

# Relocating to Jersey

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*This briefing note seeks to explain the benefits of relocating to Jersey and sets out in brief the process and commonly asked questions.*

## Jersey

Jersey is an affluent low tax, self-governing Crown dependency located just 14 miles from the north western coast of France. The population is about 99,000 and predominantly English-speaking. Jersey enjoys excellent air and sea links to the UK and continental Europe and the facilities for utilities, health services and schooling are first class. The coastline and countryside are varied and beautiful. Jersey's historical heritage is rich and its cultural life is on a par with that available in much larger communities. With its mix of French and English influences, it is no surprise that Jersey is home to a number of noted restaurants. Residents benefit from a relaxed outdoor lifestyle with little or no commuting.

Despite the current economic climate, Jersey still attracts interest from people wishing to relocate to Jersey including hedge fund managers, celebrities and ultra high net worth individuals.

## Part of the British Isles but not part of the United Kingdom

Jersey is part of the British Isles but is neither part of the United Kingdom nor a member of the European Union. Jersey does however fall under the sovereignty of the British Crown. Jersey also holds a special relationship with the European Union in that Jersey is treated as part of the European Community for the purposes of free trade in goods but is not otherwise part of the European Union. Jersey customary law is ultimately based on the old law of Normandy but in the areas of business, financial services and commerce the laws are not dissimilar to English law. The economy is strong with no public debt and low unemployment. The 2013 Jersey Annual Social Survey reported that Jersey's unemployment rate stands at 5.7% which is significantly lower than the UK's corresponding figure of 7.6%. The crime rate is low. The political environment is stable.

## An attractive option

If you or your clients are looking to personally relocate, or establish a commercial offshore presence, Jersey's reputation as an exclusive island destination, as well as an international financial services centre, with its low taxation, fair and accessible regulatory environment, integrity, public safety and world class service make it a leading contender.

## Launching a commercial operation in Jersey

Over the last 50 years Jersey has become a major centre for international financial services. A significant number of the world's top 500 banks have a presence in Jersey and in the 2011 census it was reported that nearly 5,000 banking employees worked in Jersey. Jersey also has a large number of licensed trust and company administrators, investment managers, stockbrokers, advisers, custodians and fund administrators, and a significant presence of all major accountancy firms.

Before setting up a business with a physical presence in Jersey, there are a number of consents that must be obtained. These consents require the business to meet the necessary criteria in terms of regulatory standards, economic benefit and help to maintain Jersey's international reputation as a financial services centre of distinction.

## Regulated financial services business

Regulatory consent of the Jersey Financial Services Commission will be required for the establishment or acquisition of any financial services business. This includes; fund management companies, investment advisors, banks and trust and company service providers.

As regards banks, the Island had a long-standing policy of only granting licences to banks which are in the global top 500 by reference to capital base or which are financial conglomerates of equivalent size. This policy was updated in 2009 so that only banks in such category with a strong capital base will be granted such licences.

## Work Permits

Work permits are not required for persons from EU Member States, however employees from outside these member states require a work permit pursuant to the Immigration Act 1971 and the Immigration (Work Permits) (Jersey) Rules 1995, the latter as amended by the Immigration (Work Permits) (Jersey) Rules 2012 and the States of Jersey (Amendments and Construction Provisions No 7 (Jersey)) Regulations 2005.

## Control of Housing and Work

The Control of Housing and Work (Jersey) Law 2012 (“CHW”), which replaced the previous law being the Regulation of Undertakings & Development (Jersey) Law 1973, is the principal law governing the establishment of new businesses in Jersey. Any proposed new business must first obtain a business licence from the relevant Minister. In determining whether to grant a licence, the Minister will have regard to the need to preserve and maximise the benefits of Jersey’s resources, promote a balanced and prosperous economy and to protect its integrity in commercial and financial matters among other considerations. Jersey is very much “open for business” and welcomes new, high quality businesses seeking to establish a presence in Jersey.

Once an employer has obtained a business licence, they must ensure that they have a registration card. Employees will also need a registration card prior to taking up new employment. The registration card is issued by the Population Office and the Social Security Department and states an individual’s employment and residential status.

The CHW has created four potential categories of residency that an individual will be assigned and which will be recorded on each individual’s registration card:

1. Entitled individuals are those individuals who have at least ten years of eligible Jersey residency or those granted Entitled residency by the Chief Minister of Jersey, being the leader of the government of Jersey (the “Minister”). A sub-category of the Entitled category includes individuals that hold High Value Residency. Entitled individuals can work in any employment.
2. Licenced individuals are those individuals who are considered as essential employees. Licensed individuals can only obtain employment where the employer holds a licence to employ a licensed person.
3. Entitled for work only individuals are those individuals who have lived in Jersey for five years, are the spouse or civil partner of an individual who is an Entitled, Licensed or Entitled only for work individual or an individual who has been recently divorced from a person who is an Entitled, Licensed or Entitled for work only individual. Entitled for work only individuals can obtain any type of employment.
4. Registered individuals are those individuals who have been or expect to be a resident in Jersey for three months or more and do not fulfil the eligibility requirements in the other categories listed above. Registered individuals can only be employed by employers that hold a licence to employ registered individuals.

