Setting up your Business in Jersey
Issues to consider

Jersey is a pro-business Island and provides the ideal location for future European operations. Jersey has an accessible, business-focused, independent government offering some of the lowest direct tax rates in Europe. It is an international centre of excellence for professional services and can be reached within hours from over thirty UK and European cities. Jersey offers an unparalleled quality of life in a beautiful, safe, island setting.

There are a number of matters to consider when you are looking to set up your business in Jersey. This document takes you through some of the common questions we have dealt with and gives you practical information about the issues you need to consider.

What type of Business Structure should we use?

There are advantages and disadvantages to all of them, and there is no one correct answer, it is dependent on your specific business circumstances and needs. A brief overview of the main structures available in Jersey is set out below:

Establishment (a branch of your overseas business)

- Not a separate legal entity but an extension of the overseas parent company.
- No limited liability or ring-fencing of the Jersey operations.
- If you have a permanent establishment in Jersey then profits from this permanent establishment are liable to Jersey Tax at a rate of 0%.

Limited Company:

- Provides limited liability and ring-fencing to Jersey operations.
- Company trading profits are liable to Jersey Tax at a rate of 0%. There are exceptions which are discussed further below.
- The only filing requirements are an annual return and an annual tax return unless the company is a public company (over 30 members or by voluntary election) or regulated by the Jersey Financial Services Commission (JFSC) in which case accounts must be filed.
- There are no audit requirements, audits are voluntary unless the company is a public company or the company is regulated by the JFSC.

Limited Liability Partnership:

- Members (partners) have limited liability.
- Profits are taxed on the members of the partnership with no assessment raised on the LLP.
- The tax residence of the member, and where the profits in the LLP originated will determine in what jurisdiction and how these profits are taxed.

How much Corporation Tax will the business pay?

A standard rate of 0% corporation tax applies in Jersey. A higher rate of 10% is levied on defined regulated business established in Jersey, such as banks and trust companies.

Utility companies and income from Jersey property, whether rental or development is taxed at 20%.

Companies incorporated in Jersey may be considered exclusively tax resident in another jurisdiction where they are centrally managed and controlled outside Jersey. In these cases the company is tax resident in the jurisdiction of control and management provided the rate of corporation tax in that jurisdiction is 20% or higher.

It is worth noting that Jersey legislation raises all tax assessments under the description of 'income tax' rather than describing business taxation as corporation tax.

What if we use Jersey to set up our holding company?

Jersey's tax legislation means that it is a very attractive place to set up a holding company.

As the standard rate of Corporation tax is 0% and there is no withholding tax on dividends paid or received, Jersey is a tax neutral jurisdiction.

As such all dividends received by a Jersey parent company, whether from another Jersey entity or from overseas are exempt from Jersey taxation.

Jersey does not levy withholding tax on dividends paid by a company to its shareholders, whether they are based in Jersey or overseas.

Jersey resident shareholders are taxed on any distributions received at a maximum of 20%.

Jersey does not have any inheritance tax nor does it have a capital gains tax. Jersey residents can be subject to inheritance tax in other Countries should they have assets there.

Do we need a licence to operate in Jersey?

Anyone establishing a new 'undertaking' in Jersey must obtain a licence, subject to a number of limited exceptions. Licences under the Regulation of Undertakings Law are administered by the Population Office who essentially consider the demands on the resources of Jersey and the protection of its integrity and reputation.

Licences are also required in order to employ staff in Jersey. Generally, the granting of licences to employ staff who do not hold housing rights in Jersey or have been resident in Jersey for less than five years is more restrictive.

We would advise any business to take professional advice prior to submitting a licence application.

What if we make cross-border transactions between group companies?

Jersey does not have an official transfer pricing policy given its tax neutral status and 0% corporate tax rate.

However it is more than likely that transactions will fall under the scrutiny of the other international tax jurisdictions where it transacts.

What Employment Taxes and Social Security will need to be paid?

If an individual is resident in Jersey they are subject to Jersey tax laws. If you maintain a place of abode in Jersey which is available for your own use you will be regarded as resident for any year in which you pay a visit, of whatever length, to Jersey.

