



Guide to Jersey

Jersey is the most southerly of the British Channel Islands. It has the French coast some 14 miles away, with UK less than an hour by flight. Even though Jersey is a dependent territory of the British Crown; is not part of the UK (and has its own government and fiscal legislation).

The lieutenant-governor is the British Crown representative. The bailiff is also appointed by the crown and serves as president and speaker of the legislative assembly—the States of Jersey. The island has a comprehensive independent legal, fiscal and administrative system.

The financial services sector provides Jersey's main source of income, including private banking, company and trust administration and investment funds. Jersey has a well-developed trust sector, with strong support from law firms, trust managers and advisory practices. It is extremely well regulated and continues to improve its services and offerings to the finance sector globally.

Jersey has been promoting an open and transparent approach to business and has entered into "tax information exchange agreements" (TIEAs) with numerous jurisdictions.

The tourism industry and agriculture sectors also remain as important part of the economy.

Taxation:

Jersey has Income Tax but no:

- death duties,
- inheritance taxes,
- capital gains taxes, or
- capital transfer taxes.

The standard rate of income tax is 20% for individuals and this is unchanged since 1940.

Companies

Resident companies are taxed on worldwide income; non-resident companies are taxed only on Jersey-source income. A company is resident in Jersey if incorporated there or if its central management and control is in Jersey. The rate of corporate income tax is 0%, (with a 10% rate for financial services providers and 20% for utilities and property development and investment sector). Tax benefits for existing International Business Companies (IBCs) are to be phased out by 2011, and no new IBCs may be formed after December 31st 2005. Inter-company dividends are effectively not taxed, as the tax is offset by an imputation tax credit.

Please refer to our zero-ten newsletter for further information about this, which is also on our website.

Individuals

Individuals' residents on the island are entitled to various allowances and suffer tax at basic rate of 20% on their worldwide income. Non-resident individuals do not pay Income tax, unless they receive Jersey Source income.

A person is considered resident if present in Jersey for 183 days in a tax year or 90 days in each of four consecutive tax years. Dividends received are taxable on the gross amount, but an imputation tax credit is available.

There are opportunities for HNWIs considering a move to the island to consider reviewing the option of applying for residency under the 1, 1, K Licence Category (for further information visit www.reflectonjersey.com)

Administration

The income tax year is the calendar year, 1st January to 31st December.



Companies pay tax based on their accounting period ending in the previous tax year. A tax return is due within 30 days of its issue, and tax is then payable on assessment.

A system of tax deduction at source from wages and salaries, known as ITIS, applies as from 2006. Individual tax returns are due within 60 days of their issue after the end of the tax year. For individuals, assessments are issued in September following the tax year, and tax is payable on assessment.

Indirect taxation

There is currently no indirect tax in Jersey however goods and services tax (GST) is anticipated to come into effect from May 2008 at a rate of 3%. (also see our guide to GST on our website www.mekad.com)

The GST returns are prepared on a quarterly basis and submitted one month after the end of the respective quarter end.

Additional information

<i>Withholding taxes</i>	Dividends 0%, Interest and Royalties 20%. Interest paid by banks is generally not subject to withholding tax; a 15% retention tax may apply to savings income paid to individuals in the EU.
<i>Tax treaties</i>	Only with the UK and Guernsey, and a limited (air and shipping) tax agreement has been concluded with France. Has signed Tax Information Exchange Agreements (“TIEAs”) with Sweden, Norway, Iceland, Greenland, Finland, Faroes, Denmark, USA, Netherlands and Germany. TIEA with UK under consideration. For further information visit http://www.gov.je/TreasuryResources/IncomeTax/TIEA/
<i>EU Savings Tax Directive</i>	It has signed up to this initiative and continues to comply with the requirements as prescribed within the agreement
<i>Dividends</i>	Dividends are taxable, but with an imputation credit for residents. Under the new tax regime there are new shareholder taxation provisions which broadly only affect individual resident in Jersey
<i>Revenue protection</i>	There is no transfer-pricing, thin-capitalisation, but there is a general anti-avoidance provision.
<i>Groups</i>	There are provisions for group taxation effective from 1 January 2009. Including group registration for GST

For further information please contact us on +44(0)1534 729870 or email us on info@mekad.com

This guide is for information purposes only as an outline and does not constitute as formal advice. Independent advice should be sought from a qualified professional. Should the reader wish to obtain specific advice then this may be provided on request.