



Jersey Finance

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Jersey's Value to Britain: Executive Summary

Jersey Finance commissioned Capital Economics, the respected independent research firm, to look at the economic, financial and fiscal linkages between Jersey and the United Kingdom. This report updates previous research to take account of developments over the last three years in Jersey, the UK and globally.

The role of Jersey in a globalised world

The report begins by looking at Jersey's role in the international economy where globalisation is growing fast. Trade between countries is getting ever larger, people are more mobile and capital flows are increasingly international. Global external liabilities, a measure of the scale of cross-border lending and borrowing by internationally active banks has risen from just over \$1 trillion in 1980 to \$25 trillion in 2015. This has generated strong demand for services that facilitate efficient and secure cross-border transactions, which Jersey provides.



Cross-border lending and borrowing by internationally active banks

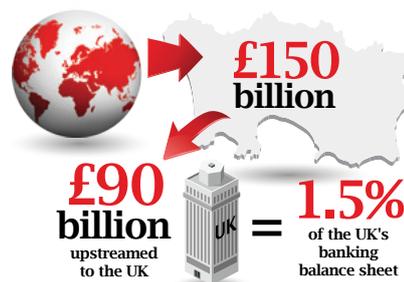
Like other international financial centres (IFCs), Jersey provides regulation and supervisory and taxation regimes tailored to the needs of individuals, businesses and institutions with cross-border asset portfolios. It offers a safe harbour for those living in or carrying on business in unstable and risky countries. Tax neutrality means that assets can be pooled, grown or distributed across borders without imposing any additional taxation, but does not reduce or eliminate any tax liability in other jurisdictions. It also has robust legislation for the creation of trusts and other asset management vehicles which make it attractive to its international clientele.

In these ways, Jersey's status and structures help facilitate long-term investment across borders, playing a vital role in generating growth in recipient countries.

Jersey's financial linkages with the UK

Jersey is a substantial banking centre, with 32 deposit-taking licences attracting total deposits exceeding £127 billion in 2015, most of which was up-streamed to the banks' parent groups in the UK and elsewhere. British banks had almost £90 billion of their balance sheets funded through these intra-group transfers from Jersey, amounting to 1.5 percent of the total liabilities of monetary financial institutions in the UK.

British banks' balance sheets funded through upstreaming by Jersey banks



The Island also offers significant trust administration services for international clients. More than £400 billion of assets settled by private individuals was held in Jersey trusts in 2014, of which 94 percent had been settled by individuals resident outside the UK or not domiciled there for tax purposes (non-doms). Around £600 billion of assets from corporate and institutional settlors was held in trusts or special purpose vehicles, of which around 40 percent ultimately originated outside the UK.

Jersey is a centre for the administration and, to a lesser but rapidly growing extent, the management of investment funds. As at December 2015, these funds had a net asset value of £225.8 billion. Two-fifths of the investment into Jersey funds comes from the United Kingdom. Half of the investors were located outside of Europe, with one third of the total asset value originating in North America. Investment from inside Europe accounted for the remainder.

Jersey's professional services firms also refer around £230 million of business to their counterparts in the City of London each year which should support in the order of 7,500 jobs.

Overall, the report estimates that Jersey is custodian of £1.3 trillion of wealth held in its banks, trusts, special purpose vehicles and funds. Roughly three-quarters of this originates from beneficial owners who are not domiciled in the UK. But almost half the total accrues to UK-domiciled residents, companies or institutions, facilitating foreign investment into the UK of some £500 billion – nearly 5 percent of the UK's total stock of foreign-owned assets.

Jersey's fiscal linkages with the UK

The activities and jobs generated in the UK by investment through Jersey produces tax revenues for the British exchequer. The report calculates that this could be of the order of £5 billion a year.

Jersey's contribution in tax revenues to the British Exchequer



There is a belief that Jersey is used by businesses and individuals to reduce the tax they pay to the British authorities both legally and illegally. However, the report refutes this belief, saying that the Jersey criminal code and regulatory regime are among the most rigorous in the world and are enforced robustly. Beneficial ownership of companies and trusts is rigorously monitored, and information exchanged with tax, police and enforcement agencies. Nor is the Island a centre for corporate profit-shifting. Jersey's lack of a comprehensive double taxation agreement network with most jurisdictions means that multinational companies which use transfer pricing arrangements to book profits in Jersey are not sheltered from taxes due elsewhere.

There is limited scope for individuals and businesses to use Jersey to reduce their tax liabilities. But the report estimates that the maximum theoretical loss to the UK exchequer through tax evasion and tax avoidance would be £457 million a year, with the actual level likely to be significantly lower.

Finally, Jersey's public services are not supported by the British taxpayer. The Island benefits from UK defence and foreign representation activities to which it makes an agreed contribution. Any shortfall would not amount to more than £55 million – perhaps much less.

Given the above and the economic activity that Jersey generates in the UK, the report concludes that Jersey is a net contributor of over £4.5 billion in tax revenues to the British exchequer.

Jersey's economic linkages with the UK

The report estimates that Jersey had a trade deficit with the UK of around £500 million in 2014, supporting around 7,300 net additional jobs in the UK. Combined with this and allowing for tax leakage and other net losses, Jersey supports up to 700,000 British jobs in the UK.

Not all of this activity is dependent on the Island, however – much of it would still happen if Jersey did not exist. But there is a sizeable amount that would not happen without Jersey, because investment which ends up in the UK is attracted to the Island because its status as a Crown Dependency has enabled it to create an IFC with its own tax code and legislation.

Taking into account all of these factors, the report estimates that Jersey provides a net benefit to the UK economy of the order of 250,000 jobs and £14 billion of economic activity.

Jersey's net benefit to the UK economy

