CAPITAL ECONOMICS

JERSEY'S VALUE TO BRITAIN

Evaluating the economic, financial and fiscal linkages between Jersey and the United Kingdom

October 2016

SUMMARY REPORT

A report by Capital Economics for Jersey Finance

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FOREWORD

Jersey Finance published a report on the value of Jersey to the UK, a study by Capital Economics, a respected independent research firm. It confirmed what we had long felt: that the Island made a significant contribution to the British economy; it channelled investment into the UK from around the world; and it supported many jobs in the country.

The report was influential with leaders and opinion-formers at the time, and I think that it greatly changed how Jersey was seen by our biggest trading partner. But much has happened since, and the report that we are publishing here brings it up to date after a period of great upheaval in financial markets and regulation. It has again been compiled by Capital Economics, drawing on some new sources of information to review its earlier findings from 2013.

Reassuringly, the key findings of this updated version are much the same as in the original report. Jersey is overwhelmingly of net positive value to the UK, providing vital liquidity and inward investment, and supporting many tens of thousands of jobs across the UK. Some of the numbers have increased since 2013, with the report estimating that the Island now adds a net amount of £14 billion to the UK economy, supporting an estimated 250,000 jobs.

The report also provides evidence that our constitutional role plays an essential part in delivering those benefits. If Jersey and the other Crown Dependencies ceased to be international financial centres (IFCs) with control over their tax systems and regulations, a lot of the investment and funding that we mediate would no longer find its way to the UK.

Over the last three years, the regulation of cross-border financial flows has become a pressing issue for politicians anxious to demonstrate that everyone is taking their fair share of pain in an age of austerity. Abusive tax avoidance has joined illegal tax evasion as a target, as have the methods used by major multinational companies such as Google and Starbucks to reduce their liabilities by taking advantage of transfer pricing regimes. The release of the Panama Papers in April 2016 pushed IFCs into the limelight, accompanied by allegations of secrecy and illegal activity.

The report notes that Jersey, Guernsey and the Isle of Man are widely believed to host such activities, a belief that is encouraged by the sporadic media exposés on the tax affairs of big companies and celebrities. So it takes a hard-headed look at the evidence about the actual scale of offshore tax abuse, and the role of Crown Dependencies such as Jersey, Guernsey and Isle of Man.

Its findings are what we have been saying for many years: that Jersey is not a tax haven. Our laws on money laundering, tax evasion, beneficial ownership of financial assets and exchanging information with enforcement authorities in other nations are robust and efficiently enforced. And nor is Jersey a material centre for corporate profit-shifting, which usually relies on exploiting double taxation agreements that the Island has in only very limited numbers.

The report acknowledges the difficulties of determining the scale of tax evasion and avoidance given the desire of practitioners to conceal their activities. But it points out that UK disclosure agreements to encourage investors with accounts in the Crown Dependencies to settle their tax affairs ahead of the new automatic exchange of information have produced much less revenue than expected.

And it estimates that the maximum theoretical level of tax abuse that could plausibly be facilitated through Jersey is £95 million a year in tax evasion and £363 million in tax avoidance. The combined total of £457 million a year is a maximum however – as a theoretical calculation, it is almost certainly too high. It is also dwarfed by the £4.5 billion of additional tax revenue that the UK exchequer accrues from investment and other financial benefits which the Island creates for Britain.

Jersey's leadership role in international developments to improve financial transparency and clamp down on criminal activities such as tax evasion is praised in the report. We introduced legislation to tackle money laundering and financial crime 18 years ago, three years before the UK. We were an early adopter of the OECD's Common Reporting Standard and the US Foreign Account Tax Compliance Act (FATCA) model.

Jersey has also been a forerunner in collecting information on the beneficial ownership of companies, and regulates those who form and administer companies, trusts, partnerships and foundations. It makes the information it collects available to international law enforcement agencies and tax authorities on request and from 2017 will provide this information automatically.

Jersey's standards and regulations mean that we have been judged by the IMF and the OECD as one of the best-regulated jurisdictions in the world. And our financial firms are committed to the highest standards of probity, integrity and regulation. Most recently, MONEYVAL, the Council of Europe's Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism reviewed certain aspects of Jersey's institutional, legislative and regulatory framework to deter money laundering and the financing of terrorism through financial institutions. Of the 49 assessment areas, Jersey was rated compliant or largely compliant in 48, placing it in the top tier of jurisdictions assessed under those criteria.

