STATES OF JERSEY

DEEMED RENTAL CHARGE ON NON-FINANCE NON-JERSEY-OWNED COMPANIES: GREEN PAPER JULY 2008

Presented to the States on 25th July 2008
by the Minister for Treasury and Resources

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Green Paper

enting a deemed rental charge on non-finance non-Jersey-ompanies

23rd July 2008

PURPOSE OF CONSULTATION

The Minister for Treasury and Resources is minded to introduce a deemed rental charge on all non-finance non-Jersey-owned companies so as to ensure that these 0% rate companies contribute to Jersey tax revenues under the new zero/ten corporate tax structure.

He welcomes your views on this proposed change to the Income Tax (Jersey) Law 1961.

DEADLINE FOR RESPONSES 12th September 2008

SUMMARY/QUESTIONS TO CONSIDER

The Minister for Treasury and Resources is minded to introduce a deemed rental charge on all non-finance non-Jersey-owned companies to ensure that they contribute to Jersey tax revenues once the new zero/ten corporate tax structure comes into force for all existing companies on 1st January 2009.

This consultation has been prepared to assist in that implementation.

With the introduction of the 0/10 corporate tax system, non-finance non-Jersey-owned companies will be liable at the 0% rate. They will make no contribution to corporate tax revenues in Jersey although they will, of course, still provide employment to Jersey residents who themselves will pay income tax.

It is felt by some that it is unfair that such companies pay no tax in Jersey, notwithstanding that it is virtually certain all of them, at one time or another will pay tax in the UK on these profits when remitted by dividend.

It is in the context of the aforementioned unfairness that these proposals have arisen.

Based on some research at St. Helier Town Hall it has been determined, as best as is possible with the Dat

Protection issues that arise, that the non-finance non-Jersey-owned companies, with assessed rental value over

£250,000 per annum each, had total assessed rental value of some £14 million, which would yield some

£3 million in tax if charged at the Schedule A 20% rate. However, company assessed rental value is frozen

2003 values, so the true market value arising in 2008 is likely to be higher. Consequently, the tax yield would b

proportionately higher. So when all the non-finance non-Jersey-owned companies in St. Helier and all the other parishes are included, it is probably true to say that the total assessed market value for 2008 is likely to be in t

region of £20 – £30 million, which would yield some £4 – £6 million in tax. There is a caveat to all of this, tha

being that some non-finance non-Jersey-owned companies do not appear to be the legal owner of their Jersey

property but have instead a Royal Court lease – concessionaire – which means that they have a long lease and are

treated, for rates purposes, as the owner. It is not clear why this practice exists, but if the yield mentioned above is

to be achieved, such companies would need to be the deemed owner for the purposes of the proposed tax charge under Schedule A.

To ensure a system that is as administratively simple as possible, the Minister is minded to charge all such companies at the Schedule A tax rate of 20% on the deemed rental income, with a tax credit being given against the tax assessment to reflect the shareholding in the company held by any Jersey resident shareholders. This will ensure that the Schedule A charge will fall only on the deemed rental assessment applicable to non-resident shareholders.

There is a potential problem with this proposed deemed rental charge on such companies. That is the current Jersey tax exemption given to United Kingdom superannuation funds under Article 115(g) of the Income Tax (Jersey) Law 1961. This is because all that these companies would need to do to avoid such a deemed rental charge on the property they own in Jersey is to transfer it into their existing UK superannuation fund, or create such a fund just to own their Jersey property.

The Minister for Treasury and Resources is therefore minded to: (a) adopt the deemed rental charge; and (b) abolish the current Jersey tax exemption for United Kingdom superannuation funds at Article 115(g).

He welcomes your views on what is being proposed.

FURTHER INFORMATION:

SEND COMMENTS TO:

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The Minister for Treasury and Resources c/o Comptroller of Income Tax P.O. Box 56 Cyril Le Marquand House St. Helier JERSEY JE4 8UL	Tel: 01534 440323 e-mail: m.campbell1@gov.je

This consultation paper has been sent to the following individuals/organisations:

Council of Ministers

States Assembly Members

Jersey Chamber of Commerce

Institute of Directors

Jersey Taxation Society

Jersey Society of Chartered and Certified Accountants

Jersey Society of Practicing Accountants

Jersey Bankers Association

Jersey Finance Limited

Institute of Financial Services

Jersey Pensions and Financial Services Association

The Public Consultation Register