

**UPDATE FROM DEPUTY GAVIN ST PIER, CHIEF MINISTER OF GUERNSEY:
EU SCREENING PROCESS**

November 2017

Guernsey is a competitive and well-regulated, co-operative jurisdiction playing an important role in international capital markets. We are proud of our finance sector, and of our relationship with the City and the UK economy. Our funds sector funnels £25bn of foreign direct investment into the UK strengthening its capital account; the UK financial services industry receives significant revenues on the back of our finance sector - £1.1bn from investment management fees alone, strengthening the UK's current account. Tens of thousands of UK jobs – contributing to the UK exchequer - depend on what we do and our doing it well.

During the course of 2017, Guernsey has been one of 92 non-EU jurisdictions that has been engaged in the EU Commission's 'screening process' of third countries.

Guernsey has had review after review of our jurisdiction in terms of international standards and on all occasions we have passed with flying colours. We will continue that commitment to international standards, and an evidence-based analysis by the EU Commission as part of the screening process will confirm Guernsey's ongoing commitment.

The screening process is being co-ordinated by the Code of Conduct Group on Business Taxation, and in July Guernsey's government submitted a technical response to their questions in relation to tax transparency, fair taxation and economic substance. With regard to tax transparency, Guernsey continues to adhere to international standards of information exchange, and has been publicly lauded by both the OECD and EU Tax Commissioner Moscovici for its commitment and track record in this area.

With regard to fair taxation, Guernsey voluntarily asked the Code of Conduct Group to assess its tax system in 2011-12 and it was found to be 'non-harmful' – that is, compliant with the Code Group's own criteria.

With regard to economic substance, Guernsey has committed itself to the OECD's anti-Base Erosion and Profit Shifting (BEPS) action plan, has put in place country-by-country reporting, and in June was a signatory to the BEPS multi-lateral instrument. As Deputy Lyndon Trott put it when he was in Brussels earlier this month, Guernsey's finance sector comprises "real people making real decisions in real time".

Notwithstanding this track record and detailed submission made, Guernsey – along with the other Crown Dependencies and also the British Overseas Territories – has received correspondence from the Code Group that it wants to see further steps to be taken in relation to economic substance.

In its response to the Code Group on 17 November, I confirmed Guernsey's ongoing commitment to the screening process, and to resolving any issues that the Code Group and the EU has identified. These issues, and the steps that will be taken to address them, would

be the subject of dialogue with the Code Group from early 2018. Guernsey has committed to make any changes by December 2018 to ensure that the process is expeditious, providing certainty for business.

During 2017, and particularly through the autumn, Guernsey's government has continued to be actively engaged in Brussels. Both Lyndon and I, working with Jersey and through our shared Brussels Office, have met with EU Commissioners and their officials, Members of the European Parliament and Member States' representations. The message has been a clear one: Guernsey is a cooperative jurisdiction, and has real economic substance.

The next stage in the screening process is for the European Council of Finance Ministers (ECOFIN) to consider and endorse the conclusions of the Code Group at its meeting on 5 December. Subject to that, Guernsey will then begin its further discussions with the Code Group.

It is important to clarify that the screening process was set up to be – and should remain – wholly independent of the so-called “Paradise Papers”. The media coverage of the “Paradise Papers” has very little to do with tax or morality. It is about privacy and protectionism; this is a well-orchestrated campaign deliberately designed shift this debate to promote an agenda about gaining public access to private financial information, limit the flow of capital and create distrust in the existing work between tax authorities.

Guernsey has demonstrated that it is possible to balance transparency with privacy, and economic substance with competitiveness. We will maintain that approach.