Undoubtedly the financial environment will continue to evolve in the coming years, not least because of the decision of UK voters to withdraw from the European Union. But our commitment to openness and transparency in our relationships with our UK partners will not change. I hope that readers will find this updated report useful in learning more about the true nature and value of Jersey to Britain.

Geoff Cook
Chief Executive Officer
Jersey Finance

KEY FINDINGS

Capital Economics has been commissioned by Jersey Finance Limited to research and report upon the economic, financial and fiscal linkages between Jersey and the United Kingdom, and to ascertain the extent to which the English Channel island is a net benefit or cost to its neighbour's economy.

The key findings of the research are:

- Offshore centres have evolved to meet the needs of global businesses and internationally footloose individuals, and this demand looks set to grow
- Jersey is a significant offshore financial centre although smaller than the likes of Switzerland and the Cayman Islands. Its economy is concentrated in financial services, but this scale of specialisation in a single sector is not unusual for a geography of its size
- Jersey's physical links, including flight paths and shipping routes, are predominantly with the United Kingdom
- Jersey runs an overall trade surplus, estimated at around £0.6 billion a year, but a deficit with the United Kingdom, which is in the region of £0.5 billion
- Jersey's banks attract over £80 billion of funding from markets outside the sterling zone, while they provide 1½ per cent of the funding of the whole United Kingdom banking sector
- Over £1 trillion of assets are held in Jersey trusts and other asset-holding vehicles, of which £400 billion are held in private trusts and roughly £600 billion in corporate asset vehicles
- Two-fifths of all assets administered or managed across the whole of the island's financial and wealth management industry come from markets beyond Europe
- Jersey is a conduit for an estimated almost £½ trillion of foreign investment into the United Kingdom, which is equivalent to five per cent of the total stock of foreign owned assets in the country
- Jersey is not a tax haven. However, this does not mean that some level of evasion and avoidance does not take place at all. We estimate that the theoretical maximum level of tax evasion plausibly facilitated through Jersey is £95 million per annum although in practice, the actual figure will be a small fraction of this. Tax evasion has been a criminal offence in Jersey since 1999. Disclosure facilities set up by the British government have so far yielded revenues 93 per cent lower than the original estimate of expected 'tax leakage'. The new information exchange regime should stop practically all of this

- Although Jersey benefits from the United Kingdom's defence and foreign representation activities to the tune of £55 million per annum on a pro rata basis activity in Jersey generates around £5.0 billion in United Kingdom tax revenue per annum

- If Jersey and the other Crown Dependencies did not exist, the benefits they provide to the United Kingdom economy would be at risk – as much of the business currently there would likely migrate to other offshore centres in, say, the Caribbean, Middle East or Asia with established links to global financial centres other than London

- Jersey supports an estimated 250,000 British jobs, of which 190,000 from foreign investment alone, and adds £14 billion to the United Kingdom economy

In research of this nature, there is room for debate over the methodologies deployed and approaches taken, while there are, of course, margins of error associated with any survey results and consequent quantitative analysis. Nevertheless, overall the various strands of analysis point unquestionably to Jersey being a material net benefit to the United Kingdom economy.

Jersey and the United Kingdom are linked in a symbiotic relationship. The one benefits and supports the other, and vice versa. And, what harms one will harm the other.

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This report combines innovative analysis of existing information, statistics and research with the results from a major quantitative and qualitative research exercise conducted among a large and representative sample of senior executives in Jersey's financial and related businesses. The purpose of the exercise has been to provide first order estimates of the general scale and shape of the many ways in which the economies of Jersey and the United Kingdom are linked, so the results should be treated with the appropriate caution. This work goes further than any previous study and, importantly, provides a thorough review of the sources and uses of assets administered or managed by the island's banks, funds, and trustees. It also provides seminal estimates of Jersey's trade position as well as the bailiwicks' impact on the British government's coffers.

1 Global context

Austerity is the context.

Since their high in 2009, average real household incomes in the United Kingdom have fallen by 3.8 per cent and have subsequently only recovered five years later. Despite tough austerity measures, the United Kingdom's government debt remains high, at 83.1 per cent of national income, and its public sector net borrowing for 2015/16 was £70.7 billion.[1] It is not unsurprising then that the attentions of both the political and media worlds have been drawn to people and organisations being seen as not taking their fair share of the nation's pain, especially those not paying their fair share of the tax burden.