The employer must also apply for a licence to employ additional registered or licensed employees if required.

## Tax

The level of income tax payable in Jersey is determined by the Income Tax (Jersey) Law 1961 as amended by the Income Tax (Amendment) (Jersey) Law 2013 and the Control of Housing and Work (Transitional and Consequential Provisions) (Jersey) Regulations 2013. There are no “wealth” taxes such as capital gains tax or inheritance tax in Jersey; no stamp duty is levied on equity transactions (save in instances where a transfer of shares in a company that had a right of occupation over real estate in Jersey is made where Land Transaction Tax is payable), while social security payments are capped at a low level.

## Corporate Tax

To ensure compliance with the EU's Code of Conduct on Business Taxation and Jersey's policy of positive international relations with the EU and others, Jersey has a flat corporate rate of income tax whereby, subject to the limited exceptions detailed below, the rate of Jersey income tax on company profits is set at zero per cent.

The exceptions to the general tax rate of zero per cent are: -

1. certain specified domestic Jersey utility companies are required to pay Jersey income tax at a rate of 20% (comprising the Jersey gas, water, electricity, postal and telecoms utilities);
2. income derived from leasing or ownership of Jersey land is required to be paid at a rate of 20%; and
3. certain "financial services companies" are required to pay income tax at a rate of 10%.

As defined, "financial services companies" are Jersey tax resident companies which are regulated in Jersey either as banks, administrators or custodians of collective investment funds, or who are authorised to carry out trust company and investment business pursuant to Jersey law. These entities are required to pay income tax at a flat rate of 10% if they carry on that business through a permanent establishment in Jersey.

For this purpose, a permanent establishment requires a physical presence in Jersey or a place of management of the company. The fact that the directors of a company regularly meet in Jersey will not, of itself, make their meeting place a permanent establishment. Neither will the exercise of general office functions such as invoicing operations, management and administration services or the entering into of contracts in respect of a company's business, nor will having the address of the company's registered office in Jersey amount to carrying on business through a permanent establishment in Jersey for these purposes.

On balance, a company will be Jersey tax resident for the purposes of the Income Tax Law if it is incorporated in Jersey or, if incorporated elsewhere, its business is managed and controlled in Jersey.

## Personal Tax

The majority of Jersey's residents are required to return income tax in accordance with the Income Tax Law, at a flat rate of 20% of their worldwide income, subject to certain exceptions. One such exception applies in respect of individuals who are granted residency under the sub-category of the Entitled status being the high value residency status (which was formerly known as the K licence) ("High Value Residency"), such individuals are subject to special arrangements.

## Housing

Those seeking to purchase a residence in Jersey will usually find a number of fine properties on the market. Jersey is, however, a small, predominantly rural island of approximately 45 square miles and demand for the available housing is great. The availability of housing to new residents is controlled through the CHW which has replaced the previous law being the Housing Regulations established pursuant to the Housing (Jersey) Law 1949.

In summary, there are currently two broad categories of housing defined under the CWH:

- Qualified; and
- Registered.

Individuals that hold either Entitled or Licensed status can buy, sell or lease any type of property. Entitled for work only individuals can buy any property jointly with an Entitled spouse or civil partner and can lease registered property as a main place of residence. Registered individuals can lease registered property as their main place of residence.

All property sales and leases require the consent of the Housing Minister acting through the Housing Department.

There is currently no prescribed limit on the number of High Value Residency individuals. The Minister will grant an individual, such as a High Value Residency individual, the Entitled status where the Minister is satisfied that a grant is justified on social or economic grounds; as being in the best interests of the community.

In order to obtain status as a High Value Resident, an applicant must normally show that he or she will pay at least £125,000 per annum in Jersey income tax at present rates. Sources of wealth must be disclosed in order to ensure the propriety of the applicant. Regard is also had to an applicant's total net worth in order for the Minister to be satisfied that the applicant has sufficient wealth to generate the expected future tax revenues. A successful applicant may only purchase a high value residence, which has been classified for this purpose. In practice, such properties tend to be £1 million or more in value. A Director of High Value Residency has been appointed to provide an inclusive service for all applicants for High Value Residency.

Consent to lease or purchase a residence may also be granted to persons deemed to be "essentially employed". Such residence is available to professional persons such as bankers, lawyers and accountants as well as nurses, teachers and other public service providers.

Licensed individuals no longer need to own registered housing through a company as was previously the case under the old law; licensed individuals can own property in their own name.

In addition there are a limited number of properties, which for historical reasons, fall outside the CHW and certain other limited opportunities to acquire residence in Jersey.

## Premises

Unlike other financial centres, Jersey presently has vacant office space of various quality and size. It was reported that Jersey had in 2013 a total of 2,900,000 square feet of office space and of that figure, around 300,000 square feet was empty.

## About Hatstone

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