

CHANNEL ISLANDS

JERSEY

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CORPORATE INCOME TAX	
Resident companies	20% for some companies with real estate in Jersey; 10% for financial services companies; 0% for all the other companies
Offshore companies	0% for all the companies with non-resident shareholders
WITHHOLDING TAXES	
Dividends	10%, 20%, exempt if income already taxed
Interest and royalties	20%
OTHER TAXES	
Stamp duty	Variable, applied only on transfers and on real estate mortgages
GST/VAT	5%; exports exempt
Capital gains	Not applied
Tax on capital	Not applied
Inheritance tax	Not applied
INCORPORATION TIME	1 day, 1 week
REGISTRATION COSTS	£ 165 (short track: from £242 to £670) + £1,500 for professional fees
ADVANCE RULINGS	Applied
BANK SECRECY	Applied
EXCHANGE CONTROLS	Not applied
LEGAL SYSTEM	French and Norman Law with elements of the Common Law
BILATERAL TAX AGREEMENTS	Signed with 15 countries TIEAs with 38 countries

1- GENERAL INFORMATION

Jersey is not part of the United Kingdom but is an autonomous possession of the British Crown. The island is self-governing and has the right to legislate on matters of purely domestic concern, including taxation. Jersey therefore has its own executive, legislature and judiciary. International and external affairs of Jersey are the responsibility of the UK Government.

In the past years, a number of political and governmental bodies, among which the Financial Stability Forum and the US State Department, have evaluated the affairs of offshore jurisdictions, and Jersey has been regarded as being in the “top tier”.

Jersey’s government has engaged in a process changing the local tax system in order to meet the requirements set out in the OECD Harmful Tax Initiative and its report. The Jersey Government continues to approach such evaluations and reports positively, but with the intention of making changes to its own regulations and procedures only if they are believed to be in the best interests of the Island.

I- Legal system

Jersey has its own independent system of law, different from that of both the United Kingdom and the other Channel Islands. Its foundation is the customary law of Normandy, particularly where matters of real property, hypothecation and succession are concerned. However, in more recent times, English-derived legislation and concepts have been imported into the island and assimilated into the law of Jersey.

The Royal Court administers both the civil and criminal law in Jersey and is presided over by the Bailiff.

In Jersey, a task force was set up to ensure that the Island maintains its high regulatory standards and to ensure that its reputation and economic interests are fully protected. As a consequence, new legislation was introduced, such as the Proceeds of Crime (Jersey) Law 1999, and the Criminal Justice (International Co-operation) (Jersey) Law 2001. This puts the Island on a par with the UK with regard to criminal money laundering legislation. The Investment Business Law 1998 was extended to include trust and company service providers, and was renamed the Financial Services (Jersey) Law 1998. The extension came into effect on 27 November 2000.

II- Economic policy

Jersey can boast political stability, a healthy economy, an expanding financial centre, a low-tax regime and an attractive life-style. It is not surprising, therefore, that in recent years the island’s authorities have found it increasingly necessary to restrict the numbers of both individuals and businesses seeking to move to the island, by choosing between direct foreign investment of an “active” nature (with a requirement for permanent immigration into the island by foreign nationals, etc) and that of a “passive” nature which maintains the economic “status quo” (eg the purchase of local property for investment purposes only and not for use as a residence by the foreign owner or the owner’s family, or the purchase of an existing island business as an investment, etc).

All banking, insurance, trust and other financial services companies must seek permission of the local regulating authority, the Jersey Financial Services Commission (JFSC), before commencing activities in Jersey.

III- Financial institutions

There are 19 registered deposit-taking institutions in Jersey (as of May 2023). These include branches of UK clearing banks and the branches and subsidiaries of many merchant and overseas banks.

Since 1972 the licensing of new banks on the island has been strictly limited, and licences have only been issued to those institutions which either extend the range of banking services on the island or cover new geographical areas.

In addition to the banks, a full range of ancillary and support services are provided by locally based advocates (lawyers), English solicitors, accountants, trust companies, stockbrokers, money brokers, insurance brokers and fund administrators, etc, many of which are subsidiaries of major international firms.

In October 1998 the Channel Islands Stock Exchange began trading. The Exchange is based in Guernsey, but it is governed by an elected board of representatives from both Jersey and Guernsey.

Banks and other deposit takers are subject to strict regulations and controls by the island's regulating authority, the Jersey Financial Services Commission (JFSC).

All businesses within the financial services industry with annual taxable turnover of at least £300,000 must either register for goods and services tax (GST) or become an ISE. A business with income below £300,000 may voluntarily become an ISE, which does not charge GST and is not charged GST by other businesses and must pay an annual fee going from £ 0 to £78,300, according to the type of company.

