Funding the Future

Why can't Jersey go where the Turks & Caicos can?

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The European Union Savings Tax Directive is a vital weapon against tax evasion. That's it's only purpose. Introduced in 2005 it requires that all EU states and their dependencies - such as the UK's tax havens - exchange information with each other on interest earned in one member state where the recipient lives in another member state.

There was, when introduced, an opt out to keep Luxembourg, Austria and Belgium (at the time, but not now) happy, which was that tax could be withheld from interest paid instead of information being shared if that was what their customers wanted. Of course, this still permitted evasion and did not disclose hidden offshore capital as the scheme was meant to do so, but it was a step in the right direction and was always meant to be an interim measure.

Most tax havens, Cayman apart, also went for this withholding option.

May have given it up now. The Turks & Cacos islands are the latest to do so, on 1 July 2012. Gunersey and the Isle of Man have too.

But Jersey hasn't. It persists in offering this option.

And there is only one explanation for it doing so. Jersey still wants tax evaded money in its banks - money that they are all too willing to handle, it seems. As I've noted often, their customers' refusal to have their income disclosed to their tax authority does not make these banks think that they may be money laundering when to any reasonable person it would be impossible to think otherwise.

Jersey's increasingly isolated on this issue. But all it's saying by being so is that it's a home for tax evasion. Is that the message it wants to send out? I can only conclude that it is.

Hat tip: Markus Meinzer