The *Times'* revelations in June 2012 about comedian Jimmy Carr's tax affairs may not have been the first uncovering of an unpalatable tax avoidance scheme, but it did put offshore financial centres centre stage in a then exploding debate. The K2 scheme, in which Mr Carr was reportedly enrolled, used Jersey as its home for a tax mitigation vehicle that pushed British tax law to its elastic limit – if not beyond, and would now be described as 'aggressive' tax avoidance. And since then, we have seen a string of stories about the corporate tax bills of major multinational companies like Google and Starbucks, where internal 'transfer pricing' regimes are apparently used to ensure that offshore subsidiaries accrue much of the group's profits thus attracting lower tax charges – although, in these instances, the offshore jurisdictions often turn out to be countries like Switzerland and the Netherlands. The release of the 'Panama Papers' in April 2016 has placed

[1] Fraser Munro, *Public Sector Finances: February 2016* (Office for National Statistics, London), March 2016

international financial centres further in the public spotlight, accompanied by allegations of secrecy and illegal activity. Yet these accusations challenge the use of offshore companies to hide the identities of the ultimate beneficial owner, a practice not allowed by all international financial centres.

For politicians in Westminster, the issue of offshore financial centres is further vexed – as a number of them are dependencies or peculiars of the British Crown. Indeed, in December 2008, the then Chancellor, Alistair Darling, tasked Michael Foot, a former executive director for banking supervision at the Bank of England and managing director of the Financial Services Authority, to report on the potential risks faced by British offshore financial centres. More recently, the National Audit Office examined the potential impact on public finances of the British Overseas Territories, which comprise fourteen dependent administrations across the Caribbean, Mediterranean, South Atlantic, Indian and Pacific oceans, and Antarctic.

The focus of this report, though, is Jersey – situated in an archipelago, along with the islands of the bailiwick of Guernsey, off the Normandy coast of France. These Channel Islands and the Irish Sea's Isle of Man have a unique relationship both with the British monarchy and the Westminster government as 'Crown Dependencies'. They are self-governing, self-legislating, self-administering and self-financing but are loyal to the British Crown, with their courts subject to the decisions of the Judicial Committee of The Privy Council. The London parliament has only limited jurisdiction over the islands, while the islanders have no representation there. By custom, Westminster only legislates for the islands with their consent, and the United Kingdom government's responsibilities are restricted to defending the dependencies, maintaining their international relations and providing them with consular and diplomatic services abroad – although there is extensive cooperation in many other areas. Jersey's relationship with the United Kingdom is not set to change as a result of the latter's decisions to leave the European Union.

We examine the broader environment within which Jersey sits, in particular economic globalisation and the consequent growing role for international financial centres.

To understand offshore finance, it is essential to recognise the growing impact of globalisation – whereby trade between countries gets ever larger, people are more mobile and willing to relocate abroad, and capital flows are increasingly international. In a world like this, where national boundaries have ever decreasing significance to people and to businesses, it should come as no surprise that there is strong demand for services that facilitate efficient and secure cross-border transactions. Jersey and other offshore centres provide environments in which international business can be conducted without fear of double taxation, or legislative and administrative bias in favour of a 'home' counterparty. They often provide regulatory and supervisory regimes better tailored to the needs of their specific clientele, and can provide security for those carrying on business in unstable and risky countries. Jersey, in particular, has robust legislation for the creation of trusts and other asset and investment management and pooling vehicles, which makes it attractive to individuals, businesses and institutions with cross-border asset portfolios.

Notably, these drivers of offshore demand have little to do with evading or avoiding domestic taxation. There may be some offshore centres that provide secretive shelter from other jurisdictions' domestic taxes, but not Jersey (nor the other Crown Dependencies). Tough anti-money laundering laws and robust regulation make the bailiwick an ill-advised choice for would-be tax evader – while efforts on both sides of the Channel means that the scope for unwanted avoidance schemes to use the island is all but eliminated.

International financial centres have evolved to meet the needs of global businesses and internationally footloose individuals. Despite the recent recessions in many major 'Western' economies and sharply slowed growth in emerging markets, globalisation and international trade are increasing, while labour, enterprise and capital are all more mobile.

Yet international financial centres have not been completely immune to the global slowdown. Deteriorating economic conditions caused by the financial crisis of 2008 have reshaped the global economy, with large implications for how international financial centres operate, forcing them to adapt to an environment with weaker output, productivity, and demand.

