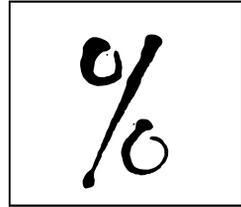


We stand for fair taxation



The Writing on the Wall

It is interesting to see how inexorably we are coming under attack by the EU, which having declared long ago to clamp down on tax avoidance centres like Jersey, is gradually putting its intention into practice.

First we had the withholding tax, where individual investors are forced to return a proportion of their interest gained (previously undeclared of course) to their country of residence.

Next, and just as surprisingly, Barclays Bank has agreed to reveal confidential financial information on individuals, and more recently America has been assured of information on their tax dodgers.

It is obvious that although played down to avoid panic, the writing on the huge wall is not just a rumour, but is plastered right up there for all to see. The spin coming from our leaders is 'all is well', 'we are doing fine thank you very much', 'even more money coming in' etc, keep our heads firmly as far down in the sand as we can, and it might go away. The EU via London is making huge inroads into the game of tax dodging in tax havens (oops should I say finance centres) like Jersey, and the really

worrying aspect of all this is that whilst in denial, there is poor contingency planning. Our GDP is something like 55% Finance, 5% Tourism, and believe this, 1% agriculture. By the time our leaders face up to what is happening we shall be too far behind to recover.

It must be obvious that soon the advance will be against corporate tax avoidance, and then see how they run! They'll up sticks and go to somewhere safer where more money can be made. So many other up and coming centres are waiting in the wings, where secrets can be kept and where it is far less expensive to run than here.

With all this in mind, Jersey should be going all out to promote and increase the one other thing that can produce big income, Tourism!! Instead of 'Dandaring' every inch of ground with flats and office blocks (for what reason? but that is another big question), we should be building modern hotels and promoting our beautiful island as much as we can. We should be targeting Europe especially as the TGV train is running from Paris to St Malo, which is like Londoners going down to Brighton to get to the sea. I think that as costly as it will be we MUST prepare for the possible demise of the finance industry.

As far as Agriculture is concerned, Maurice a life long farmer, has completed a comprehensive study in consultation with many other farmer friends, 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 any more. Many individual farmers are giving up, leaving two or three big combines to struggle along, that being the only possible alternative.

However, if fallow farmland could join with Tourism, and be converted to horse riding, golf, or walking holidays, it may be a way of preserving the countryside.

Now, before it is altogether too late, we must stop putting all our eggs into one unsteady basket, and prepare for a battle which is obviously on its way.

John Heys

Letter from the Editor.

People often tell me that our Island is falling apart, that house prices are rocketing and are beyond the reach of the young. Our tourism industry is declining and agriculture is in crisis. Jersey claims to have the second highest Gross National Income (second to Luxembourg) in the world, but offers one of the lowest state pensions in western Europe to its people. The establishment is so deaf and blind to the plight of pensioners that they have little to say about the lack of financial support for the elderly to meet their heating and fuel costs. Just to cheer us up a bit more our electricity charges are set to go up by 25%. That's a quarter more than we pay now! Even 10% or 15% would be too much for many of us.

Internationally, Jersey is known for sleaze and shady financial dealings. It has been used as a base to violate UK's VAT laws. Its banks have a history of receiving hot money, especially from developing countries and depriving local people of much needed resources. Corporate transparency is unheard of. To save face, Jersey is forced to accept EU codes and directives.

By the way, in case anyone thinks I'm just being negative here, I'm not. I'm merely giving you the facts. Like the Titanic, our Island is being steered towards an enormous iceberg. I didn't put it there. I'm calling on the Captain and crew to turn the ship around. They don't want to listen. Most of the time, they prefer to tell us that all is well, they know what they're doing, we've got it all wrong and the iceberg doesn't exist.

The problem with contemporary politics is clear for all to see. Those who support the status quo or align themselves with dominant groups are rarely asked to provide any evidence to support their assertions.

So it follows that little evidence is called for to support the "Establishment's" claim that "Jersey is democratic", "well governed", "not a tax haven", "is a well-regulated offshore finance centre" and so on. But anyone else wishing to contest this is immediately placed in "negative" space and asked to provide evidence for what they say. These demands are made with the full knowledge that the evidence is irregular, does not fall out of thin air and usually comes out because of scandals, whistleblowers or investigations.

Such evidence is always labelled partial, incomplete and just one example and so on. These are the subtle ways in which certain newspapers and magazines and some other branches of the media operate censorship. It's organised so that the official line is treated in one way and any opposition to it in another. For these reasons we, and particularly our academic and professional colleagues from the two international organisations to which we are privileged to be associated, constantly carry out research on a global scale. We use the Internet, academic papers, our websites, Newsletters and News Sheets to remove barriers and work to create new possibilities for change.

What is important is that we understand that there can be no quick fix for Jersey because of the misgovernment we've suffered for years. We must stop being afraid of those who don't want us to see what's happening or speaking up for ourselves in public. There's nothing to fear from bullies. On closer inspection they usually turn out to be made of jelly! By working together we will be in a position to plan for a future

that we really want for our Island. This is not only our right. It's our responsibility.

