

# STATES OF JERSEY

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## **DRAFT INCOME TAX (DEEMED DIVIDENDS) (JERSEY) REGULATIONS 200**

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**Lodged au Greffe on 9th October 2007  
by the Minister for Treasury and Resources**

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**STATES GREFFE**





Jersey

## **DRAFT INCOME TAX (DEEMED DIVIDENDS) (JERSEY) REGULATIONS 200**

### **REPORT**

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The Income Tax (Amendment No. 29) (Jersey) Law 200 gives effect to the shareholder taxation provisions whereby actual and deemed distributions will be assessed as a personal tax measure on the Jersey resident shareholders of 0% corporate rate and 10% rate corporates. In the case of an investment holding company, there will be an assessment on the Jersey resident shareholder of 100% of the tax adjusted income under 'look through' provisions. Loans made from 0% rate and 10% companies to Jersey resident shareholders will also be subject to taxation on the hands of the Jersey resident. However, loans made to Jersey resident shareholders of investment holding companies subject to 'look through' will not be charged to tax in their hands.

These Regulations prescribe a percentage for the purposes of Article 81D(3)(a) of the Income Tax (Jersey) Law 1961. Where an unlisted trading company (taxed at 0%) distributes less than the prescribed percentage of its relevant profits of a financial period, an individual resident in Jersey who owns more than 5% of the ordinary share capital of the company will be deemed to have received a dividend in respect of the undistributed profits, payable in 2 stages, as an interim deemed dividend and a final deemed dividend. If the company were to distribute the prescribed percentage, or more, of those relevant profits, the individual would be liable to a single, final deemed dividend in respect of the undistributed profits.

#### **Financial and manpower implications**

There are no financial or manpower implications for the States arising from the adoption of these Draft Regulations.

## Explanatory Note

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These Regulations prescribe a percentage for the purposes of Article 81D(3)(a) of the Income Tax (Jersey) Law 1961. Where an unlisted trading company (taxed at 0%) distributes less than the prescribed percentage of its relevant profits of a financial period, an individual resident in Jersey who owns more than 5% of the ordinary share capital of the company will be deemed to have received a dividend in respect of the undistributed profits, payable in 2 stages, as an interim deemed dividend and a final deemed dividend. If the company were to distribute the prescribed percentage, or more, of those relevant profits, the individual would be liable to a single, final deemed dividend in respect of the undistributed profits.

An interim deemed dividend is deemed to be received on the last day of the company's financial period which follows the financial period in which the profits arose. For example, if the company's financial period ends on 31st March, an interim dividend in respect of profits for the period 1st April 2008 to 31st March 2009 would be deemed to be received by the individual on 31st March 2010.

A final deemed dividend is only deemed to be paid upon one of the following events –

- (a) the individual ceasing to own more than 5% of the ordinary share capital of the company;
- (b) the completion of the winding up of the company;
- (c) the individual's death;
- (d) 31st December in a year of assessment where, for the following year of assessment, the unlisted trading company in which the shares are or were owned by the individual becomes, for the purposes of this Law, a company subject to full attribution (effectively, an investment holding company);
- (e) the day before the day the individual ceases to be resident in Jersey.





Jersey

## **DRAFT INCOME TAX (DEEMED DIVIDENDS) (JERSEY) REGULATIONS 200**

*Made*

*[date to be inserted]*

*Coming into force*

*[date to be inserted]*

**THE STATES**, in pursuance of Article 81D(4)(b) of the Income Tax (Jersey) Law<sup>[1]</sup>, have made the following Regulations –

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### **1 Prescribed percentage for the purposes of Article 81D of the Law**

The prescribed percentage for the purposes of Article 81D(3)(a) of the Income Tax (Jersey) Law 1961<sup>[2]</sup> shall be 60%.

### **2 Application**

These Regulations have effect –

- (a) for the year of assessment 2008, in accordance with Article 50 of the Income Tax (Amendment No. 29) (Jersey) Law 200;
- (b) for the year of assessment 2009, and ensuing years.

### **3 Citation**

These Regulations may be cited as the Income Tax (Deemed Dividends) (Jersey) Regulations 200-.

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[1]

*chapter 24.750*

[2]

*chapter 24.750*