The fallout from the financial crisis has also reshaped the face of global regulation. The post-crisis period has been characterised by an abundance of regulatory activity, intended to safeguard financial systems from a similar event occurring again. The financial crisis revealed the shortcomings of financial supervision and regulation globally. International financial centres have had to adapt to the new regulations, which has caused a shift in their business models.

2 Jersey's economy

Jersey's freedom to legislate and govern, and determine its own taxes, has allowed it to become established as a leading centre for international financial services — a so-called 'international financial centre'.

We look at Jersey's economy in detail, and examine how the island has adapted to the changing global environment.

The economy of Jersey has seen a great deal of change over the last century. While the mainstays of the island were once agriculture and tourism, the development of the financial services sector has become the largest industry on the island. The evolution of Jersey's economy away from agriculture and tourism and towards financial services have followed the forces of globalisation. Even so, the size and productivity of Jersey's agriculture and tourism sectors are typical, if not above the norm, for an economy of Jersey's prosperity.

Jersey is a significant player in the offshore market although its footprint is nowhere near as large as the likes of Luxembourg, Switzerland and the Cayman Islands. Its scale is reflected in the mix of jobs and businesses found on the 45 square mile island. Financial and related businesses account

for a quarter of all jobs and two-fifths of economic activity. But this level of specialisation in a certain sector is not unusual in an economy with only 59,000 jobs; indeed, it would be quite typical among British local authorities of a similar size.

The global financial crisis has had a great impact on the bailiwick with its economy heavily dependent on the health of its financial services industry. Jersey's recession has been deeper and its recovery slower than the United Kingdom. But Jersey benefits from decades of fiscal stability – and almost no government debt.

There are long-term challenges ahead for Jersey in terms of dealing with an ageing population and raising productivity. While prudent fiscal policies over the years and ample reserves will help cushion the pressures to their public finances, a strategy is needed to address the demands that will emerge.

3 Financial linkages

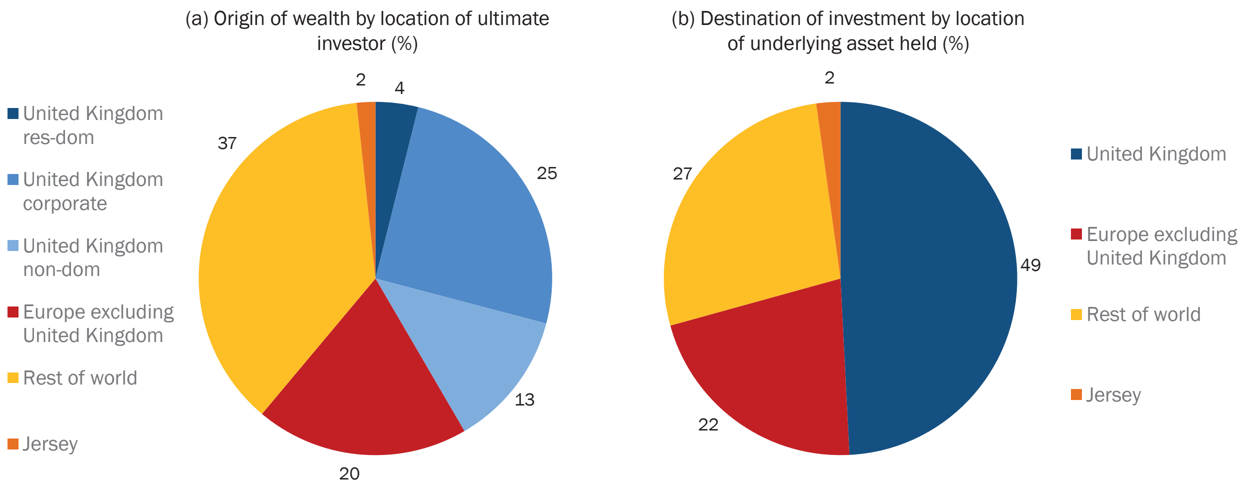
We consider the business conducted by Jersey as an international financial centre, and explore its implications for the United Kingdom.

In addition to using extant data from regulatory, government and industry sources, we conducted a detailed quantitative survey and programme of depth interviews with banks, trust companies, fund administrators and managers, corporate service providers, legal practices and accountancies in Jersey – in order to capture new insight into who their customers are and who benefits from their activities. Our survey covered businesses employing two-thirds of all the island's finance workers – and is a robust and representative sample.

