

International Tax Jersey Highlights 2018



Investment basics:

Currency – Pound Sterling (GBP)

Foreign exchange control – No

Accounting principles/financial statements – UK GAAP, IAS/IFRS (although, broadly, a company may adopt any generally recognized accounting framework). Public companies must file financial statements within seven months of the year end.

Principal business entities – These are the unlimited company, limited liability company (limited either by shares or guarantee), protected cell company (PCC), incorporated cell company (ICC), general partnership, limited partnership, limited liability partnership, incorporated limited partnership (ILP) and separate limited partnership (SLP). A foreign company can establish a branch or representative office in Jersey.

Corporate taxation:

Residence – A company is resident in Jersey if it is incorporated in Jersey or if its business is managed and controlled in Jersey.

A company incorporated in Jersey that meets the following criteria is not regarded as resident in Jersey: (i) it is managed and controlled in a jurisdiction outside of Jersey; (ii) it is tax resident in that other jurisdiction; and (iii) the highest rate of tax suffered by any company in that other jurisdiction on any part of its income is at least 10%.

Basis – Resident companies are taxed on worldwide income; nonresident companies are taxed only on Jersey-source income (excluding certain statutory and nonstatutory exemptions, which include Jersey bank interest).

Taxable income – Resident companies are taxable on their worldwide income. Expenses incurred in the course of generating a company's income generally are deductible.

Taxation of dividends – Net dividends received are taxable.

Capital gains – Capital gains are not taxed in Jersey.

Losses – Losses may be carried back one year by "utility companies" and carried forward indefinitely by all companies.

Rate – The standard rate of corporate income tax applying to Jersey resident companies or non-Jersey resident companies that have a permanent establishment in Jersey is 0%. A 10% rate applies to certain companies that meet the definition of a "financial services company," and a 20% rate applies to certain companies that meet the definition of a "utility company." As from 1 January 2018, a 20% rate also applies to retailers in Jersey with Jersey retail turnover exceeding GBP 2 million and net taxable profit over GBP 500,000.

Income derived from the rental or development of Jersey real estate, quarrying in Jersey and profits from importing and supplying hydrocarbon fuels into Jersey is subject to tax at a 20% rate, regardless of the rate that applies to the company in general.

Surtax – No

Alternative minimum tax – No

Foreign tax credit – Jersey generally provides relief for double taxation by allowing a deduction for foreign tax paid, although application may be made to the Jersey taxes office for a tax credit on a discretionary basis. Additionally, tax paid outside of Jersey may be eligible for

a credit under the provisions of an applicable tax treaty, up to the amount of Jersey tax payable on the income.

Participation exemption – No

Holding company regime – No

Incentives – The zero/10 regime is an attractive corporate income tax regime and, hence, further incentives are not required.

Withholding tax:

Dividends – Dividends paid to a resident or nonresident are not subject to withholding tax.

Interest – Interest paid by a company to a resident or nonresident is not subject to withholding tax. In particular, interest paid by a Jersey bank is not subject to withholding tax. Interest paid by a Jersey resident individual may be subject to a 20% withholding tax in certain cases.

Royalties – Royalties paid by a company to a resident or nonresident are not subject to withholding tax. Royalties paid by a Jersey resident individual may be subject to a 20% withholding tax in certain circumstances.

Technical service fees – No

Branch remittance tax – No

Other taxes on corporations:

Capital duty – No

Payroll tax – Under the income tax installment system (ITIS), companies are required to deduct income tax from payroll on behalf of employees and remit this to the taxes office on a monthly basis. The effective rate at which income tax must be withheld is advised by the taxes office.

Real property tax – A real estate tax, based on rateable value, is imposed on both the owner and the occupier of land and buildings within Jersey.

