

Tax is the answer - even in the Cayman Islands

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I admit to quiet amusement at the news that the Cayman Islands is planning to introduce its first ever income tax. [As CayCompass.Com reports:](#)

Premier Bush's announcement last Wednesday that the Cayman Islands government would seek to implement a 10 per cent "payroll tax for work permit holders who earn more than \$20,000 per year as early as next month has touched off a firestorm of controversy and plunged nearly "everyone in the country — even those who don't normally follow local politics all that closely — into a "spirited debate.

Mr. Bush followed up on Thursday evening, stating that the government's budget process has "gone as far as we can go" and that Cayman was now awaiting a response on it from the United Kingdom's Foreign and "Commonwealth Office.

Let's just unpack that for a moment. First, this is an income tax. Cayman has never had one before. Second in true tax haven style the tax is discriminatory: only expats pay. Third, for once discrimination may have a point: Cayman has sold out its entire economy to expats so there is a logic in charging them. Fourth, the reason for this tax is that its business modelling is failing. Surprisingly to some, a no income tax economy can't balance its books. The Republican Party in the US should take note. Some in it think the US could do without income tax. Fifth, the real decision maker on all this is the UK. The charade that Cayman is independent is shot through by that admission. The buck stops in London. Which is why the buck for the tax abuse in Cayman also stops in London. Oh, and why Jersey et al are also subject to the same rules, whatever they like to say. Like the local councils they are, all; they do is ultimately subject to central control from London. Finally, the situation is desperate. These places never admit crisis until it hits them. The same will be true in the Crown Dependencies.