

# Coming to Jersey

## A brief guide to personal taxation

As described in greater detail in the section related to housing controls, Jersey controls its population through the Housing Law and this has an impact on the tax status of people coming to the island. Your tax position could vary depending upon under which category of the Housing (Jersey) Law, 1949 (“Housing Law”), as amended, that you occupy property.

Jersey is not a tax haven, but a low-tax financial centre. Taxation is governed by the provisions of the Income Tax (Jersey) Law, 1961 (“Tax Law”) and administered by the Comptroller of Taxes. In order to facilitate the operation of the law the Comptroller applies certain practices and grants extra-statutory concessions.

There are separate rules and exemptions for individuals and companies resident outside the island so it is very important to determine residence status at the outset.

The year of assessment in Jersey is the calendar year but it should be noted that there are special provisions relating to the year that residence commences and appropriate advice should be sought prior to taking up residence in Jersey.

In essence there are two different forms of personal taxation:

- Persons who obtain consent as a wealthy resident under Regulation 1(1) k of the Housing Law;
- Persons without consent as a wealthy resident under Regulation 1(1) k of the Housing Law.

These are discussed in further detail below.

### Persons who obtain consent as a wealthy resident under Regulation 1(1) k

Under the 1949 Housing Law there are many ways of establishing residence in the island but the most appropriate for a wealthy individual would appear to be by purchasing a high value property. In practice, such properties tend to be in excess of £1.5m.

In order to acquire a property of this type it is necessary for the applicant to obtain specific housing consent.

There are several requirements before obtaining consent and these include:

- providing a detailed CV to demonstrate the business / social background of the applicant and their likely business activities (if any) in Jersey, to include the number of dependents that the applicant may have and the extent to which these persons may in time acquire residential qualifications in their own right;
- a detailed asset summary;
- details of other non-economic benefits which the island may obtain if consent is granted;
- two references – preferably one personal and one business;
- certificate from the Police Authorities in the home jurisdiction confirming that there is no record of serious criminal conviction;
- agreeing the likely tax contribution with the local tax authorities; and
- a personal letter of application.

It should be noted that a high value resident is subjected to a different tax regime than other residents of the island.

The statutory position is as follows:

- Tax at standard rate of 20% on all Jersey income. Jersey income broadly means all annual profits or gains arising or accruing from:
  - » any rents or receipts from property located in the island;
  - » any trade exercised in the island, whether or not through a fixed place of business in the island;
  - » any profession, employment, vocation or office exercised within the island;
  - » any pension arising in the island; and
  - » all interest of money and annuities arising in the island.
- Jersey does not levy any taxes on capital gains
- Non Jersey source income may be assessed differently. The worldwide

income arising directly to the applicant must be declared to the Jersey Tax Authorities.

- Where the annual Jersey source income exceeds £1m, then the first £500,000 of foreign income is assessed at 10% with the remainder at 1%.

Based on the above it would appear that there is a minimum tax requirement of c£250k. However it may be possible, through appropriate planning, to mitigate this amount depending on the activities and the personal circumstances of the applicant etc.

Every case has to be looked at separately and the personal circumstances of the applicant will determine whether any opportunities exist. One would expect that with careful planning **before an individual arrives in the island** then depending upon the circumstances of the applicant, an annual Jersey tax contribution of c£100k may be achieved. If the applicant merely wishes to use the property as a holiday home, it is normally possible in most situations to reduce the annual tax contribution to c£100k.

As stated above it is necessary to agree the likely tax contribution with the local tax authorities. In this respect they will request the following information in relation to all high value residents:

- How much income does the applicant have that would still be subject to double taxation relief under the UK/Jersey Double Tax Arrangement if residence was taken up in Jersey?
- How much income does the applicant have and would continue to receive which would not be subject to double taxation relief if residence was taken up in Jersey?
- Is it the intention to realise or liquidate any assets to ensure that income streams are created to generate a significant net Jersey tax liability?
- Does the applicant have any businesses which are currently managed and controlled in the home jurisdiction?
- If the application is successful would these businesses be controlled in Jersey?
- If such businesses exist, please provide full details of the profits made in its last accounting period.
- Draft tax computation to show the likely net Jersey tax contribution.

After arrival in the island the applicant should ensure that his affairs are carefully managed.

The above is only a brief summary and we would strongly recommend that professional advice is sought before coming to the island.