IV- Bank secrecy

Under the terms of its double taxation agreements the Jersey tax authorities are able to exchange limited information with the taxation authorities of those jurisdictions only in cases of fraud or tax evasion. As part of the OECD drive toward transparency, Jersey has negotiated tax information exchange agreements (TIEAs) with a number of jurisdictions and procedures to counter money laundering, which were first imposed by the Drug Trafficking Offences (Jersey) Law 1988 were extended in 1999 to cover the laundering of the proceeds of all criminal conduct by the introduction of the Proceeds of Crime (Jersey) Law 1999 and the Money Laundering (Jersey) Order 1999, thus covering the following areas:

1. internal controls and communication of policies
2. identification procedures (ie "know your client" protocols)
3. recognition and reporting of suspicious transactions
4. training and education of all staff
5. record keeping.

The penalties are stringent for those individuals who are involved with money laundering activities. Crimes under the laws include assisting a criminal to obtain, retain or invest funds if there is a suspicion that those funds are the proceeds of criminal conduct. Penalties include fines and possible imprisonment of up to a maximum of 14 years. A tax related offence would constitute "criminal conduct" if it is proven that there existed an act constituting a deliberate false representation, thus causing actual prejudice to another and actual gain to the person accused. However, it should be noted that clients may legitimately benefit from Jersey's tax regime and may invest in such a way that is tax neutral or which minimises their tax liability. Tipping off clients in relation to money laundering activity is a criminal offence.

Anti-money Laundering Guidance Notes for the Finance Sector have been issued by the Jersey Financial Service Commission to assist financial institutions in implementing policies and practices within their own companies. These *Guidance Notes* are intended to provide a practical interpretation of the legislation and give examples of best practice.

Full details of the legislation can be found on the Jersey Financial Services Commission website on the Internet at www.jerseyfsc.org.

Banks and all other financially regulated businesses in Jersey are required to "know their customer". These laws are set out in Jersey's anti-money laundering legislation and are enforced by the regulator to stop the potential for abuse of the Island as a centre for illicit and illegal activity. As a result, trust companies and other professional firms engaged in the island's

finance industry will always seek detailed information from and make diligent enquiry about new clients and the activities in which they wish to engage in order to safeguard the reputation of Jersey as an international offshore centre and to protect those businesses which make legitimate use of the Channel Islands.

V- Exchange controls

There are no exchange control restrictions.

2- JERSEY COMPANIES AND TRUSTS

BUSINESS ENTITY	MAIN TRAITS	FORMATION	GOVERNANCE
<i>Limited liability companies</i>	<p>The majority of companies incorporated in Jersey are limited liability companies, which can be unlimited companies, companies limited by guarantee or hybrid companies.</p> <p>A distinction exists in Jersey between private and public companies. A public company is one which has more than 30 members, or whose memorandum states that it is a public company, or which, being a private company, decides to alter its memorandum so as to become a public company.</p> <p>Only a public company can offer its shares for subscription to the public, subject to the consent of the Jersey authorities.</p> <p>On 30 March 1992 the Companies (Jersey) Law 1991 replaced the previous law of 1861 and is subject to regular update and amendment in order to keep the Jersey company law framework as flexible and attractive as possible for the international community that have a need to use Jersey companies in corporate planning.</p> <p>From 1 September 2022, limited liability companies are treated as flow-through entities for corporate income tax purposes. As a result, profits are not subject to income tax at the company level, but are instead subject to income tax in the hands of the company's members.</p> <p>There is no statutory limit on the amount of the initial authorised share capital. It is usual practice, however, for a company to be incorporated with an authorised share capital of £10,000 (or recognised currency equivalent). Upon incorporation a company must issue a minimum of one share.</p> <p>A Jersey company must have its registered office on the island.</p>	<p>When a suitable name has been approved, the incorporation process is started by 2 or more persons in the case of a public company, or one or more persons in the case of a private company, subscribing their names to the memorandum and articles of association and applying to the Registrar of Companies for their registration. In practice, the subscribers to the memorandum are often nominees of the locally regulated agent engaged to form the company.</p>	<p>A company is managed by a board of directors, who are responsible for the proper handling of the company's daily affairs in accordance with the articles of association.</p>
<i>Foreign corporations and branches of foreign corporations</i>	<p>A company incorporated outside Jersey will only be liable to Jersey income tax on the profits earned from trading activities within the island by its branch or local establishment.</p> <p>It is now common practice for companies incorporated in other offshore financial centres around the world to be administered in Jersey, with management and control being exercised either inside or outside Jersey, thus combining the flexibility of other tax regimes with the stability of Jersey.</p>		

