

# Attac & tax justice network in Jersey

## The Island of Jersey

### Introduction

Jersey is a small island economy of 45 square miles (116 square kilometres), geographically close to France, though politically a Crown Dependency of the United Kingdom. Jersey has its own government. Attac Jersey maintains close links with Attac Saint-Malo. The French coalition called Plateforme Paradis Fiscaux et Judiciaires is a member of the Tax Justice Network who we also represent in Jersey. Attac&TJN in Jersey closely follow the political, economic and social issues of the world from a local to global perspective.

As our Island has on more than one occasion been seen as a microcosm of what is happening in the neo-liberal market place we are in a position to make a unique contribution to this debate on the future of European co-operation. For over thirty years, Jersey has been hijacked by the aggressive tax avoidance industry. We, shamefully, are a tax haven. By outlining our experience here, we hope you can see what has happened and what needs to change for Europe to be somewhere where people would be happy to live and work.

In this short account, we plan to do this by briefly explaining the political, economic and social impact that the dominance of the finance industry has on our small Island.

### We in Attac&TJN Jersey are totally opposed to:

- The unfair way that rich individuals, trans-national and multi-national companies avoid paying their fair share of Income Tax placing the burden on those who often struggle just to make ends meet.
- Corrupt governments, companies and individuals in rich and poor countries stealing money from their own people and investing it for their own gain in tax havens like Jersey.
- The power and influence of trans-national corporations on local economies that tends to lead to poor pay and working conditions and lack of alternative work opportunities.

### How we respond to this:

- Our main aim is to research, campaign and educate the people to become aware of the undemocratic way in which global to local society is being run.
- We stand up against the State and accept the repercussions of this. Were it not for our links with Jacques Harel and Attac Saint-Malo, John Christensen, Director of the International Tax Justice Network, Richard Murphy, Director of Tax Research LLP and Prem Sikka, Director of the Association of Accountancy and Business Affairs we would not have survived for the last five years.

- There are few outlets for public opinion in Jersey, but we see ourselves as an important voice for democracy and the rights of global citizens.

## The Political Scene

### The States Assembly

The States of Jersey's political assembly consists of 53 independently elected members, of which 12 are Senators with an island wide mandate, 29 Deputies who are elected on a parochial mandate and 12 Constables who take their place in the assembly as a right of being elected leader of their respective parish. The assembly also has three *ex-officio* members appointed by the Queen of England who are the Attorney General, Solicitor General and the Dean of Jersey, who is the head of the Church of England in Jersey. They have the right to address the assembly, but not the right to vote. The assembly is lead by the Bailiff and Deputy Bailiff, who are unelected to the assembly but can vote in favour of the status quo. The Queen also appoints a Lieutenant Governor to oversee her interests in the Island. In our opinion, the States of Jersey Assembly is nothing more than a pseudo-dictatorship, especially as any criticism is not tolerated and rubbished by the local partisan news media.

## The Economy

Jersey had a gross national income for 2004 of just over £3 billion (€4.47 billion) giving Jersey a gross national income of £29,000 (€43,900) per capita, which is the second highest in the world after Luxembourg.

Jersey's fiscal policy is going through a period of change. Over the next four years, it will maintain a 20% personal income tax for individuals, and combined employer/employee social security contributions at 12.5%, reduce corporate income tax to 0% and implement a goods and services tax at 3% with no exemptions. Attac&TJN believe that Jersey's fiscal policy impacts unfairly on citizens from the lower socio-economic classes and is unsustainable in the long term. We have recommended increasing social security contributions to meet the demands of social protection and repealing the goods and services tax and implementing a textbook progressive income tax system.

There are also doubts that Jersey's fiscal policy will be compliant with the European Unions Code of Conduct on Business taxation, which Jersey has to abide by because we are a Crown Dependency of the United Kingdom.

