

JERSEY GOODS AND SERVICES TAX

Introduction

Goods and Services Tax (GST) is a form of sales tax on the domestic consumption of imported and locally produced goods and services, paid as a percentage of their value at the time they are sold or exchanged.

GST was introduced in the Island on 6 May 2008 at a rate of 3%. It is administered by the Jersey Comptroller of Income Tax.

Jersey's Financial Services Industry

It is not intended that GST should have any adverse impact on Jersey Financial Services industry. A special flat rate scheme has therefore been introduced. This special scheme applies to International Services Entities (ISEs).

An ISE can be a company or other legal entity or a trust or a partnership that meets the statutory requirements. It is expected that most vehicles administered in Jersey for the benefit of non-Jersey residents (as well as certain local regulated businesses) will qualify to be ISEs and will therefore be out of the scope of GST.

ISEs

An ISE is an entity that is *listed* as an international services entity by the Jersey Comptroller of Income Tax or by a trust company business that the Comptroller of Income Tax has authorised to maintain a list ISEs. Supplies made by and to an ISE are not taxable supplies (i.e. an ISE is not required to register and will not charge GST on supplies it makes). An ISE is also entitled to end user relief – in most situations other GST registered businesses will not charge GST on supplies made to the ISE.

Preconditions for ISE status

In order to be an ISE, a vehicle must be:

- a person regulated under the Financial Services (Jersey) Law 1998 (FS) to carry on trust company business or fund services business;
- a person regulated under the Banking Business Law to carry on deposit-taking business; and
- a person (other than a Collective Investment Fund) who holds a CIF Permit.
- a company, trustee in its capacity as trustee of a trust, partnership, limited partnership, anstalt, stiftung or foundation (in any case wherever established or incorporated) which loosely speaking (see below) does not form a link in a value chain leading to the consumption of goods or services by individuals belonging in Jersey;
- a Collective Investment Fund;
- an Unregulated Fund;

AND it must be included on a list of ISEs maintained either privately by a Jersey trust company business regulated by the JFSC under the FS Law or by the Comptroller.

Consumption by Jersey individuals

As noted above, a company, trustee, partnership, limited partnership, anstalt, stiftung or foundation may be an ISE if it does not form a link in a value chain leading to the consumption of goods or services by individuals who belong (which for most purposes means resident) in Jersey. More specifically, the requirement here is that:

- not more than 10% in value of all the supplies made by the entity of goods and services are made to individuals who belong in Jersey;
- to the extent that the value of all the supplies of goods or services made by the entity in Jersey exceeds 10% of the value of all supplies of goods and services made by the entity, the supplies in Jersey are made only to an ISE;
- no individual who belongs in Jersey has the effective use, or the effective enjoyment, of any asset owned or administered by the entity; and

These requirements are not applicable to the other categories of ISE above, such as a person regulated under the FS Law to carry on trust company business.

Requirement to be on a List

A vehicle that wishes to be an ISE must be included on a list of ISEs maintained either privately by a Jersey trust company business regulated under the FS Law or by the Comptroller.

A trust company business needs authorisation from the Comptroller to maintain a private list of ISEs and any ISEs on its list must be administered by the trust company business. Such a list is not filed with the Comptroller, though he has the right to inspect it. It is not open to public inspection. The trust company business may issue confirmations that a vehicle is listed as an ISE, thereby enabling the vehicle to demonstrate to third parties that it is an ISE. Regulated trust company, fund services and deposit taking businesses and holders of CIF Permits (not being a Collective Investment Fund) may not appear on such a list, but all other ISE types may. It is expected that the vast majority of ISEs will appear on such lists.

For vehicles wishing to be added to the Comptroller's list, there is an online application facility. Vehicles on this list can elect to appear on the Comptroller's web page, thereby gaining a public acknowledgement of their ISE status. They will also obtain an end-user relief certificate from the Comptroller demonstrating that they have ISE status.

End User Relief

The Comptroller of Income Tax will issue End User Relief Certificates in respect of ISE's listed by him. Similarly, a trust company business authorised to maintain a list may issue a statement confirming that an entity eligible for listing as an ISE is listed by the trust company business. In most situations the certificate or statement can be issued to supplies to prevent the ISE being charged GST.

Fees payable for ISE status

The annual fees payable in respect of ISE status are as follows:

- deposit-taking business - £30,000;
- trust company business - £7,500 (plus £100 for each related regulated entity) plus £100 for each ISE administered by it;
- fund services business (not being a Managed Manager) - £2,500;
- fund services business (being a Managed Manager) - £500;
- holder of a CIF Permit (other than a Collective Investment Fund) - £2,500;
- Collective Investment Fund - £100;
- all other ISEs (apart from trustees of trusts) - £100; and
- trustees of trusts - £0.

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This information sheet provides a brief outline only and is not comprehensive as such and should you require further specific advice, please contact Michael Goubert:

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