Overall, we estimate that Jersey is custodian of £1.3 trillion of wealth: £150 billion in banks; £400 billion in trusts established by private individuals; £600 billion in specialist structures for businesses and institutions; and over £200 billion in administered or managed funds.

The sources of this wealth are truly international. We estimate that three-quarters of it originates from ultimate investors (as depositors, investors and settlors) who are not domiciled in the United Kingdom – with North America, Asia Pacific and the Middle East all being major contributing regions. Over £160 billion are the foreign assets of individuals currently resident in Britain but not liable for tax there on their foreign source income, the so-called 'non-doms'. This makes Jersey a major conduit for non-dom foreign wealth, which has been a consistent plank of British policy for attracting wealth and talent under successive governments. (See Figure 1.)

Figure 1: Summary of sources and destination of Jersey managed wealth



Source: Capital Economics' survey 2015/6

But the uses of these funds disproportionately benefit the United Kingdom. We estimate that almost one half of the combined value held in the stewardship of the island's trusts and other structures, funds and banks has been invested in assets located in Britain. And we mean ultimately located in Britain, and not assets with funding simply intermediated through the City of London.

Our survey provides insight into the global nature of the different types of financial services activities undertaken on the island.

Jersey's banks largely service the needs of the expatriate 'mass affluent' and internationally footloose high net worth individuals, as well as associated corporate and institutional clients. They attract deposits and funding from across the globe. Almost one quarter of the island's £150 billion of banking funds come from deposits and other instruments ultimately provided by customers from beyond Europe[2], while two-fifths arise from the United Kingdom. There is, though, little lending business conducted from the island. Instead, the banks upstream the bulk of funds to their parent companies, which are typically in London. The United Kingdom's banking sector is bolstered by almost £90 billion of funding received this way, which is equivalent to 1½ per cent of its total balance sheet. The up-streaming model brings real economic benefits to the United Kingdom, both through the extra liquidity it provides and through the revenue it generates from intermediation. Moreover, in recent years, the ability of the part-nationalised banks to secure funding through Jersey has eased the burden on British taxpayers.

[2] We define Europe as all countries within the European Union or the European Economic Area, plus Guernsey, Isle of Man, Switzerland and Russia.

The island's legislation allows for the creation of trusts and other asset holding vehicles. A variety of firms – from bank subsidiaries through legal practices to independent specialists – offer services to clients from across the world to assist in the establishment and operation of such entities. An estimated £400 billion of private individuals' assets and £600 billion of corporate and institutional assets have been settled in Jersey trusts or similar vehicles. This is another of Jersey's highly international business activities. Two-fifths of the private individuals' assets come from United Kingdom non-doms, and a slightly larger share from beneficial owners who are residents of countries beyond the European Union – while over half of corporate and institutional assets are from outside the sterling area.

Jersey is a centre for the investment funds industry, with over £200 billion of net assets administered and managed there. The fund industry in Jersey has changed in shape over the last decade. The range of options and flexibility that Jersey provide, combined with its concentration of fund expertise has encouraged a growing number of fund managers to re-domicile to, or establish management businesses in, the island. While the funds presence in Jersey was previously dominated by administration activities, it now started to shift toward more management. Two fifths of the investment into Jersey funds comes from the United Kingdom. Over 40 per cent of investors are located outside of Europe, with one third of the total asset value originating in North America.

4 Economic linkages

We review the economic linkages between Jersey and the United Kingdom.

Although only fourteen miles off the French coast, the island's physical connections are mostly to southern Britain. The schedule of aeroplane flights in and out of Jersey airport is overwhelmed by British destinations. There are more ferry sailings to and from France than England, but almost all cargo and freight capacity goes north.

But these physical links to Britain mask a very different global pattern of trade conducted by the island's businesses. Through international trade, Jersey brings value into the sterling area from across the world, and shares the spoils with the United Kingdom.