### The Finance Industry

Jersey's economy is dominated by the finance industry. The finance industry's, total profit for 2005 was just over £1 billion (€1.49 billion). Post tax profits per full time employee are £98,000 (€146,000) which is among the highest in the world. Average pay for a finance industry employee is £710 (€1,057) per week. Eighty-two per cent of government income comes from direct taxation on individuals and companies, although this will change in 2010 when Jersey reduces corporate tax to zero per cent.

## Tourism and Agriculture

John Heys, our Political Liaison Officer and Maurice Merhet a committee member and lifelong farmer, note that Jersey's tourism industry only generates 5% of our gross domestic product, whilst the agricultural industry only generates 1% of gross domestic product. Jersey should be concentrating its energies on promoting alternative ways to maintain our economy instead of being reliant on the finance industry. Travel costs to, and especially from the Island are exorbitant and unaffordable for the ordinary working citizens. Attac&TJN consider that with the Train Grande Vitesse now stopping at Saint Malo Jersey could become part of the Autoroutes des Estuaires and attract European visitors to Jersey.

Attac&TJN have completed a comprehensive qualitative study with many farmers into the possible future of farming, and has come up with a very gloomy result. The general consensus is that it is no longer viable to farm. Many individual farmers are giving up, leaving two or three big co-operatives to struggle along, that being the only possible alternative. However, if fallow farmland could join with Tourism, and be converted to horse riding, golf, walking and cycling holidays, it may be a way of preserving the countryside.

François Dufour of the Confédération Paysanne and Attac France visited the Island in 2002 and was impressed by the richness of our land. He saw the potential for organic farming, which seems to be taking off slowly. This would be a far better bet ecologically and economically.

## Social Policy

### Social Protection

Chris Steel, Treasurer and Media & Communications Officer of Attac&TJN Jersey, explains that social and economic policy under Neo-Liberal nation-states like the United States of America and the United Kingdom creates an expanding divide of wealth and income inequality. This occurs because of reductions in direct taxation for companies and rich individuals, while they increase or enact new indirect taxation policies that hit the lower socio-economic classes disproportionately. Lost tax revenue is recaptured by reducing expenditure on social protection in the form of reduced welfare benefits and enacting coercive socio-economic policies that force formerly economically inactive people back into the workplace, usually in low-paid, insecure and part-time jobs.

Utilising the internationally recognised benchmark of assessing relative poverty at 60% of median income, Jersey currently has 46% of single pensioners, 64% of single mothers and their children living in relative poverty. In addition, 25% of all Jersey homes need support from the States to make ends meet. Research undertaken earlier this year by Attac and the Tax Justice Network into the proposed Income Support Scheme indicates that relative poverty may actually increase due to this policy.

Jersey spends considerably less than any other European country on social protection as a percentage of its gross domestic product. For example, Jersey

12.3%, Luxembourg 21.2%, Sweden 31.3% and the European Union average is 27.5%. Jersey also has low social security contributions of 6% for employees and 6.5% for employers. Attac&TJN regard this situation as unacceptable in such a wealthy Island, especially as Jersey has the second highest gross national income per capita in the world after Luxembourg.

## Employment Law

Rose Pestana, of the Transport and General Workers Union, and our Trade Union Liaison Officer, notes that the Jersey government along with employer organisations have produced an employment law that marginalises employees rights to participate in organised rallies, to strike, the right to maternity leave and the right to a sustainable minimum wage. Any action taken by Jersey employees could be recognised by employers as a breach of contract, and therefore a dismissible offence. The International Labour Organisation state that Jersey's employment law is the worst they have ever seen.

The Jersey Employment Law has set a minimum wage of £5.24 (€7.81) per hour, which is lower than that of the United Kingdom and all European Union countries when the cost of living is taken into account. For someone working in Jersey to reach the median income wage, whilst on the minimum wage they would have to work 103 hours a week, that's another 63 hours a week over the accepted normal working week. Attac&TJN have submitted a report asking for the minimum wage to be increased to at least £6.08 (€9.06) per hour, to demonstrate to the employers that a sustainable minimum wage does not affect economic growth or productivity.

