

27<sup>th</sup> August 2010

## What's the big rush into a new corporate tax system?

Although there is no doubt it needs changing.

The consultation process into the direction that Guernsey should go to replace the 0/10 Corporate tax system

has just finished, but it leaves one asking oneself, what is the almighty rush for this further leap into the unknown.

Unless Guernsey States have been holding out on us, the signals coming out of Europe and the UK Treasury are ambiguous to say the least, so why should we jump every time one of the European Countries mumbles a few word of discontent. Guernsey States made that mistake over 0/10 and by rushing in have lost this island over £200 million. A years delay and we would have been in a far better position to get it right.

Look at this statement taken from the introduction to the consultation document:

**2.5. "In October of 2009, it was communicated to Guernsey via HMT, that certain EU Member States no longer considered the zero/10 regimes to be fully compliant with the 'spirit' of the Code."**

What a broad non meaning statement, which EU Member States, how was 0/10 not fully compliant, are Guernsey States really asking us to take this comment as reason to start changing our Tax System?

Look at this next section of the consultation document and note the highlighted phrases:

**2.7. Whilst no formal ruling has been made** by the CCG with respect to the zero/10 regimes, **indications from other quarters**, such as the publication in 2010 by Belgium of a list of jurisdictions which do not subject the income of companies universally to tax at a rate of at least 10% (despite many of these jurisdictions being currently white listed according to OECD criteria of tax transparency), **indicate that** a non-positive general rate of corporate taxation **is a probable cause** of contention. **It is unlikely** that Belgium's move was introduced **without at least some support** from other EU Member States.

The whole paragraph is a blather without any definite statements, certainly not reason for a Government to act on.

Unless of course Guernsey Government knows what a huge costly mess 0/10 was and is now looking for any tentative excuse to change the system and there is no doubt that 0/10 needs changing.

We can't make any decisions until we know the results of the review by the CCG into the Isle of man and Jersey. In fact we would have been better off to have them review us at the

same time and we may have had some constructive guidance. This consultation may just be a total waste of time.

Lets take this whole issue a lot slower, the way its going business is going to be a lot more uncertain until we are in possession of all the facts from the CCG inquiry and a more constructive message coming out of Europe and HMT. Just look how reliable HMT were over representing us in Iceland, they didn't, they looked after their own interests and hung us out to dry.