We estimate that Jersey ran an overall trade surplus broadly in the region of £0.6 billion in 2014, which is equivalent to eighteen per cent of its national output, and compares to the United Kingdom's trade deficit of two per cent for that year. Although there are tourism, agricultural and other revenues, export performance is dominated by financial services – with its trade conducted with many far flung markets as well as Britain and Europe. Indeed, the share of Jersey's non-sterling exports going to the higher growth emerging markets of Asia, South America and Africa compares favourably to Britain's recent achievements. But, as the island's imports come almost entirely from southern England initially, its balance with the United Kingdom alone is likely to be quite different. Indeed, we estimate that the island ran a trade deficit broadly in the region of £0.5 billion with it in 2014 – supporting 7,300 net additional British jobs.

Overall, Jersey's financial services sector intermediates almost one pound in every twenty of investment by foreigners into the United Kingdom, which is potentially supporting over 190,000 British jobs.

Much of this investment into Britain depends upon the status of Jersey and the other Crown Dependencies. If the Crown Dependencies did not exist, much of Jersey's business would be conducted outside the United Kingdom, with the majority of business going to other non-sterling offshore financial centres. These other centres are unlikely to have the same affinity with the City of London and the United Kingdom as Jersey; their locus of operation could just as easily be New York, Hong Kong or Dubai. Roughly two fifths of all Jersey business would be at risk if the Crown Dependencies lost their status.

5 Fiscal linkages

We address the fiscal linkages between Jersey and the United Kingdom, especially supposed tax leakage.

The impression that some have that, because it is a 'dependency' of the Crown, Jersey is a drain on British public services is unfounded.

Whitehall is responsible for the island's defence and its representation to governments abroad, with Jersey's British passport holders also able to access consular support from United Kingdom embassies and consulates. The two governments have negotiated an appropriate contribution from Jersey for these services, which is paid in the form of a Territorial Army unit funded by the bailiwick. On a simple per capita calculation, the islanders' proportionate use of defence and foreign representation could be estimated to 'cost' British taxpayers in the region of £55 million per annum. But such an allocation of costs is only notional; even if the United Kingdom stopped defending and representing Jersey, it is unlikely to spend any less on its armed forces or diplomatic service.

In all other respects, the States of Jersey operate separately, and at their own expense – albeit often with close coordination with their British counterparts. Islanders fund their own health system. The island's schools, colleges and childcare provisions are all funded locally – while the tuition fees and maintenance costs for local young adults studying in British universities and colleges are borne entirely by the bailiwick. Jersey funds its own policing and jail. And, Jersey households watching television have to purchase the same license as those in Britain, in order to fund the BBC. It is also sometimes argued that the island benefits from an implicit insurance policy underwritten by the Westminster government under which it would bail-out the bailiwick if it got into severe

trouble. But, no 'claim' has ever been made against such a 'policy' and it is unclear whether there is any real enforceable obligation on the United Kingdom to do so – or whether it is ever likely to be needed. This then begs the question whether an informal and unused guarantee is worth the paper it isn't written on.

The elephant in the room, though, is tax.

There is a widespread belief that Jersey, Guernsey and the Isle of Man are tax havens and are used by businesses and individuals both legally and illegally to reduce the tax they pay to British authorities. This belief appears to be based largely on impressions set during the Super Tax era of the 1970s and sporadic media exposés on the tax affairs of big companies and celebrities. The extent to which there are revenues rightfully due to the government that are leaking away has become a turbulent political issue in the current context of fiscal austerity.

There is little hard evidence about the actual scale of offshore tax abuse and almost no assessment whatsoever of the role of Jersey or the other Crown Dependencies. This lack of evidence should be no surprise in itself. Those involved in tax avoidance and, especially, evasion will have little desire to publicise the activity, and every interest in hiding it. Meanwhile, those trying to demonstrate the 'cleanliness' of their jurisdictions find it almost impossible to prove that little or no such activity takes place there because you cannot prove an absence of something simply by failing to find it.

The United Kingdom government has attempted to measure the scale of tax leakage that exists via the Crown Dependencies. It created disclosure agreements with the three bailiwicks based on the provisions of the United States' *Foreign Account Tax Compliance Act* ('FATCA'), that provide for automatic information exchange between the three jurisdictions' tax authorities and HM Revenue and Customs, and ensure that the Jersey, Guernsey and Isle of Man-held interests of British taxpayers are reported fully.

In the 2013 budget, HM Treasury estimate a combined benefit of £210 million per annum over five years, or £1.05 billion by 2018, to the exchequer of these three new inter-governmental agreements. As of 31 March 2015, the facilities have collected just £21.5 million from 400 disclosures, less than a tenth of the yields it originally forecast it would collect by this stage. These revenues are significantly smaller than the British government's estimates, and reveal that the sheer scale of tax evasion across the Crown Dependencies is just not as extensive as many assume.