BUSINESS ENTITY	MAIN TRAITS	FORMATION	GOVERNANCE
<i>Limited partnership</i>	<p>The Limited Partnerships (Jersey) Law 1994 permits the registration of limited partnerships in Jersey. Limited partnerships allow institutional investors to become partners in the ownership of less conventional assets, including venture capital and development funds, management buy-outs and real property.</p> <p>The name of each limited partnership must end with the words "Limited Partnership" in full or the abbreviated "LP".</p> <p>There are several features in the Jersey law which distinguish it from similar legislation in certain other jurisdictions.</p> <p>(1) A Jersey partnership is treated as "fiscally transparent", with each of the partners assessed separately for tax.</p> <p>(2) The Jersey limited partnership may have an unlimited number of limited partners.</p> <p>(3) The accounts of the partnership may be maintained in any recognised currency.</p> <p>(4) While a limited partner may not participate in the management of a limited partnership without incurring unlimited liability, that partner is nevertheless able to act as a director of a corporate general partner, or as an agent or employee of the partnership.</p> <p>In April 2011 separate limited partnerships (SLPs) were introduced. These utilise the concept of the partnership as an unincorporated legal personality separate from its partners.</p> <p>In May 2011 incorporated limited partnerships (ILPs) were introduced. These differ from SLPs in that they have "perpetual succession", regardless of changes in membership.</p> <p>These 2 vehicles may be useful in fund management and structured financing.</p>		<p>Limited partnerships have one or more "general" partners (who have unlimited liability as in a normal partnership) and one or more "limited" partners, whose liability for debts and obligations is limited to the amount of their contributions.</p> <p>The general partner, usually a limited liability company, undertakes the role of managing partner.</p>
<i>Limited liability partnerships</i>	<p>Based on equivalent legislation in the State of Delaware, USA, the Limited Liability Partnerships (Jersey) Law 1997 provides limited liability to partners of firms, while still allowing those partners to take part in the management of the partnership itself.</p> <p>The partnership of the firm remains totally liable for all its debts, and all of the partnership assets remain available to its creditors. Each limited liability partnership is required to have at least one general partner and is required to draft an annual solvency statement specifying that the partnership is able to carry on business and discharge its liabilities for the following year.</p>		

BUSINESS ENTITY	MAIN TRAITS	FORMATION	GOVERNANCE
<i>Insurance companies</i>	<p>Since 1991, Jersey has been actively developing a high quality captive management centre. The enactment of the Insurance Business (Jersey) Law 1996 further enhanced the opportunities available for new and innovative business. The 1996 law updated provisions of the Insurance Business (Jersey) Law 1983 (which only permitted captive and reinsurance activities on the island), by bringing all insurance companies doing business in or from the island under the same regulatory regime, and by extending the rules of ownership of Jersey incorporated insurance companies.</p> <p>Insurance companies incorporated outside the island and subject to authorisation by a European Union authority, or an authority of a similar stature located elsewhere, are classed as "Category A companies".</p> <p>Jersey incorporated companies and other insurance companies not included in Category A are classed as "Category B companies".</p>		
<i>Collective investment funds</i>	<p>While Jersey has had regulations in place for some time in respect of the establishment and control of collective investment funds, early in 2004 the concept of "expert funds" was introduced. This has resulted in the streamlining of the process for the authorisation and establishment of new funds in the island, while laying down clear criteria in relation to who can invest in such funds.</p> <p>The Non-domiciled Fund Guide streamlines the approval process for Jersey functionaries acting for non-Jersey funds. A non-Jersey fund is a collective investment fund where the fund vehicle (usually a company, partnership or unit trust) is established in a jurisdiction other than Jersey.</p>		
<i>Sole traders and joint ventures</i>	<p>Local residents may carry on business as sole traders. Joint ventures are never treated as separate entities and are, in effect, treated as the conduit through which the participators in the venture receive their share of the joint income.</p> <p>Neither of these two forms of enterprise have any relevance in the context of international tax planning.</p>		
<i>Trusts</i>	<p>Since its introduction in 1984, the Trusts (Jersey) Law has already been used as a model for trust laws in other IOFCs.</p> <p>An amendment to the law in 1995 permitted non-charitable purpose trusts to be created in Jersey. A purpose trust is a trust for which there are no ascertainable beneficiaries and which will be used in connection with off-balance sheet securitisation or debt defeasance transactions.</p>	<p>In Jersey there is no public register for trusts. The trust deed is a private document between the settlor and the trustees and there is no requirement for the contents of the deed to be disclosed to any authority. Under the Trusts (Jersey) Law 1984 unless required by the terms of the trust or by an order of the court, a trustee does not have to disclose any documents to show how they have exercised their powers or discretion.</p>	<p>The trustees must, under the law, "carry out and administer the trust in accordance with its terms" set out in the deed. While the trustees might appoint professional advisers to assist them in certain specialised areas (eg investment advice, property management, etc) they can never totally surrender to a third party their overall legal responsibility for the protection and control of the trust assets. The settlor can exercise some influence over the trustees as to their choice of professional advisers, either by naming them specifically in the deed or by indicating preferences in the "letter of wishes".</p>

I-Limited liability companies

The majority of companies incorporated in Jersey are limited liability companies. It is also possible to incorporate unlimited companies, companies limited by guarantee or hybrid companies.

