

OFFSHORE

Isle of Man management

Stephen Timms, financial secretary to the UK Treasury, commented recently that the Isle of Man, Jersey and Guernsey's corporate tax systems were viewed as unacceptably predatory by some European states. In common with professionals in Jersey and Guernsey, I disagree.

To put the position in context, it is worth first examining the Isle of Man's constitutional position: it is a self-governing dependency of the British Crown by longstanding constitutional convention and has had autonomy in relation to domestic affairs, including taxation, for hundreds of years.

It is not a member of the EU and accordingly EU directives do not apply in the Isle of Man. It does not rely on the UK or the EU for financial handouts and is financially self-reliant.

The Isle of Man's taxes are not high by international standards – the top rate of personal income tax is currently 18 per cent, but nevertheless, thanks to 27 years of consistent economic growth, the Isle of Man has been able to build up substantial reserves of almost £1.5bn.

This is an exceptional achievement, especially when you appreciate that it has a population of 80,000 people, which is smaller than the town of Hastings. Moody's and Standard & Poor's have recently reconfirmed the Isle of Man government's AAA status and, thanks to a legal requirement preventing our politicians from budgeting for a deficit, this rating looks secure.

The island's continued growth (estimated for

Amid accusations of supporting an unacceptably predatory tax system, the Isle of Man should be left to its own devices, argues
Nick Verardi

with the UK and other EU member states. Timms welcomed this move, and his comments were endorsed further by Lord Bach, the minister responsible for Crown Dependencies. "This is a clear indication of [the Isle of Man's] commitment to high standards of regulation and tax transparency and shows that it leads the way in terms of how small jurisdictions with financial services centres should operate," said Bach.

A significant contribution

The Crown Dependencies do have something to contribute. At the beginning of last year the UK Government decided to commission an independent report into the Crown Dependencies and the Dependent Territories.

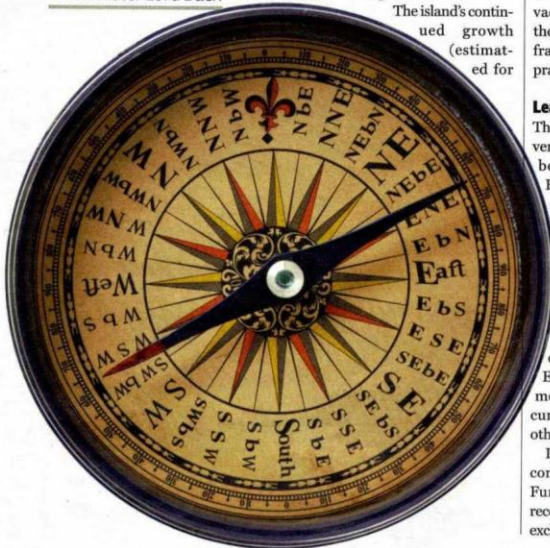
The report examined financial supervision and transparency, taxation in relation to sustainability and future competence, financial crisis management and the international cooperation of these territories. In the report it was confirmed specifically that the Isle of Man had a strong, diverse economic base and a good framework for tackling money laundering and terrorist financing. Most importantly, the report, with its supportive appendix from Deloitte, confirmed what most of us have known for a long time: that the Crown Dependencies make a significant contribution to the liquidity of the UK market, providing net financing to UK banks of \$332.5bn (£212.5bn). Attacking the Crown Dependencies may cause these funds to be channelled to other markets.

If there is any way we can influence the decision-making in the EU, it should be to encourage it to appreciate that what we in international finance centres principally desire is a level playing field. Putting the Crown Dependencies out of business will mainly benefit the Singaporeans, Dubais and Delawares of the world, not EU exchequers.

I am sure that the Isle of Man will continue to seek to understand the views of EU member states in relation to the Manx tax system, but the UK has fought to retain its sovereignty over taxes and, so long as our system is compliant in the Isle of Man, I believe that we should try to do so too. Only after a full consultation with its electorate should the Isle of Man redefine its tax strategy. Because of its political stability and financial prudence, it does not need to make any hasty or rash decisions. After all, over the past 27 years it has acted responsibly and built a sophisticated professional infrastructure within a well-regulated framework while maintaining a 'can do' business environment. If it does not need to put up tax to raise revenue, why should it? ■
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Crown Dependencies
Minister Lord Bach

**Leading the way**

The Isle of Man takes its international status very seriously indeed, and it did so long before the recent Organisation for Economic Cooperation and Development (OECD) 'white list' was produced. In fact, the island signed its first Taxation Information Exchange Agreement (TIEA) with the US in 2002. A further eight TIEAs were signed by 2007 and currently the Isle of Man has 15. As a further commitment to lead on the international stage, the island has signed double taxation agreements with the UK, Estonia, Malta and Belgium, based on the model published by the OECD, and is currently in negotiation with numerous other states on similar lines.

It has had two successful and complimentary International Monetary Fund reports in 2003 and 2009 and it recently announced plans for the automatic exchange of information on savings interest