If you maintain no place of abode, you will be regarded as Jersey tax resident once your visits become habitual and substantial. An annual average amounting to 3 months would be regarded as substantial and the visits would be classed as habitual after 4 years.

Where arrangements indicated from the start that regular visits for substantial periods were to be made, you would be regarded as Jersey resident in and from the first year.

We would advise any new entrant to Jersey or person who spends time working in Jersey to take professional advice to determine whether they are Jersey tax resident.

Current Personal Income Tax rates in Jersey are:

Jersey currently operates a flat 20% rate of personal Income tax. There is also a marginal rate of 26% whereby an individual has a larger personal allowance, thereby reducing the overall tax payable for lower incomes. The lower tax payable from the two calculations is the tax liability.

(NB: rates are for the tax year to 31/12/2016)

Employers and employees also have to pay Jersey Social Security.

Current Social Security rates are:

	Band of income (£) Monthly	**Rate (%)**
Employee	Up to 4,094	6
	Over 4,094	0
Employer	Up to 4,094	6.5
	4,094 – 13,542	2
	Over 13,542 on excess	0

NB: (rates are for the tax year to 31/12/2016)
Income tax is deducted from an employee's salary under the income tax instalment system (ITIS). It is the employers' legal responsibility to pay over employee's tax and social security deductions to the Jersey tax authorities.

Jersey has a Reciprocal Agreement with the UK, EU countries and many others whereby when an overseas national of those countries is seconded to Jersey for a defined period of time and continues to pay social security in their home country, then the employer and employee are exempt from paying Jersey social security.

Jersey now operates a compulsory 'Long-Term Care' scheme which is a separate fund which has been setup to pay for long-term care. A contribution of 1% on all earnings is payable by all Jersey residents into the funds. The States of Jersey contribute into the fund also. Unlike social security contributions, there is no upper age limit on contributions. There is however an upper limit on the amount payable, for 2016 being capped at £1,625.04 per individual.

What other taxes are there to consider?
Goods and Services Tax (GST) and should the business be registered?

GST is a "goods and services tax" on supplies made, the standard rate of which is 5%. This is a very similar tax to VAT or TVA. If a business makes taxable supplies in excess of £300,000 in any 12 months then it MUST be registered for GST, but can voluntarily register below this threshold.

There are three types of supply

- Taxable – must charge GST on supplies, can reclaim input GST
- Exempt – cannot charge GST nor reclaim input GST
- Outside the scope – not in the Jersey GST system

The supply of most types of goods and services in Jersey would be classed as Taxable supplies. However when these supplies are made to companies which are outside of Jersey advice needs to be sought as to what rate of GST, if any, to use.

If a Jersey entity sells goods or provides services to its non-Jersey parent then there is no GST chargeable on this overseas supply as it is zero rated. However on the basis that the supply would be GST'able if made in Jersey then the entity will be able to reclaim all its input GST. Generally supplies made outside of Jersey are exempt.

International Service Entities (ISE's) are businesses that mainly serve non-residents of Jersey and are therefore exempted from GST. You have to register to be an ISE and pay an annual fee (currently £200).

Can we provide Share option plans to our staff?

Many companies see Share Option plans as being an important way of attracting, motivating and retaining key staff.

Jersey taxes share options when they are issued, based upon the value of the option

This is a very technically complex area and careful planning needs to be undertaken as soon as share option plans are being considered for implementation in Jersey.

How else can we compensate our employees?

Jersey has a very comprehensive range of compensation and benefit options available for companies to offer their employees.

Pensions, private medical insurance, life and disability cover are now commonplace benefits provided by many Jersey businesses to their workforce.

Flexible benefit packages are also gaining in popularity, giving employees options on how they wish to "spend" their benefits allowance; which can range from "purchasing" additional holiday entitlement to obtaining full family medical cover.

To discuss your requirements please contact the International Office on +44 (0) 1245 449266 or email us directly.

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The information in this document was prepared as at 1 July 2016.