A distinction exists in Jersey between private and public companies. A public company is one which has more than 30 members, or whose memorandum states that it is a public company - and only this kind of company can issue shares to the public, subject to the consent of the Jersey authorities.

A private company can decide to alter its memorandum so as to become a public company.

The requirements of the law are less onerous on private companies than on public companies and therefore provide the owners of private companies with a greater degree of privacy.

On 30 March 1992 the Companies (Jersey) Law 1991 replaced the previous law of 1861. Influenced by the development of English law, the 1991 law has been especially adapted to the needs of companies registered in Jersey and provides an up-to-date framework within which companies can operate. This law is subject to regular update and amendment in order to keep the Jersey company law framework as flexible and attractive as possible for the international community that have a need to use Jersey companies in corporate planning.

From 1 September 2022, limited liability companies are treated as flow-through entities for corporate income tax purposes. As a result, profits are not subject to income tax at the company level, but are instead subject to income tax in the hands of the company's members.

A company incorporated outside Jersey will only be liable to Jersey income tax on the profits earned from trading activities within the island by its branch or local establishment.

It is now common practice for companies incorporated in other offshore financial centres around the world to be administered in Jersey, with management and control being exercised either inside or outside Jersey. Thus a scheme involving the use of companies incorporated in different offshore centres can be administered in its entirety from Jersey, combining the flexibility of other tax regimes with the stability of Jersey.

The incorporation of a Jersey company can be completed in less than 3 days. There is also a "fast track" route whereby a same-day (2 hour) service is available at extra cost.

When a suitable name has been approved, the incorporation process is started by 2 or more persons in the case of a public company, or one or more persons in the case of a private company, subscribing their names to the memorandum and articles of association and applying to the Registrar of Companies for their registration.

The Companies (Jersey) Law 1991 abolished the doctrine of "ultra vires" relating to Jersey companies; it is therefore no longer necessary to set out in detail the proposed objects of the company in the memorandum. A standard set of articles of association, known as the "standard table" may be adopted in full or in part.

Various other information has to be supplied to the registrar confidentially with the application to register, including the name(s) of the beneficial owner(s) and their residential address(es) and occupation(s), the intended address of its registered office and a declaration that none of the proposed beneficial owners have, anywhere in the world, been declared bankrupt or been involved in management of a company that has become insolvent.

The company comes into existence when its memorandum and articles of association have been registered by the registrar.

The costs to form a Jersey company, is £1,500, including stamp duty of £220, judicial fees and all other incidental expenses. Same day incorporations attract a surcharge.

There is no statutory limit on the amount of the initial authorised share capital. It is usual practice, however, for a company to be incorporated with an authorised share capital of £10,000 (or recognised currency equivalent). There is no requirement to issue all the authorised share capital but upon incorporation a company must issue a minimum of one share.

Where the issued share capital of the company is to be in excess of £100 million, additional fees will be incurred.

Consent has to be sought - and is normally granted - under local control of borrowing regulations, for the initial level of authorised share capital of a new company and for any subsequent increases in the capital base.

So long as the articles of association permit, and the shareholders agree by special resolution, the share capital of a company may be reduced, increased or restructured. Reduction of capital requires confirmation by the Royal Court.

There are no restrictions as to the nationality or the residence of shareholders. Shares may be held by another company or through nominees, but the register of shareholders must be kept in Jersey.

Each January, a return has to be filed detailing the names of the shareholders appearing on the register and, for public companies only, particulars of the directors. Both the register and the annual return are available for public scrutiny, but there is no requirement to disclose the beneficial owner of shares held by nominees. The registration fee accompanying the return is currently £225.

Unless the articles of association provide to the contrary, shares are freely transferable.

A private company must have at least one director. A public company must have at least 2 directors appointed to the board. Unless required by the articles, directors do not have to be shareholders.

Every company must keep proper accounting records which must show a true and fair view of the company's affairs. It is the directors' duty to prepare and approve accounts for their company every 12 months.

Public companies must appoint auditors and present their audited accounts to an annual general meeting within 7 months of their financial year end.

Private companies are not required to file accounts and, therefore, their financial affairs remain private.

Two or more Jersey companies may merge and continue as a single company without the requirement for the liquidation of one or more of the merging companies.

Enhancements to Jersey's merger provisions, which entered into force in February 2011, were introduced to add an attractive feature to Jersey's regime for international investors. The enhanced provisions enable Jersey companies to merge with both foreign companies and other Jersey companies or bodies incorporated in Jersey.

II- Partnerships

Jersey law permits the association of two or more persons (which can include foreign or resident corporations) to form a partnership with either limited or unlimited liability. In the absence of any statutory law in Jersey regarding the formation and conduct of partnerships, the principles of English common law are closely followed. It is usual for a partnership to be evidenced by a formal written agreement. There is no requirement to register such a document and it therefore remains completely confidential.

