

A note to the Channel Islands: tax free does not work

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I was [curious to note a report in the Guardian this morning](#) that said:

Norfolk Island, Australia's only self-governing offshore territory, will be stripped of its parliament and wide-ranging powers will be handed to Canberra.

The historic change, which passed the lower house with Labor's support on Tuesday, means the 1,800 islanders will be required to pay Australian taxes from July next year.

In return they will be entitled to social security payments, Medicare and the pharmaceutical benefits scheme.

To put [Norfolk Island in context](#), it has been self governing, is 1,400 km from Brisbane and because it has had no income tax has been running large deficits for which Australia has been responsible.

Now I am not drawing a direct comparison with the Channel Islands: there are obvious differences, but also some rather obvious similarities. The game of self government has been played, as has tax haven status. And now as Jersey heads for deficit for which it has no answers so too might burgeoning financial problems become similar. In which case so might the outcome be the same: Jersey, too, might be wrapped into the mother state.

The UK National Audit Office made clear that the UK is liable for the debts of all the UK's dependencies, including by implication the Channel Islands and Isle of Man, a little less than a decade ago. When and if those places run deficits and the UK's patience with them doing so runs out no doubt they too will lose their independence, despite local protest.

This is not inevitable: there could be local reform first. But let's have no doubt about where this story ends if Jersey, in particular, fails to act. There is no unlimited open cheque book to support it, I am sure.