



The Government of Sark

FINANCE AND RESOURCES COMMITTEE

SARK'S INTERNATIONAL TAX TRANSPARENCY

Summary

This paper sets out Sark's commitment to tax transparency, in the context of its constitutional position, economy, legal framework.

1. Constitutional position

Sark is the smallest self-governing island within the Bailiwick of Guernsey, one of the United Kingdom's Crown Dependencies. It is roughly 3 miles long by 1.5 miles wide with a total resident population of approximately 560. Since 2008, it has had a fully democratic government, the Chief Pleas of Sark.

Chief Pleas is a parliament of 28 representatives, elected by universal adult suffrage, known as 'Conseillers', none of whom are remunerated for this role. There is one full time Senior Administrator supported by a number of part time paid Committee Secretaries whose functions are to support Chief Pleas and all of its Committees, organising meetings, taking minutes and giving minimal administrative assistance. The Conseillers develop policy for the Island as well as acting in an administrative capacity.

Sark's constitutional and legislative framework does not generally change rapidly, because it has no administrative infrastructure and insufficient public finances to support such change. In fact, the constitution only changed from being principally feudal (Chief Pleas being mainly comprised of the 40 main landholders) to fully democratic in 2008.

Chief Pleas of Sark resolves to operate with a budget surplus and has no debt.

2. Economy

Sark is a quiet rural tourist destination (with no cars, trains or buses). Tourism is the principal industry and is based on the Island's natural beauty which is relatively untouched albeit augmented by recent plantings of vineyards. There are 2 operational hotels, 13 guesthouses, restaurants, and public houses, as well as 23 self-catering facilities, 2 camp sites and small shops which serve the whole community. Tourist services include bicycle hire, carriage tours, boat trips, scuba diving,

kayaking, coasteering and fishing expeditions. Recent initiatives to boost tourism include the annual Folk Festival. Sark has also attained the status of the world's first Dark Sky Island.

Chief Pleas owns the Island's life-line ferry company (Isle of Sark Shipping) with four vessels dealing with the year round cargo and passenger needs of the community. Chief Pleas also owns and operates harbour and other services. Sark's largest export is seafood, followed by lamb, eggs and other agricultural produce and some residents are investing in initiatives to diversify the range of horticultural produce on the Island.

Sark has no income tax, capital gains tax, inheritance tax or sales tax and there are no social security deductions from income; there is no public healthcare service and a very limited welfare system.

In the year 2016, of the Chief Pleas' budgeted revenue of nearly £1.35 million, nearly 54% came from property and personal taxes, over 22% from customs duties on alcohol and tobacco, 5% from a tax on the sale of property, and the remaining amounts from a landing tax, payments for services provided, and taxes on horses, dogs, carriages, bicycles and tractors.

3. Legal framework

Sark has only a basic legal framework, due to the nature of its Parliament, the scope of its legislative competence, and the scope of the matters for which Chief Pleas is required to legislate. Chief Pleas legislates for Sark in matters concerning its domestic affairs, save for criminal matters for which Guernsey legislates across the Bailiwick. The main focus of Chief Pleas' legislation thus tends to be property ownership, planning, taxation, use of tractors, horse-drawn carriages, harbour by-laws, housing control and sea fisheries. Control of fiduciary and financial operations is subject to Bailiwick wide legislation enacted by Guernsey and Sark acting in concert.

Chief Pleas passes financial services legislation in Sark where it has been requested to do so by the Guernsey Financial Services Commission. Chief Pleas does not enact financial services legislation on its own account. On Sark there are no company laws, no partnership laws, no trusts laws, no foundations laws and no income tax laws. There is therefore no legal framework for financial services business to be set up in Sark save (as mentioned above) under the auspices of the Guernsey Financial Services Commission (GFSC).

The property and personal tax is collected by a single Tax Assessor, on the basis of the taxed individual's ownership of property and worldwide capital assets, subject to a maximum and minimum. Property Tax is levied on the basis of the property ownership information registered with the Douzaine (acting as a parish official's office). The Tax Assessor is paid a small honorarium for his role which involves about 40 working days at the beginning of each calendar year.

Currently, two banks have a presence in Sark. One Guernsey bank has only a counter at the Post Office, the other is a sub-branch of a Guernsey bank. These are regulated by the GFSC. The banks provide only straightforward counter type banking services in Sark. Any transactions which occur in Sark are transactions with the Guernsey licensed Banks. For more complex financial services which may be provided by the banks (such as financial advice, etc.) those services are provided from Guernsey.

As a result of this, Guernsey's Director of Income Tax is entitled to exercise his information gathering powers (which are available to meet Tax Information Exchange Agreement (TIEA) requests) to obtain banking information from the Guernsey operations of those banks, even if the relevant transactions took place in Sark. So it is possible for information from the Sark branches to be exchanged under the Guernsey TIEAs.

Whilst there is very little relevant information available collected and managed in Sark the close relationship with Guernsey, particularly in the relationship in the regulation of financial and fiduciary matters, means that relevant information in relation to such matters is normally available through the Guernsey authorities.

4. Exchange of information

Sark is committed to playing its part in the global campaign against tax evasion and does not intend, or wish, to be a place in which people can evade their tax responsibilities. To date, no jurisdiction has contacted the Chief Pleas of Sark to request a tax information exchange agreement. However, as can be seen from the above, Chief Pleas does not have the infrastructure to appoint a permanent authority to exchange tax information and due to the taxes collected, has only limited tax data available that could be exchanged. This tax data includes, *inter alia*, property tax, a limited personal tax, tractor tax, dog tax and bicycle tax, totalling only approx.£1.35m

To date the lack of demand for such information has meant that such infrastructure has not had to be developed. Should there be any reasonable demand for this information by another jurisdiction which results in a request for information sharing agreements being made, Chief Pleas would do what it can to accommodate it. Such agreement would have to be tailored to fit the unique circumstances of Sark, and be entered into with the UK as Sark does not have international legal personality, or an entrustment, to be able to enter into international agreements in its own right.

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ADDITIONAL TAX TRANSPARENCY STATEMENT

A person's residency for tax purposes should be determined according to the laws of the country or jurisdiction in which they may be liable.

The payment of Sark tax reflects principally the ownership, leasehold or other interest in Sark property and the availability of that property to that taxpayer for a period of 90 days.

Payment of Sark tax does not imply residence so that a person is excluded from paying tax in another jurisdiction.'

It should be emphasised that there is no such legal personality as a Sark Company and there is no Sark Company Registry, nor are there any plans to establish a Registry. Thus, any corporate entities operating in Sark will be registered in other third party jurisdictions.

Sark has taken the decision that it will in future be issuing all taxpayers with a Tax Identification Number.

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