## Housing

The price of housing in Jersey, to rent or buy, is comparable to that of a property in the most expensive parts of London. Unlike London or other big cities, however, our people have nowhere else to go. This is an Island. Such extraordinarily expensive housing, which is the most pressing cause of material deprivation for most low-income families, goes some way to explain the unusually high levels of alcohol abuse, divorce and drug dependency. Many people have to rely on social housing if they are to remain in their island. More local families are being forced to leave Jersey, as they cannot afford to stay. Sadly, statistics to support this statement are unavailable. The recent sale of public social housing units to the Jersey Homes Trust for a nominal fee has been approved by our government at a loss to the taxpayer of £8.33 million (€12.42 million).

## The Passport Issue

As Jersey is not part of the European Union, Jersey born citizens whose parents and grandparents were also born in Jersey or mainland Europe are discriminated against as their passports state that they are British citizens, but states that, "The holder is not entitled to benefit from European community provisions relating to employment or establishment." It is estimated that 5,000 of us are affected by this clause, as they do not have United Kingdom nationals in their ancestry. While Jersey people have no right to settle in the European Union, those from within the 25 European states are flooding into our Island prepared to work for very little money, thus undermining the job prospects of the local people. We have to ask if it

is democratically legitimate to imprison the indigenous people of Jersey to life in one of the most expensive places in the world.

## **Tax Haven Jersey**

Jersey is one of 70 or so tax havens in the world that have in excess of £6.5 trillion (€9.01 trillion) hidden in the form of 'companies', 'trusts' and 'funds'. If this sum was taxed at a moderate rate, at least £131 billion (€199 billion) could be recouped in a year. If only a fraction of the taxes due on the trillions of dollars, sterling and euros held in tax havens became available for international development, it would enable most rich countries to allocate 0.7% of their gross national income to meet the United Nations Millennium Development Goals, therefore alleviating absolute poverty in third world countries.

Individuals such as Rupert Murdoch, Sir Philip Green, Lakshmi Mittal, Hans Rausing, Bill Gates - among the world's richest men - all make extensive use of tax havens. The relatives of the late Nigerian dictator Sani Abacha had at least £105 million (€156 million) hidden in Jersey. Although this sum was repatriated to Nigeria, the loophole that allows Jersey to facilitate bribery payments involving African countries remains, despite a promise to the Organisation for Economic Cooperation and Development that they would close this loophole.

George Gelber, head of public policy at the Catholic aid agency Cafod, states: "The people who use tax havens are free-riders on the taxes paid by working people round the world. They pay little or nothing for public goods such as the rule of law and security, which have to be paid for by the taxes of much less well-off people."

Richard Murphy in an article for a British national newspaper said, "We now have evidence that its (Jersey's) government knowingly facilitates tax evasion by creating legislation that allows it to happen..... It's clear that the Jersey government's aim is to help the rich evade the tax that they should be paying to other governments, including the United Kingdom." This would apply equally to mainland Europe.

## **Conclusion**

As we have seen from the above narrative Jersey is being run by a pseudo-dictatorship who are totally committed to formulating and implementing social and economic policies that benefit the rich and cripple the poor from a local to global perspective. Jersey is following the neo-liberal models of the United States of America and the United Kingdom in reducing direct taxation on individuals and companies, whilst raising indirect taxation in the form of a goods and services tax, which will have a detrimental effect on the lower socio-economic classes. Several years ago, Jacques Harel of Attac Saint Malo warned us that the first casualties of tax havens were the indigenous people and especially the poor, and his advice has certainly proved correct. In Jersey socio-economic inequality is growing, the rich are getting richer and the poor are getting poorer, and Attac&TJN argue that this is a direct consequence of neo-liberal globalisation. We therefore, warn mainland Europe to fight for and preserve your social democratic models!

For source material and further information, please see:

[www.jersey.attac.org](http://www.jersey.attac.org)

[www.aabaglobal.org](http://www.aabaglobal.org)

[www.taxjustice.net](http://www.taxjustice.net)

[www.isthisjersey.com](http://www.isthisjersey.com)

[www.taxresearch.org.uk/blog/](http://www.taxresearch.org.uk/blog/)