We welcome any help from any of our readers. If you would like to contribute by telling us about your own experiences, writing short articles for our Newsletter or News Sheet, helping to distribute publications to your friends and neighbours or by offering any other help at all please contact me by e-mail, phone or letter. Our next meeting is on Thursday 27th July 7.30p.m. at St. Paul's Centre, Dumaresq Street. All welcome.

Here's an inspiring thought to help you to make up your mind:

"It's not because things are difficult that we dare not venture. It's because we dare not venture that they are difficult." Seneca.

Thank you.

Pat Lucas

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We are members of the Association for the Taxation of financial Transactions for the Benefit of Citizens (Attac) & the Tax Justice Network (TJN).

The aims of both organisations are to research, educate and campaign to further public awareness. We are seeking to alleviate poverty through the creation of just taxation systems to fund social goods.

The Taxman Cometh!

For years the Jersey Financial Services Commission, along with the finance industry and the political 'establishment' in Jersey, have been assuring the public and all interested parties like the European Union (EU), Organisation for Economic Cooperation and Development (OECD), Attac and the Tax Justice Network that Jersey does not get involved in tax evasion, especially since it is illegal.

In a recent legal ruling by the Advocate General, however, Her Majesty's Revenue and Customs (HMRC) was granted the power to investigate the offshore bank accounts of the UK domiciled clients of Barclays Bank. These include those in Jersey, Guernsey and the Isle of Man and other tax havens. Holding an offshore bank account is not illegal, but failing to declare the interest on these accounts is, and this is what HMRC is endeavouring to establish because it estimates that as much as £1.5 billion a year could be recovered in lost tax revenue through tax evasion.

Grant Thornton Accountants estimates there are some 3 million Britons holding bank accounts in tax havens. In addition, the ruling over Barclays will lead to all the other high street banks being investigated by HMRC in due course, especially as a survey into offshore account holders revealed that only 3.5% of them declared the interest made on accounts to HMRC. Individual nation states across the world and especially Europe, Australia, and the United States of America are endeavouring to re-capture lost tax revenue hidden in the seventy or so tax havens globally. The United States has taken the lead in using information about the use of offshore credit cards to track tax evasion by US residents, and the UK government now appears to be following a similar path.

The International Monetary Fund conservatively estimates that \$7 trillion is held in offshore tax havens. According to the Tax

Justice Network, the figure is as high as \$11.5 trillion. Alex Cobham of Oxford University argues that the activities of tax havens creates problems for all governments rich and poor, and that tax avoidance / evasion is costing developing countries at least \$50 billion a year.

For years, the people of Jersey have been told by their elected representatives that the Island is only used for legitimate activities. The Barclays ruling suggests otherwise. Jersey, like most other tax havens is principally used for escaping taxes, and as the rest of the world – quite reasonably – acts to protect its tax base, the tax havens will come under increasing pressure to finally clean up their acts. This will leave Jersey with basically no economy. The ramifications of this can be solely planted at the door of the political ‘establishment’ of the last thirty years as they have pandered to the finance industry’s aggressive lobbying as we have seen over zero-ten corporate tax and goods and services tax.

Chris Steel

Treasurer Attac Jersey

Please be Fair to your Employees

In the last week Deputy G. Southern lost by one vote on his amendment to the Employment laws. I listened to the Senator on Sunday Talk Back on 21 May 06 stating that while Emeraude shipping will be paying a redundancy package to its employees in France, Jersey will not be doing likewise for Emeraude employees here.

Does he not understand that without the legislation in place this would not happen in France? Their unions have fought hard for this care and protection the staff at Emeraude and other workers enjoy in France.

What worries me is that we have States Members voting on our behalf who do not fully understanding what will happen if they get

it wrong. We have seen just this at Emeraude - staff who have given many years service are coming away with very little. The argument put forward is that small business will not be able to afford the cost of redundancy packages if their businesses go under. If the boot were on the other foot we'd see that staff cannot afford to be denied this protection.

The UK redundancy package is calculated by age:

18 years and no more than 22 years will receive ½ a week's wage for every year of service.

22 years and no more than 41 years will receive one week per every year's service.

22 years till 65 years will receive 1½ weeks per every year's service.

So how is this going to break the bank?

With the States voting against representation under the Employment Relations Act

1999 an employee can if he/she so chooses be represented by a friend or union representative. This is recognised in most firms including the States of Jersey Departments.

Double standards or what? As a government our States should give the same rights to workers in other sectors as it does to its own States' employees.

So, all I can say is, when you in the States vote on my behalf please read up on the laws from Britain and other European countries and what the amendments mean, then maybe you will get it right.

Rose Pestana .

