

Information on Jersey Companies

Expert knowledge means success



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General Information

Jersey is the largest and most well known of the Channel Islands, with a population of 91,084 (July 2006 est.) of which around half are Jersey-born. Effective immigration controls exist to restrict future growth. Most residents live in or close to the capital and financial centre of the island, St. Helier. Jersey, by virtue of Article 227 of the Treaty of Rome, enjoys a special relationship with the European Union, whereby it can trade freely within it. However, for VAT purposes, Jersey falls outside the EU and regulates its own VAT rates, currently set at nil.

Location

Jersey is situated off the northwest coast of France, near to the Cherbourg Peninsular. It is approximately 160km south of England, but only 20km from France. The Island measures 16 by 10km and has a total land area of 117sq. km. Air services link Jersey to many European centres, including London, Paris and Amsterdam. Sea transportation is used for the importation of the majority of the goods and materials needed for the economy.



Economic Status

Financial services provides Jersey's main source of income, although tourism and agriculture continue to be important as well representing approximately 40% of GDP.

Currency

The Jersey pound is at par with the British pound and English currency is freely accepted.

Constitution

The Channel Islands of Jersey, Alderney, Guernsey, Herm and Sark originally formed part of the Duchy of Normandy. The Islands have remained loyal to the English Crown and are unique in that unlike other territories of the UK, they are not and never have been either part of the UK or a colonial possession - the Channel Islands are possessions of the English Crown, as distinct from colonial and overseas dependencies of the United Kingdom. Thus, the constitutional relationship between the Channel Islands and the United Kingdom is unique. The islands legislative assemblies (States of Jersey and Guernsey or Chief Pleas in Sark), have the exclusive right to legislate on all internal matters of concern to the Islands (including taxation), the United Kingdom deals only with defence and foreign relations. This unusual relationship has developed over many centuries.

Relationship with the EU/UK

Jersey is not part of the EU, but has a special relationship defined by a protocol attached to the UK's membership in the European Community. Under Protocol 3 of the Treaty of Accession 1972, Jersey must comply with EC directives in the trade of industrial and agricultural products, but is not subject to any directives or regulations, including those dealing with the harmonization of taxation, financial services, the exchange of information, or social policy. VAT and EU directives/regulations do not apply. Politically, the legislative body is the 'States but all long-term legislation must be ratified in the UK. By convention, the United Kingdom Parliament does not legislate, although technically having the right to do so, without the permission of the Jersey Government.

Legal system

The legal system in Jersey is largely based on English Common Law, but with a number of French features. The main company law is the *Companies (Jersey) Law 1991*, as amended¹.

A revised edition of the 1991 Act, showing the law as at 1 January 2011 is available online at:

www.jerseylaw.je/law/lawsinforce/consolidated/13/13.125_CompaniesLaw1991_RevisedEdition_1January2011.pdf

Why choose a Jersey company?

Jersey is a politically stable country with low unemployment. Its economy is strong, largely due to the dominant banking, investment fund and trusts sectors. Jersey has a depositor-protection scheme which is largely in line with similar schemes in place in the UK, Guernsey and the Isle of Man.

Full details can be viewed at:

www.gov.je/Industry/Finance/DepositProtection/Pages/index.aspx

Jersey's reputation as a low tax international financial centre encourages investment. Non-resident companies wishing to benefit from the low taxation status are welcomed.

Labour-intensive investment that could drain the country's limited resources is discouraged.

Siting a company in Jersey is a financially attractive option, and not just for companies in the finance industry. The benefits of low taxation can help a company launch a new venture or expand an existing business. Ship chartering, aircraft leasing, film making, property development, mining and oil development and production are all examples of operations whose income can accrue to a Jersey company.

Business service companies (e.g. advertising and consultancy) can be provided through a Jersey company to companies and individuals in other countries. Intellectual assets, e.g. trademarks and patents can be held by a Jersey company which then collects the profit from their worldwide use. High-rate tax payers, who earn irregular income outside their country of residence, can also benefit by selling the sole rights to their services to a Jersey company.

Other benefits that may apply include:

- Protection against income and capital taxes, death and gift duties (e.g. by using a Jersey company to hold securities, real estate and other assets),
- Protection against expropriation or confiscation by hostile governments;
- Reduction of Probate formalities where assets are held in several countries, especially in combination with a trust; and

- Confidentiality with regard to company assets and the name of the beneficial owner of the company.

Jersey for listed companies²

Jersey companies continue to be popular as listing vehicles, with more international businesses likely to choose a Jersey holding company to lead them to market in future.