In general terms, a non-resident partner of a Jersey partnership will not be liable to Jersey income tax on profits arising from trade carried on wholly outside the island. Resident partners, however, will be liable to income tax on their share of the partnership's worldwide income.

The Limited Partnerships (Jersey) Law 1994 permits the registration of limited partnerships in Jersey. Limited partnerships allow institutional investors to become partners in the ownership of less conventional assets, including venture capital and development funds, management buy-outs and real property.

The name of each limited partnership must end with the words "Limited Partnership" in full or the abbreviated "LP".

Limited partnerships have one or more “general” partners - who have unlimited liability - and one or more “limited” partners, whose liability for debts and obligations is limited to the amount of their contributions.

The general partner, usually a limited liability company, undertakes the role of managing partner.

There are several features in the Jersey law which distinguish it from similar legislation in certain other jurisdictions:

1. it is treated as “fiscally transparent”, with each of the partners assessed separately for tax
2. it may have an unlimited number of limited partners
3. The accounts of the partnership may be maintained in any recognised currency
4. While a limited partner may not participate in the management of a limited partnership without incurring unlimited liability, that partner is nevertheless able to act as a director of a corporate general partner, or as an agent or employee of the partnership.

In 2011 separate limited partnerships (SLPs) were introduced. These utilise the concept of the partnership as an unincorporated legal personality separate from its partners, capable of suing and being sued in its own name.

In 2011 incorporated limited partnerships (ILPs) were introduced. These differ from SLPs in that they have “perpetual succession”, similar to the continuing existence of a company regardless of changes in membership.

These 2 vehicles may be useful in fund management and structured financing.

Based on equivalent legislation in the State of Delaware, USA, the Limited Liability Partnerships (Jersey) Law 1997 provides limited liability to partners of firms, while still allowing those partners to take part in the management of the partnership itself.

Under the 1997 law, the LLP remains totally liable for all its debts, and all of the partnership assets remain available to its creditors. Individual partners who have not been responsible for a particularly negligent act, however, have their personal assets protected from any debts arising from the negligence.

Each limited liability partnership is required to have at least one general partner and is required to draft an annual solvency statement.

III- Sole traders and joint ventures

Local residents may carry on business as sole traders. Joint ventures are never treated as separate entities and are, in effect, treated as the conduit through which the participators in the venture receive their share of the joint income.

Neither of these two forms of enterprise have any relevance in the context of international tax planning.

IV- Insurance companies

Since 1991, Jersey has been actively developing a high quality captive management centre. The enactment of the Insurance Business (Jersey) Law 1996 further enhanced the opportunities available for new and innovative business. The 1996 law updated provisions of the Insurance Business (Jersey) Law 1983 (which only permitted captive and reinsurance activities on the island), by bringing all insurance companies doing business in or from the island under the same regulatory regime, and by extending the rules of ownership of Jersey incorporated insurance companies.

Insurance companies incorporated outside the island and subject to authorisation by a European Union authority, or an authority of a similar stature located elsewhere, are classed as “Category A companies”.

Jersey incorporated companies and other insurance companies not included in Category A are classed as “Category B companies”.

V- Trusts

Trusts are widely used and recognised in the Channel Islands where the local law is derived from the customary law of Normandy which, in common with most European legal systems, does not recognise such a concept.

The growth of Jersey as an IOFC has seen the increasing use of trusts as a popular vehicle for offshore tax planning. In March 1984, the Trusts (Jersey) Law 1984 was enacted, codifying the existing common law relating to trusts and clarifying many uncertainties. This law has increased the protection given to beneficiaries, by defining the duties and powers of the trustees and the liability of the directors of a corporate trustee.

Under the new law, the Royal Court of Jersey has jurisdiction where:

1. the trust is a Jersey law trust, or
2. a trustee of a foreign trust is resident in Jersey, or
3. any trust property of a foreign trust is situated in Jersey, or

administration of any trust property of a foreign trust is carried on in Jersey.

A trust is formed by a person (“the settlor”) who surrenders the ownership of their property to others (“the trustees”) for the ultimate benefit of other persons (“the beneficiaries”).

In Jersey the duration of a trust may be without limit.

VI- Foreign corporations and branches of foreign corporations

Foreign entities are recognised under the conventions of international law but there is no requirement for a foreign company to register its corporate details or file an annual return at present.

However, if the intention of the foreign corporation is to trade within the island in its own name or to establish a branch or a permanent place in Jersey, it will be subject to the same consents and license to trade required by a resident company.

A company incorporated outside Jersey will only be liable to Jersey income tax on the profits earned from trading activities within the island by its branch or local establishment.