### **Persons without consent as a wealthy resident under Regulation 1(1) k**

For persons with average income or greater, individual income taxes are levied at a flat rate of 20%. Residents are taxable on income from all sources on a worldwide basis; non-residents are taxable on Jersey source income only, except bank deposit and building society interest.

Although the rules governing residence are not spelt out in the law, residence is determined on the basis of whether the taxpayer is physically present in Jersey. An individual will be treated as a resident in a year if he is present in the island for more than six months, or if he is present there for more than ninety days on average over four consecutive years. Individuals who maintain a home in Jersey are regarded as being resident in any year when they visit the island however short the duration of the visit.

If an individual is considered to be resident and ordinarily resident in the island then he is liable to Jersey tax on his worldwide income.

As background, Jersey tax rules on residence broadly follow those rules that existed in the UK prior to the abolition of the available accommodation rule.

Jersey has a general anti avoidance legislation within the Tax Law. If an individual is considering taking up residence in the island we would recommend that any tax planning is undertaken in the year prior to residence.

It should also be borne in mind that the Jersey / UK double taxation agreement has no tie break clauses to decide residence and an individual could become dually resident. The treaty also excludes from double tax credit relief UK dividends and debenture interest which would be assessed on the net amount received. That is to say that the UK tax deducted would be allowed as an expense only.

Personal deductions and allowances are set retrospectively. The current principal reliefs are as follows:

- a. Earned Income Allowance - £680
- b. Wife's Earned Income Allowance - £900
- c. Single Person's Allowance - £520
- d. Married Person's Allowance - £1,040
- e. Child Allowance - £3,000 per child



There are other minor reliefs available.

Jersey has a bilateral agreement with the United Kingdom which covers all forms of income, except dividends and debentures. There is also a bilateral agreement with the sister island of Guernsey under which all forms of income are covered.

Jersey has entered into or is currently negotiating Tax Information Exchange Agreements (“TIEA”) with the following countries:

- Australia
- Denmark
- Faroes
- Finland
- France
- Germany
- Greenland
- Iceland
- Ireland
- Netherlands
- New Zealand
- Norway
- Sweden
- United Kingdom
- United States

#### Minor Taxes and Other Impositions

##### Goods & Services Tax (GST)

Jersey is not a member state of the European Union and is not obliged to adopt its directives on direct or indirect taxation and therefore VAT is therefore not applicable in Jersey. However, Jersey has introduced a form of Goods and Services Tax at a rate of 3%. The registration threshold is £300,000 and is chargeable on most items.

Financial services and the export of goods and services are the primary exemptions.

##### Probate Duty

For estates where the net value does not exceed £100,000, probate duty (on confirmation of the Will) is charged at 0.5% for each £10,000 or part thereof. For estates where the net value exceeds £100,000, probate duty (on confirmation of the Will)

is charged at 0.5% for the first £100,000 and 0.75% thereafter for each £10,000 or part thereof. For individuals who were domiciled in Jersey at the date of death, the worldwide estate is liable. Otherwise, only assets situated in Jersey are liable.

##### Social Security

The island has a compulsory social security scheme. Everyone between school leaving age and pension age is insurable under either Class 1 covering employed individuals, or Class 2, those not in Class 1, that is, self employed or unemployed individuals. It should be noted that there is an earnings cap which for 2010 is £43,752.

Employer contributions are currently 6.5% whilst employees pay 6.0%.

##### Capital Taxation

There is no capital gains tax in Jersey and no tax is levied on gifts or an individual's net worth. There is no estate or death duties.

##### Stamp Duty

Stamp duty at rates of up to 3% may be levied on the acquisition of property in Jersey.

##### Other Tax Considerations

Care should be taken to ensure that the appropriate advice is taken in the country that you intend to leave. For example, anyone considering emigration from the UK for tax purposes will have to ensure they become non-UK resident and comply with Inland Revenue guidelines on what constitutes being non-UK resident. Once non-resident you will only be liable to UK income tax on sources of income arising within the UK, although by concession certain investment income may be received without charge to UK taxation. A non-resident will also cease to be chargeable to UK capital gains tax, although certain business assets may remain liable to tax on their disposal.

Emigration from any country to successfully mitigate income tax and/or capital gains tax is generally a complex matter and anyone considering it should seek professional advice.

This document has been put together with the assistance of Grant Thornton Limited. If you would like further assistance concerning Tax or regulatory issues, we have a number of specialist directors and senior managers dealing with all aspects of personal and corporate taxation; in the first instance, please contact either:

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