

Funding the Future

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It has been a morning of making many media comments, including one to [ITV in the Channel Islands](#) who have reported this:

A leading tax reform campaigner is calling on the governments of Jersey and Guernsey to rethink the way the islands' financial sectors operate in the wake of a new global crackdown on tax avoidance. The G7 group of the world's richest nations [have agreed in principle](#) a new global minimum 15% rate of corporation tax designed, primarily, to stop the world's largest multi-national companies reducing their tax liabilities by setting up bases in low tax locations.

As they added:

Last week [ITV News reported](#) it could lead to the end of Jersey and Guernsey's current "zero ten" tax system which sees most companies based in the islands pay 0% corporation tax, with financial services companies paying 10%. Richard Murphy of Tax Research UK has described the G7 announcement as of "huge significance" to Jersey and Guernsey and has issued a direct challenge to each islands' Chief Ministers:

"Take heed of what has been said. You have been ignored. You made representations to Biden. The US did not listen to you for good reason. The time is now to look deep into the souls of the finance sector of both jurisdictions and ask what you are about now, to look at what the future is going to deliver for both and ask can you reorientate in a totally different way and change your tax system to suit a modern environment where 15% tax is going to look to be the minimum that companies are eventually going to pay worldwide, and to expect that this is going to spread beyond the large companies to the rest and reimagine your futures? Think radically about what it is you are going to do to service your populations who are going to continue to depend upon your governments because this is a challenge to the very core of what your islands are about because you've chosen to make them tax havens."

As they note:

Both Jersey and Guernsey's governments have repeatedly rejected the claim the islands are tax havens, pointing out they are compliant with global standards.

My response was:

Mr Murphy says those in Guernsey and Jersey who are claiming the islands will be unaffected by the announcement are wrong: "Well from a Jersey Guernsey impact there is huge significance in this. For Guernsey there's a risk in this because this is going to hit financial services and Guernsey has a lot of genuine financial services related activity, for example around reinsurance. They need to be worried about that. In Jersey there is tech company activity. We know, for example, Apple has used Jersey in the past so let's not pretend there is no involvement. People will be looking at the risk of locating in a tax haven in a different way.

[But] Does it affect the trust business? No. Does it affect most of the Middle East business in Jersey? Highly unlikely. So is it going to completely close down the financial services sector in Guernsey and Jersey? No it isn't. But it is another process of chipping away the attraction that Jersey and Guernsey have and makes them look more and more unacceptable to those looking to make an ethical choice."

As ITN noted:

The governments of Jersey and Guernsey have been approached for their formal response to the G7 announcement.