Prior to October 2009, Jersey companies were already listed around the world, from New York (NASDAQ) to London (Main Market, AIM and PLUS), Amsterdam (Euronext), Toronto (TSX and TSXV) and Stockholm (Stockholmborsen). In October 2009 Jersey was approved as an acceptable overseas jurisdiction by the Hong Kong Stock Exchange, thus paving the way for Jersey companies to float on the Hong Kong Exchange. As a result, businesses can now access one of the world's largest financial centres and one of the most successful exchanges using a Jersey incorporated vehicle.

Jersey listed companies operate in a wide variety of sectors, including commodities, energy, mining, pharmaceuticals, media, real estate, support services, construction and materials, finance and investment. Their businesses are typically international, and their names are often widely known.

Income Tax

In 1940, the States of Jersey increased income tax from 2.5% to 20%; this rate has remained unchanged ever since and is the maximum tax you can pay on your total income for each individual year. However, depending on what allowances and / or reliefs you are entitled to receive, the actual percentage of income tax you pay will range from 0% to 20%.

There are reliefs and allowances that can reduce your tax bill. The standard rate of tax in Jersey is 20%. However, the majority of people will not pay this much tax on their total income. This is because of the marginal relief calculation.

For details, see:

www.gov.je/TaxesMoney/IncomeTax/Individuals/AllowancesReliefs/Pages/AllowancesReliefs2012.aspx

General Business Taxation

For owner managed businesses moving to Jersey, profits will simply be taxed at the standard rate of 20%. Whilst this rate will reduce to 10% or 0% from 2009 onwards (depending upon whether the company is carrying on a regulated financial services business), a form of imputation system will be introduced for locally owned businesses to ensure that corporate structures are not used by local residents to avoid income tax.

The island has no separate corporation tax code, although Jersey has now introduced a new 'zero/ten' corporation tax regime. Under 'zero/ten', companies will generally be taxed at 0% and there will be a special 10% rate applying to certain regulated financial businesses. These changes are now in place and, in general terms, apply from 2009 year of assessment for companies.

Goods and Services Tax (GST)

Goods and Services Tax (GST) is a sales tax applied on the majority of goods and services (including imports) supplied in the island for local use or benefit. It is collected at each stage of production, manufacture, distribution and sale, where the supplier is, or is required to be, registered for GST. Some examples of taxable goods and services are:

- new and used goods, including those under a hire purchase agreement
- renting and hiring of goods
- business stock used for private purposes
- the provision of a service, for example hairdressing or hotel accommodation
- admission charges
- imported goods

Under Jersey's GST Law there are 3 categories of sale of goods and services, collectively known as 'supplies':

- **Standard-rated supplies:** Goods and services that are taxed at a standard rate of their total value in money at the point of sale. Currently the standard rate of GST in Jersey is 5%. All goods and services provided in Jersey (including imports) attract GST at the standard rate, except for zero-rated and exempt supplies, as explained next.

- **Zero-rated supplies:** Taxable supplies which for economic reasons are taxed at 0%. Examples are exports (goods), housing, medical prescriptions and international services.
- **Exempt supplies:** These are not taxed for social or difficult-to-tax reasons. Examples include financial services, insurance, postal services, medical and paramedical supplies made by registered professionals or institutions, and supplies by charities.

Further information on the goods and services tax is available at:

www.gov.je/TaxesMoney/GST/Businesses/Introduction/Pages/index.aspx

Jersey Enterprise

Jersey Enterprise provides high quality business support programmes, a range of services and expert confidential advice to individuals and businesses through a team of experienced professional advisors.

For details of the support that is available from Jersey Enterprise, click on the following links:

- **Business planning:**
www.jerseyenterprise.com/StartingBusiness/Pages/BusinessPlanning.aspx
- **Setting up a business:**
www.jerseyenterprise.com/StartingBusiness/Pages/SetUpBusiness.aspx
- **Funding your business:**
www.jerseyenterprise.com/StartingBusiness/Pages/FundingBusiness.aspx
- **Finding premises:**
www.jerseyenterprise.com/StartingBusiness/Pages/FindingPremises.aspx
- **Marketing your business:**
www.jerseyenterprise.com/StartingBusiness/Pages/MarketingBusiness.aspx
- **Innovation:**
www.jerseyenterprise.com/StartingBusiness/Pages/Innovation.aspx
- **Reviewing business:**
www.jerseyenterprise.com/BusinessGrowth/Pages/ReviewingBusiness.aspx
- **Growth strategies:**
www.jerseyenterprise.com/BusinessGrowth/Pages/GrowthStrategies.aspx
- **Tendering for contracts:**
www.jerseyenterprise.com/BusinessGrowth/Pages/TenderingContracts.aspx

