

ANGLO SAXON TRUST

HNW IMMIGRATION TO JERSEY

THE TIN WITH A LID ON IT

WHY IS THIS IMPORTANT NOW?

2016 and 2017 will see the first reporting and exchanging of CRS data and there is nowhere to hide. One feature of immigrating to Jersey under HNWI regime is that it will achieve a Tax Identification Number (TIN) but with a limit (or a lid) on the amount of tax payable.

BACKGROUND

In the 1940s, in view of the limited availability of housing stock and the attractiveness of the Island's climate and low taxation, Jersey sought to limit the number of immigrants to the Island and accordingly introduced the Housing (Jersey) Law 1949 to categorise different entitlements to occupy property. The law permits non-islanders to buy and rent property under certain conditions, including essential employment and economic benefit, hence enabling high net worth individuals and their families to take up Jersey residence.

TAX ELEMENT

The new taxation rules are

First £625,000 of income is taxed at 20% (Resultant liability £125,000)

Income above £625,000 is taxed at 1%

Tax structuring is permitted, making the effective tax liability £125,000

SOCIAL AND ECONOMIC CONSIDERATIONS

In addition to the taxation requirement, there are also the social and economic elements, which are based on the good standing and reputation of the applicant and any positive elements which he or she may bring to the Island. In exceptional cases, the social element may take precedence over the taxation requirement. The Island is interested in younger applicants, who may be entrepreneurial and who may employ people by bringing their own office and operations to Jersey.

PROPERTIES

Properties can be purchased or rented, providing the property itself is categorised. Such category property will have a valuation of more than £1.2 million. The rental facility may allow time to choose a property to purchase.

HOW MANY HNWI'S?

At present there are about sixty categorised properties on the market. Generally, there are five estate agents dealing in this market, mostly local, but including Savills.

Between 2008 and 2011, there were between seven and nine licences per year. In 2012 and 2013, there were about one a month. In the last two years the annual figure has been closer to twenty, with £90m of property purchased in 2015.

95% of HNWI's come from the UK.

Over 200 licence holders are living in Jersey and almost none have left. For a small island, Jersey has many amenities, including an exceptional summer environment, excellent educational facilities and quick and easy transport links. It has high quality international law firms and banks.

OTHER DESTINATIONS GUERNSEY

The Guernsey system is much simpler and merely involves purchasing an "Open Market" property without any admission process and with a minimum liability to tax. It is of course a matter of choice as to which destination suits an individual's or a family's circumstances.

SWITZERLAND

The Swiss position is interesting because there was a national referendum on the "Forfait" taxation system in 2014, which resulted in the law being retained. Under the Forfait system, families are taxed according to a percentage of the notional rental value of their residence without any further tax liabilities. There are three thousand five hundred people taxed in this way. Canton Zurich, which has already abolished the forfait tax had six hundred and lost three hundred in twelve months. Some very significant wealthy individuals have left. Lausanne has about twelve hundred forfait residents and if they were to leave, there would be a significant impact on their sector of the property market. Abolition of the forfait means that the individuals become liable to normal taxes, which include wealth tax.

THE JERSEY ENQUIRY PROCESS

Whether the prospective HNWI is introduced by their professional advisers or by their own research and visits to Jersey, the starting point is to meet the States of Jersey's dedicated executive officer of Locate Jersey, Kevin Lemasney.

There is a website and a brochure for Locate Jersey.

Our associated accountancy firm, Jackson Fox acts for HNWI clients and can offer guidance or structuring. In addition, Kevin is happy to meet potential applicants informally and discuss houses, schools and amenities in order to establish whether the individuals involved wish to proceed to make an application.

THE APPLICATION PROCESS - INFORMATION

There is an initial interview, which is conducted by Kevin and in the event that contact has already made with him, will be a formality.

Applicants are required to complete an information form about themselves and to write an application letter explaining why they have chosen to apply to move to the island.

Checks will be carried out on passports and backgrounds (a disclosure certificate from the Disclosure and Barring Service – DBS), including confirmation of no criminal convictions and references.

A business plan is required, which will show applicants source of wealth, the way in which it is currently structured and deployed, how it is anticipated it will be structured deployed in the future and how the income requirement of £625,000 will be met.

APPROVAL PROCESS

The information gathered will be reviewed initially by the Income Tax authority, who will access the annual income requirement. With a positive recommendation, the application will then proceed to the Population Office, which is within the Housing Ministry, where, in addition, the social and economic issues will be considered. The Housing will make the decision on acceptance and may, in doing so, consult other ministerial colleagues.

The actual approval takes the form of a confirmation from Locate Jersey.

FURTHER POINTS

Jersey is seeking about fifteen to twenty HNWI's per annum. There is no stated limit.

It is important that applicants are clear what the conditions are.

In considering the position of older children, the present position is that permission would only be given to purchase one additional residence, but children born in Jersey or long term resident in the Island may themselves meet the local ten year residence requirements in order to purchase a property.

The instance of divorce may cause difficulties because permission will have only been given for the occupation of one property. Divorced parties may each have the financial substance to apply for separate HNWI residence.

In the case of an applicant having income derived from UK taxed sources; no credit is available in meeting the £125,000 liability.

The States of Jersey also have a "Business to Jersey" department, who will be keen to discuss any proposals which may bring a business to the island under the zero % tax regime. In these instances,

personnel may also be introduced, subject to the business model and they will normally have a time limit on their residence and be taxed at 20% on their world-wide income. (There being no capital gains tax or death duties in Jersey in any event.)

We are keen to assist clients and to introduce them to Kevin at an early stage, so that he can provide guidance with the process.

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