst of all - leave the UK and the benefit of being part of the UK - with the back up of its courts system, regulation and oversight goes, and it's that which lets people put their money in Jersey with some confidence. Jersey is the massive net beneficiary of this arrangement and without the backing of the UK and its implicit guarantee Jersey is just some bandit island where no one can be sure what will happen. And the money will flow away as a result.

Bailhache can bark, but he has no bite. It's time to just call his bluff - and crack down harder on the abuse Jersey facilitates.