The measures that Jersey and its fellow Crown Dependencies have gone through to improve transparency and clamp down on criminality have likely discouraged tax evaders from using the islands for so long that any amount of tax to be recovered as a result of these facilities would be small.[3]

We calculate our own estimate of the maximum theoretical level of tax evasion and avoidance facilitated through Jersey using the results of our survey. Little of Jersey's business relates to

[3] States Assembly, *State Assembly Official Report* (States of Jersey, St. Helier), 1 December 2015

private individuals domiciled in Britain. Less than a tenth of bank deposits and only four per cent of private trust assets originate from them. The adoption of the *Common Reporting Standard* and tough anti-money laundering legislation in Jersey, combined with successive strengthening of the tax code in Britain, means that there is now limited scope for unlawful evasion of British taxes there.

Our own calculations, based on cautious assumptions, suggest that the maximum theoretical level of tax evasion plausibly facilitated through Jersey was £95 million per annum in 2014, while the maximum level of avoidance was £360 million per annum. Overall, we judge that, based on 2014 data, a maximum of £460 million per annum of British taxes could potentially leak through evasion or avoidance using Jersey vehicles – although in all likelihood the actual number is far lower.

Meanwhile, the Westminster government benefits from the taxes it levies on the jobs and economic activity stimulated in Britain through Jersey's financial and trade links. Indeed, the tax receipts from the Jersey-catalysed activity alone could be in the order of £5.0 billion per annum. Our calculations illustrate that the benefit from the scale of economic activity that Jersey helps stimulate in Britain substantially outweighs any tax leakage that might occur.

6 Jersey's overall impact on the British economy

We pull together the various strands of our research and make a tentative attempt to evaluate the net benefit or cost of Jersey to the United Kingdom economy.

As with any exercise of this nature, there are margins of error. However, we have approached this task cautiously – and, where necessary, have given the benefit of the doubt in favour of Jersey being a cost to the United Kingdom.

Bringing these various factors together, we find that Jersey is a benefit to the United Kingdom economy, and on the basis of our broad calculations could be supporting in the order of 250,000 British jobs. (See Figure 2.)

Some may argue that, without Jersey or the other Crown Dependencies, the foreign investment, bank funding, etc currently routed via the islands would come to the United Kingdom regardless. This would be dangerous complacency.

The wide geographical spread of Jersey's client base means that it is attracting investment from businesses and individuals who wouldn't necessarily see the City of London as their first choice of financial centre. Around 50 per cent of the foreign investment into the United Kingdom through Jersey originates from outside the London time zone, and would more likely have a locus around New York, Hong Kong or Dubai.

Moreover, the results of our survey indicate that 85 per cent of the bailiwick's financial services business would be at risk of leaving the sterling zone if Jersey did not exist. The business, and the subsequent investment, is likely to migrate to other offshore centres – and not London. On this basis, our indicative estimate of 250,000 additional British jobs supported by Jersey would rise to 575,563.

With research of this nature, there is always room for healthy debate over the methodologies deployed and approached taken. There are also, of course, margins of error associated with any survey results and consequent quantitative analysis. Nevertheless, taken together, the various strands of analysis point unquestionably to Jersey being a material overall and additional benefit to the United Kingdom economy.

Jersey and the United Kingdom are linked in a symbiotic relationship. One benefits and supports the other, and vice versa. And, what harms one will also harm the other.

Figure 2: Summary of Jersey's additional impact on the United Kingdom economy

Indicative estimates of net additional jobs supported in the United Kingdom, 2014	*Additional*
Trade	7,300
£0.5 billion trade deficit with UK	
Business mediated through Jersey	6,300
£320 billion of deposits upstreamed and business referred to the United Kingdom	
Investment	190,800
£500 billion foreign investment in United Kingdom assets through Jersey	
Tax generated	57,200
£5.0 billion United Kingdom tax generated from activity intermediated in Jersey	
Tax leakage	(10,300)
£0.5 billion maximum potential tax leakage through Jersey	
Provision of defence and foreign assistance	(1,400)
£55 million maximum pro-rata allocation of United Kingdom public spending to Jersey	
Total jobs supported in the United Kingdom	**249,900**

Source: Capital Economics