Social security – Employers are required to make social security contributions on an employee's earnings. The tax base is capped at the standard earnings limit for gross earnings of GBP 4,290 per month for the 6.5% rate, with a 2% rate applicable to gross earnings between GBP 4,290 and GBP 14,188 per month. An employer is entitled to deduct the social security contributions it makes when completing its corporate income tax return.

Stamp duty – No stamp duty is payable on the transfer of shares (but see "Transfer tax," below). Stamp duty applies at rates ranging from 0% to 7% on the purchase or transfer of Jersey real estate. Mortgages secured by a charge over Jersey real estate are subject to stamp duty at rates up to 0.5% of the amount borrowed.

Transfer tax – A land transaction tax applies on the transfer of shares in companies, the ownership of which confers a right of occupation of real estate located in Jersey. The amount of land transaction tax payable is equal to the amount of stamp duty that would have been suffered had the real estate been held directly, rather than through a company.

Anti-avoidance rules:

Transfer pricing – No

Thin capitalization – Yes, but only in limited circumstances.

Controlled foreign companies – No

Disclosure requirements – Companies are required to disclose in their annual tax return the names of any Jersey resident individual shareholders who hold more than 2% of the ordinary share capital of the company, and the names of any Jersey resident legal entity shareholders (irrespective of the extent of the shareholding). Companies whose ultimate beneficial owners are Jersey resident individuals who hold more than 2% of the ordinary share capital of the company (either directly or indirectly) are required to provide detail of their tax adjusted profits for a year of assessment to the taxes office (even if these profits are subject to the 0% rate). Companies that carry out a trade via a Jersey permanent establishment are required to provide detail of their accounting profits for a year of assessment to the taxes office (even if these profits are subject to the 0% rate).

Other – A general anti-avoidance provision allows the taxes office to raise additional tax assessments where a transaction has been entered into, the main purpose (or one of the main purposes) of which is the avoidance or reduction of Jersey income tax.

Compliance for corporations:

Tax year – Tax is calculated by reference to the accounting period ending in the calendar year.

Consolidated returns – Consolidated returns are not permitted. However, as part of the zero/10 regime, a restricted form of group relief broadly can allow companies in the same group and that are taxed at the same rate to group-relieve losses.

Filing requirements – Company tax returns must be filed with the taxes office by 31 December of the year following the tax year.

Estimated tax assessments may be issued in February following the end of the tax year of assessment; these may be appealed, but any tax assessed and not appealed

is payable immediately. Revised assessments are issued following the submission of the tax return, and any outstanding tax is payable on assessment.

Penalties – Companies that file their Jersey tax return after the filing deadline are subject to a GBP 250 penalty. Any tax outstanding in early December in the year following the tax year is subject to a one-time 10% surcharge.

Rulings – Taxpayers may request a private ruling from the Comptroller of Taxes.

Personal taxation:

Basis – Resident and ordinarily resident individuals are taxed on their worldwide income; resident but not ordinarily resident individuals are taxed on their Jersey-source income and any non-Jersey-source income they remit to Jersey; nonresidents are taxed only on Jersey-source income (excluding certain statutory and nonstatutory exemptions that include Jersey bank interest).

Residence – In general, a person is considered resident in Jersey if he/she is present in Jersey for 183 days in a tax year or 90 days in each of four consecutive tax years. In addition, a person is considered resident in any tax year in which he/she has a place of abode available in Jersey and the person spends one night in that place of abode.

Filing status – A husband and wife generally are assessed jointly. An election may be made for separate assessment, but the total amount of tax payable cannot be less than would be the case under joint assessment.

Taxable income – Taxable income comprises trading profits, employment income and taxable benefits, investment income, foreign securities income, foreign possession income and income from other sources.

Jersey resident shareholders may be taxable on loans made to them by Jersey resident companies in which they directly or indirectly own shares.

Jersey resident shareholders of Jersey resident companies (or nonresident companies with a Jersey permanent establishment) are subject to specific anti-avoidance rules in respect of certain distributions from such companies that otherwise may have been treated as nontaxable capital receipts, rather than taxable income.