It is now common practice for companies incorporated in other offshore financial centres around the world to be administered in Jersey, with management and control being exercised either inside or outside Jersey. Thus a scheme involving the use of companies incorporated in different offshore centres can be administered in its entirety from Jersey, combining the flexibility of other tax regimes with the stability of Jersey.

VII – Mutual funds

Expert funds

Early in 2004 the concept of “expert funds” was introduced. This has resulted in the streamlining of the process for the authorisation and establishment of new funds in the island, while laying down clear criteria in relation to who can invest in such funds.

Expert funds are designed as flexible investment vehicles that can take any form recognised under the laws of Jersey, eg a limited company, limited partnership or unit trust. They may be open-ended or closed-ended and there are no investment or gearing restrictions. For the majority of expert funds there are flexible requirements in respect of custody or prime brokerage arrangements. They are particularly suitable for establishing hedge funds and other innovative products aimed at “expert” investors for alternative investment strategies and asset classes. The category of expert investors is defined and includes any person who invests a minimum of US\$100,000.

Every expert fund must appoint a functionary (who must be a licensed Jersey regulated entity) whose duties include taking steps to satisfy themselves that the actions of the expert fund's are in accordance with the conditions set out in the prospectus.

Non-domiciled funds

The Non-domiciled Fund Guide streamlines the approval process for Jersey functionaries acting for non-Jersey funds. A non-Jersey fund is a collective investment fund where the fund vehicle (usually a company, partnership or unit trust) is established in a jurisdiction other than Jersey.

The non-domiciled funds can be materially equivalent to Jersey expert funds, Jersey recognised funds, or those funds compliant with the latest EU UCITS (Undertaking for Collective Investment in Transferable Securities) Directive.

In brief, such funds are suitable for investors with the expertise and resources to accept any extra degree of risk involved as a result of the nature of the investment, which must be minimum US\$100,000. All material information about the fund must be set out for potential investors in the offer documents.

VIII – Foundations

Jersey has introduced legislation governing the introduction of Jersey proper law foundations. These are registered in much the same way as a company but can be used in private wealth planning for those clients who do not intend to use a trust arrangement. It is also likely that they will find use in special purpose activities to take ownership of certain assets out of corporate ownership, as the foundation has no shareholders and hence is regarded as an “orphan” structure with no legal owner.

3- TAXATION SYSTEM

I- Companies

The States of Jersey States Assembly (the Jersey parliament) is responsible for the imposition of taxation on the island. The Comptroller of Revenue, who is entrusted with the daily administration of the income tax legislation, is appointed by the States.

Jersey companies are generally subject to a rate of tax set at 0%. The exceptions are: financial services companies, which pay a rate of tax set at 10%, companies that fall into certain local business categories (such as utility companies and some property owning companies), which pay a rate of tax set at 20%. From 1 January 2018, large corporate retailers with turnover of more than £2 million and taxable profits exceeding £750,000 are subject to tax at a rate of 20%. Tax is payable on a sliding scale for large corporate retailers with taxable profits of at least £500,000, but less than £750,000. Large corporate retailers with taxable profits of less than £500,000 are subject to tax at the rate of 0%.

From 1 September 2022, limited liability companies are treated as flow-through entities for corporate income tax purposes. As a result, profits are not subject to income tax at the company level, but are instead subject to income tax in the hands of the company's members.

The Jersey tax year is the calendar year.

Shareholders resident in Jersey are liable for tax on dividends only when the dividends are paid out.

Income tax paying companies have to file a tax return. If no such return is made, the Comptroller of Revenue will raise an estimated assessment.

There are no taxes on capital and wealth or estate duty in Jersey.

No separate withholding tax is imposed on dividends but they are deemed to have borne income tax at the imputed rate for a resident company. Rates of tax vary from zero to 10% and 20%.

For all new loans and mortgages taken out after 1 January 2004, all interest must be paid gross. For loans in place prior to that date, interest can be paid net of income tax at the standard rate of 20% by a Jersey income tax paying company, irrespective of whether the payment is made to

another resident or to a non-resident. If interest is paid gross, it can be deducted as trading or management expenses in calculating the profit chargeable to income tax.

Deposit interest from Jersey banks payable to non-residents is exempt from local income tax.

Where a royalty or similar payment is not payable out of profits or gains chargeable to tax, the person making the payment must deduct tax at the standard rate of 20%. In other cases, where the royalty is paid out of taxed profits, no further deductions need to be made.

The double tax agreement between Jersey and the United Kingdom does not provide for any reduction in the withholding tax rates.

II - EU Savings Tax Directive

Directive 2003/48/EC on taxation of savings income in the form of interest payments was modified in 2014. From 2015, any individual who was resident in an EU member state and who earned bank interest or other savings income in Jersey was subject to automatic exchange of information, whereby details of such payments were forwarded to their home tax authority.