Housing - Proposed Penalty Tax on Unsold Properties

In order to slow down the building programme a penalty tax in the form of a Land Tax should be imposed. This would:

- Prevent a wastage of both scarce and valuable Jersey land which the government sells off so cheaply with scant regard for future generations.
- Enable locals to move into the private sector. No developers will continue to pay tax on hundreds of vacant flats and houses with no return in profits, so they would lower their prices. Such a move would result in affordable prices for sale or rent to locals. As any businessman knows half a loaf is better than none.
- Bring an end to building surplus social/States dwellings, resulting in money being saved and going towards the maintenance and renovation of existing properties.

If developers and the States continue on this treadmill of never-ending building projects more people will be brought in to fill the empty dwellings. On our Island 45 miles square the demand for public services will increase - schools, health, water, not to mention the sewage problem.

Overcrowding results in poor health, stress, loss of quality of life with continuation of heavier taxes, GST, now and in the future.

In order to have a sustainable economy we must act now to bring in a strict immigration policy; population control is essential.

Inflation must be kept to a minimum. We need a trained local workforce - education of our young and more places on training schemes for adults and school leavers will help secure a decent standard of living for all - that is if Jersey is to survive. If money still remains in the Rainy Day Fund it should be used to achieve these objectives.

Hard times means tough measures must be taken.

Fleur

Ethics, what Ethics!

Part of the responsibility of any professional business or organisation is that they conduct themselves and behave in an ethical manner. According to the website of Ernst & Young, they stand for “people who demonstrate integrity, respect and teaming”¹. The world’s Big-Four accountancy firms (PricewaterhouseCoopers, Deloitte, KPMG and Ernst & Young) audit the accounts of most of the world’s largest multi-national and trans-national corporations. The global income of the Big-Four in 2003-04 was US\$55 Billion. This is bigger than all but 52 nation states gross national products (GDP)². In the UK, the Big-Four audit 343 of the top 350 Financial Times Stock Exchange (FTSE) companies².

There is nothing inherently wrong with this apart from the fact that the same accountancy firms also actively sell aggressive tax avoidance packages to the same clients whose accounts they audit. In America, the Securities and Exchange Commission (SEC) found that Ernst & Young have an utter disdain for the SECs rules and regulations on auditor independence leading to reckless, negligent and unprofessional behaviour³. In addition, United States (US) Senator Joe Lieberman stated to a US Senate Committee that “ranks of lawyers, accountants and financial consultants have abused the law and their own professional ethics simply for the sake of huge sums of money to be made helping their clients evade taxes”⁴.

In 2004 the UK treasury was thought to be investigating a number of the Big-Four firms for selling aggressive tax avoidance schemes to 30 companies resulting in more than £1 Billion of lost tax revenue². Most of us remember the collapse of the Bank of Credit and Commerce International (BCCI) that

resulted in the loss of 14,000 jobs and US\$1.85 Billion in deposits. The US Senate said that BCCI's British auditors were party to a "cover up"⁵.

The creation of the Limited Liability Partnerships (LLPs) allows individual partners of accountancy firms to protect themselves from malpractice from any other partner in the same firm². The UK legislation on LLPs was forced through the back door of Jersey where two of the Big-Four ((Price Waterhouse (now Price waterhouseCoopers) and Ernst & Young)) played a major part in drafting the LLP legislation⁶. The LLP is not required to maintain adequate insurance cover to meet any legal claim against itself or its partners. In addition, there would be no recourse against the assets of the partners not involved in the alleged negligent decision⁷.

It seems bizarre that the Big-Four can audit the accounts of multi-national and trans-national companies whilst selling the same companies aggressive tax avoidance schemes and seem to be able to avoid full liability through LLP's if any of these companies fall into bankruptcy or investigation by national Financial services regulators and governments. Tax havens play a central part in the tax avoidance industry and the Big-Four are active in all the major tax havens, including those blacklisted by the Organisation for Economic Co-operation and Development⁸.

It would seem that ethics is a misplaced concept for the Big-Four accountancy firms.

Chris Steel

Treasurer Attac Jersey

Footnotes:

¹ http://www.ey.com/global/content.nsf/UK/About_EY_-_Values.

² *Cousins, J., Mitchell, A. and Sikka, P (2004) Race to the Bottom: the case of the Accountancy Firms, Essex, Association for Accountancy & Business Affairs.*

³ *United States of America before the Securities & Exchange Commission “in the matter of Ernst & Young LLP”, Initial Decision Release No.249 Administrative Proceeding File No.3-10933”, 16 April 2004.*

⁴ *Lieberman, J. in evidence to the Senate Committee on Governmental Affairs, 18 November 2003.*

⁵ *US Senate Committee on Foreign Relations (1992). The BCCI Affair: A Report to the Committee on Foreign Relations by Senator John Kerry and Senator Hank Brown, Washington DC, USGPO.*

⁶ *Accountancy Age, 14 December 1995, p.1 and 3.*

⁷ <http://visar.csustan.edu/aaba/LLP60ct2000.html>.

⁸ *The Observer, 13 July 2003.*



www.aabaglobal.org/
www.taxjustice.net/
www.attac.org/indexfla.htm

Our local site: www.jersey.attac.org, is being redesigned at the moment.

**A better world is
possible**