Capital gains – Capital gains are not taxed in Jersey.

Deductions and allowances – Allowances are based on the taxpayer's current situation (although most allowances for higher income individuals have been phased out). Deductions may be available for items such as pension contributions and certain interest payments, depending on the individual's personal circumstances.

Rates – The rate is the lower of 20% or a marginal rate of 26% above GBP 14,550. A special regime applies for high net worth individuals, which is available only upon application. The rates/tax contribution applicable under this regime will depend on the individual's personal circumstances.

Other taxes on individuals:

Capital duty – No

Stamp duty – No stamp duty is payable on the transfer of shares. Stamp duty applies at rates ranging from 0% to 7% on the purchase or transfer of Jersey real estate. Mortgages secured by a charge over Jersey real estate are subject to stamp duty at rates up to 0.5% of the amount borrowed.

A land transaction tax applies on the transfer of shares in companies, the ownership of which confers a right of occupation of real estate located in Jersey. The amount of land transaction tax payable is equal to the amount of stamp duty that would have been suffered had the real estate been held directly, rather than through a company.

Probate stamp duty is charged on the application for grants of probate and letters of administration; the rate ranges between 0% and 0.75%, depending on the value of the deceased's estate, but is subject to a cap of GBP 100,000.

Capital acquisitions tax – No

Real property tax – A real estate tax, based on rateable value, is imposed on both the owner and the occupier of land and buildings within Jersey.

Inheritance/estate tax – No, but see comments on probate stamp duty, above.

Net wealth/net worth tax – No

Social security – Employees are required to make social security contributions, at a rate of 6% of their monthly remuneration. The maximum social security contribution base is GBP 4,290. The additional 2% rate applicable to employers does not apply to employee contributions.

Individuals must make long-term care (LTC) contributions, based on their gross earnings. This will be collected via the ITIS or payments on account, depending on the individual. The maximum rate is 1% of total income, and the contribution is calculated using a similar method to the income tax calculation.

Compliance for individuals:

Tax year – Calendar year

Filing and payment – Where a return is filed by a tax agent, the filing date is the last Friday in July following the tax year. Where a return is not filed by a tax agent,

the filing date is the last Friday in May following the tax year.

Assessments are issued following the submission of the tax return, and any outstanding tax is payable on assessment. The employer is required to withhold income tax from an employee's taxable earnings through the ITIS. The effective rate at which income tax must be withheld is advised by the taxes office.

Penalties – A GBP 250 penalty is levied if a tax return is filed late (however, the penalty cannot exceed the tax liability for the relevant period).

Any tax outstanding in early December in the year following the tax year may be subject to a one-time 10% surcharge, unless more than 70% of the liability already has been settled by way of ITIS contributions.

Goods and services tax:

Taxable transactions – A goods and services tax (GST) applies on the provision of most goods and services.

Rates – The rate applicable to most supplies is 5%. Some supplies may be zero-rated or exempt.

Registration – GST registration is required for entities that made taxable supplies of GBP 300,000 or more in the last 12 months, or that expect to exceed such an amount in the next year.

A special regime (International Services Exemption (ISE)) applies to certain entities whose activities predominantly are undertaken outside Jersey. Upon payment of an annual application fee, an ISE is not a taxable person under the GST law and, therefore, does not need to charge GST on supplies it makes, nor should it suffer GST on supplies it receives.

Filing and payment – GST filing and payments are due quarterly. The GST return and payment is due one month after the close of the applicable quarter.

Source of tax law: Primarily, the Income Tax (Jersey) Law 1961, as amended, and the Goods and Services Tax (Jersey) Law 2007

Tax treaties: Jersey has tax arrangements with nine jurisdictions. Jersey signed the OECD multilateral instrument on 7 June 2017.

Tax authorities: Jersey Taxes Office (headed by the Comptroller of Taxes); Social Security Department

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