From 2016, the automatic exchange of information was extended to include interest, dividends, gross proceeds from the sale of financial assets and other income, and account balances. It applied to such income of both individuals and entities. The UK (and therefore Jersey) left the EU on 31 January 2020. However, the UK continued to apply EU law during the transition period that ended on 31 December 2020.

III- Other taxes

In Jersey there are no taxes on wealth, capital, or on inheritance or gifts.

There is no stamp duty payable upon the transfer of shares and securities, cheques or other legal documents. Legal conveyances of real property and mortgages on immovable property attract stamp duty at varying rates depending on the transaction value.

Remuneration paid to overseas employees who perform no part of their duties on the island does not attract personal income tax but may still be allowable as a business deduction on the part of the Jersey resident company.

Goods and services tax (GST) is imposed at a rate of 5% on the majority of local services and goods which are sold. Exports are exempt from the need to charge this tax. A business that primarily serves non-residents may apply to be registered as an international service entity (ISE) as an alternative to registering for GST. ISE fees are payable annually at varying rates according to the type of business; for many non-financial types of business the rate is £500. GST and ISE fees can be paid online at www.gov.je/pay.

Dividends from a Jersey income tax paying company are received net by both residents and non-residents.

The Jersey tax system is a pure imputation system in that no income is taxed twice.

Dividends paid by a Jersey income tax paying company are paid out of net profits after tax and are not deductible when computing the company's liability to income tax. Shareholders receiving dividends from Jersey income tax paying companies are therefore deemed to have received them net of Jersey income tax at 20% or, from 1 January 2009, at a rate of 0%.

IV- Tax incentives and advance rulings

The Jersey authorities take the view that the island's low rate of income tax, simple tax structure and political stability provides sufficient incentive for non-residents to use the island as an offshore centre. The States of Jersey has, therefore, never considered it necessary or desirable to introduce special exemptions, grants or incentives to attract additional investment to the island.

Tax depreciation (capital allowances) is allowed as a deduction from the taxable profits of a resident company in place of its book depreciation. Capital allowances are restricted to machinery and equipment (including vehicles) and greenhouses. Such assets are pooled and the

entire group is given an allowance on the reducing balance which is applied indefinitely. For machinery and equipment the allowance is 25%. Greenhouses are pooled separately from machinery and equipment, and are given an allowance of 10%.

The allowance is based on the value of the pool as at 31 December. If an asset is acquired or disposed of during the tax year, the value of the asset pool must be adjusted before the allowance is calculated.

It is often necessary to seek the agreement of the Comptroller of Revenue before embarking on a certain transaction.

The anti-avoidance provisions that are in existence are aimed primarily at Jersey residents. If the Comptroller is of the opinion that the main purpose of a transaction is the avoidance, or reduction, of the liability of any person to income tax, the Comptroller may require further assessment.

V- Resident trusts

If a Jersey trust does not meet the conditions for a non-resident trust, ie it has Jersey resident beneficiaries or Jersey source income (other than bank deposit interest), the trustees must make a return to the Comptroller of Revenue.

The trustees of a resident trust will be liable for income tax at the standard rate but they may make distributions to beneficiaries free of tax. As such distributions are paid out as net income after tax, the beneficiaries are deemed to have received the distributions net of income tax.

VI- Limited liability partnerships

The limited partnership is not itself subject to assessment for Jersey income tax, whereas the partners are assessed in their own names as follows:

1. Non-resident partners' liability to Jersey income tax is limited to Jersey source income (but excluding bank deposit interest). Thus, where the limited partnership's income consists wholly of investment income, the non-resident partner will not be liable to Jersey income tax (except in the unusual circumstance that the income includes Jersey source investment income other than bank interest) and, where the limited partnership carries on a trade wholly outside the island, the non-resident partner's share of the profits of that trade will not be liable to income tax.
2. Resident partners are liable to Jersey income tax on the whole of their share of the income arising to the limited partnership.

VII- Foreign income

Foreign source income of a Jersey income tax paying company is taxed on an arising basis. In the case of overseas subsidiaries, the income is not deemed to arise until a dividend is declared and payable. Foreign source capital gains accruing to Jersey income tax paying companies will be viewed in the same manner as gains arising in Jersey

Relief from foreign taxation is available to a Jersey income tax paying company either under the terms of a double tax treaty or by unilateral relief: Jersey grants unilateral relief in respect of tax suffered by Jersey income tax paying companies on foreign source income. The foreign tax is treated as an expense and deducted from the gross foreign source income so that only the net amount of the income receivable is chargeable to Jersey income tax. Thus Jersey income tax is not charged on the amount of foreign tax that the foreign income has borne.

There are no exchange controls relating to either inward or outward investments or transfers.

Capital gains accruing in Jersey to the permanent establishment or branch of a non-resident company would be viewed in the same manner as gains arising to a Jersey income tax paying company.

4- OFFSHORE COMPANIES AND TRUSTS

The expression “offshore companies” typically relates to Jersey incorporated companies, beneficially owned by non-residents of Jersey, which do not trade in or have a permanent establishment on the island.