- **Managing people:**
www.jerseyenterprise.com/BusinessGrowth/Pages/ManagingPeople.aspx
- **Trading overseas:**
www.jerseyenterprise.com/BusinessGrowth/Pages/TradingOverseas.aspx
- **Locating in Jersey:**
<http://www.jerseyenterprise.com/LocateJersey/Pages/LocateJersey.aspx>
- **Training & Development:**
www.jerseyenterprise.com/TrainingDevelopment/Pages/TrainingDevelopment.aspx

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Jersey Company Law

Companies incorporated in Jersey are governed by the *Companies Jersey Law 1991* which is based largely on the English 1948 Companies Act.

Banks are registered in Jersey under the Banking Business (Jersey) Law 1991 and the associated Banking Business (General Provisions) (Jersey) Order 1991. Jersey trusts are governed by The Trust (Jersey) Law 1984 and the Trusts (Amendment) (Jersey) Law 1989. Collective Investment Funds are legislated for by the Collective Investment Funds (Jersey) Law 1988.

The Financial Services Commission administers adherence to prevailing company laws. In June, 2004, it announced a restructuring of the island's regulation that replaces the Compliance, Authorisation and Insurance divisions with four new "industry" divisions: Banking; Securities (including Funds and Investment Business); Trust Companies and Insurance. Each of the Divisions will be headed by an Executive Director who will be responsible for the regulatory and supervisory policies and oversight of their respective industry sectors. Other divisions of the FSC include Enforcement and Registry.

Changes in Company law

Until 2002 there were no forms comparable to those of English companies limited by guarantee or unlimited companies. With the *Companies (Amendment No.6) (Jersey) Law 2000*, which was approved by the States of Jersey in 2001, and came into force on 1 September 2002, Jersey introduced far-reaching changes to its Companies Law to

make Jersey a more attractive centre for international business.

Amendments to the law include:

- Provisions that now make it possible to incorporate a number of new types of company, including both limited and unlimited companies, which in turn allows Jersey companies to be used in a variety of transactions for which they were previously unsuited.
- New types of company now permitted under the law include companies with shares of no par value, companies limited by guarantee, unlimited liability companies, single member companies and companies with certain combinations of different capital.
- Another significant change introduced is the ability to re-domicile a company into and also out of Jersey. Subject to the approval of Jersey's regulator, the Jersey Financial Services Commission (JFSC), it will now be possible for a company incorporated in any jurisdiction outside Jersey to cease to be incorporated there and instead to become a Jersey registered company. Similarly a Jersey incorporated company will be able to change its domicile to another jurisdiction.
- The introduction of no par value companies has been described as "a major innovation" by industry members in Jersey. "The significant advantage is that, unlike the share capital account of the par value company, its stated capital account can be used to fund a redemption or repurchase of its shares."

Incorporation

To incorporate a company in Jersey, the following information must be submitted to the Financial Services Department:

- Memorandum and Articles of Association,
- the address of the Registered Office (which must be in Jersey),
- the names, nationalities and addresses of directors/shareholders,
- character references relating to the beneficial owner, and
- a brief description about the proposed company's trading and/or investment activities.

Shelf or ready-made companies are not available due to the disclosure requirement of beneficial ownership and trading activities.

Private Companies

A private company is any company that is not a public company.

Public Companies

A public company is one which has more than 30 members or which declares in its Memorandum of Association that it is public. Public companies are required to file audited accounts with the Registrar of Companies. Only a public company may issue a prospectus and offer its shares for subscription to the public.

Branch of Foreign Company

If a foreign company intends to trade within Jersey using its own name or to establish a branch or a permanent place of business on the island, it is subject to the same consents and license requirements applicable to resident companies - and it will be taxed as if it was a resident company. But it will not be required to register its corporate details or to file annual returns.

References:

¹ An amendment to Jersey's Companies Law came into force on 23 February 2011. It will simplify the process for mergers between Jersey companies and foreign companies. Previously, foreign companies could only merge with Jersey companies if they were brought into Jersey by means of a re-domiciliation or "continuance" first.

² This section has been derived from the website of International Law Office: See: www.internationallawoffice.com/newsletters/detail.aspx?g=30bba596-45c7-4c8c-a8af-f5847fd8b7e2

Further Information

This guide is for general interest - it is always essential to take advice on specific issues. We believe that the facts are correct as at the date of publication, but there may be certain errors and omissions for which we cannot be responsible

If you would like to receive further information about this subject or other publications, please call us – see our contact details on the next page.

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