Offshore companies are generally limited liability companies and would typically be private companies. Offshore companies are subject to Jersey law and practice relating to such companies. For that reason, they must file an annual return of share capital and pay the annual filing fee of £225. A public offshore company must also file particulars of its directors and its annual accounts.

Offshore companies may appoint Jersey resident directors and hold their board meetings in Jersey. The administration of offshore companies can be carried out in Jersey and bank accounts may be maintained on the island.

By appointing a majority of Jersey directors to its board, an offshore company will be able to demonstrate that management and control is being exercised in Jersey, and avoid being regarded as resident in another territory with a less favourable tax regime.

I- Non-resident companies

A company not incorporated in Jersey and whose management and control is outside the island will be outside the scope of Jersey income tax unless it is carrying on business on the island through a permanent establishment or branch.

Bank deposit interest earned in Jersey by a non-resident company will not be subject to income tax except where that company has other sources of income arising on the island.

Non-Jersey companies can be managed and controlled from Jersey - with a majority of Jersey resident directors on the board and holding board meetings in Jersey - and not suffer any Jersey income tax.

II- Offshore finance companies

A Jersey company can assist in the financing of operations of a multi-national group of companies through the provision of captive insurance, the employment of expatriate personnel and associated payroll functions, and the establishment of trusts to provide pension, superannuation and provident funds for overseas and expatriate personnel.

III- Offshore licensing companies

A Jersey registered company may be used to hold patents, copyright, trade marks, etc, for exploitation world wide.

IV- Offshore trading companies

As part of its special protocol with the European Economic Community, Jersey was obliged to impose the EU's Common External Tariff on all imports from outside the European Community.

V- Offshore administration companies

The strict control exercised by the island authorities over the establishment of new operations in Jersey, the expansion of existing organisations and the levels of staff employed may preclude the physical establishment by a foreign corporation of an administrative headquarters on the island.

The administrative functions of a Jersey company can be carried out in Jersey by a resident professional individual or organisation (ie a trust company). Therefore the size and scope of the necessary support services required will dictate the feasibility and cost-effectiveness of centralising the administration of a multi-national group in Jersey.

VI- Offshore shipping companies

Jersey companies are used to own and charter ships and yachts, but no other special tax concessions apply.

Jersey's register of shipping is part of the British register.

In 1987 the island authorities took steps to discourage commercial shipping from using Jersey as a "flag of convenience" by limiting entry on the local register to ships owned by Jersey resident individuals and companies. This limitation does not apply to yachts and other small craft.

VII- Offshore trusts

Jersey trusts are extremely popular as a tax planning vehicle to manage and protect private assets, to accumulate income and to realise gains which, in other countries, would be subject to income, wealth, capital or gift taxes.

The most common type of trust used in Jersey is the discretionary trust because it offers a high degree of flexibility.

Jersey trusts are often used with an underlying investment company, wholly owned by the trustees.

The placing of the trust's equity investment portfolio in an underlying company can ease the administration of the portfolio, especially when registering shares in countries not familiar with the concept of trusts. The use of an investment company can also be relevant for owning real estate.

Such underlying companies can be incorporated in Jersey or in another suitable IOFC of the trustees' choice.

5- BILATERAL TAX AGREEMENTS

Jersey has concluded tax treaties with a number of countries which specify the withholding tax rates that apply. Non-treaty withholding tax rates apply when they are lower than the rate specified in the treaty. There is no Jersey withholding tax on dividends, interest or royalties paid to non-residents. Therefore the following rates of Jersey withholding tax apply to non-resident entities:

	<i>Dividends</i>	<i>Interest</i>	<i>Royalties</i>
	<i>%</i>	<i>%</i>	<i>%</i>
<i>Non-treaty countries</i>	0	0	0
<i>Treaty countries</i>			
Cyprus	0	0	0
Estonia	0	0	0
Guernsey	0	0	0
Hong Kong	0	0	0
Isle of Man	0	0	0
Liechtenstein	0	0	0
Luxembourg	0	0	0
Malta	0	0	0
Mauritius	0	0	0
Qatar	0	0	0
Rwanda	0	0	0
Seychelles	0	0	0
Singapore	0	0	0

United Arab Emirates	0	0	0
United Kingdom	0	0	0

Jersey has signed TIEAs with the following jurisdictions, based on the OECD model convention: Argentina, Australia, Austria, Belgium, Brazil, Canada, Chile, China, Czech Republic, Denmark, Faroe Islands, Finland, France, Germany, Greenland, Hungary, Iceland, Indonesia, Ireland, Italy, Japan, Latvia, Mexico, Netherlands, New Zealand, Norway, Poland, Portugal, Romania, Slovenia, South Africa, South Korea, Spain, Sweden, Switzerland, Turkey, United Kingdom and United States.