

STATES OF JERSEY



DRAFT GOODS AND SERVICES TAX (JERSEY) LAW 200- (P.37/2007): FOURTH AMENDMENTS

**Lodged au Greffe on 13th April 2007
by the Minister for Treasury and Resources**

STATES GREFFE

PAGE 51, PART 12 –

For the heading substitute the following heading –

“INTERNATIONAL SERVICES ENTITIES”.

PAGE 51, ARTICLE 57 –

- (a) *in the heading to the Article and in paragraphs (1), (2), (3) and (4) for the words “finance vehicle”, in each place that they appear, substitute the words “international services entity”;*
- (b) *in paragraphs (3) and (4) for the words “finance vehicles” substitute the words “international services entities”.*

PAGE 51, ARTICLE 59 –

- (a) *in paragraphs (1) and (3), for the words “finance vehicle”, in each place that they appear, substitute the words “international services entity”;*
- (b) *in the heading to the Article and in paragraphs (1) and (3) for the words “finance vehicles”, in each place that they appear, substitute the words “international services entities”.*

PAGE 51, ARTICLE 60 –

In the heading to the Article and in paragraphs (1), (2)(b), (3)(b) and (4)(b) for the words “finance vehicle” substitute the words “international services entity”.

PAGE 54, ARTICLE 63 –

Delete the words “or name” in each place that they appear.

PAGE 55, ARTICLE 66 –

Delete paragraph (2).

PAGE 74, SCHEDULE 1, PARAGRAPH 1 –

After sub-paragraph (1) insert the following sub-paragraph and renumber the remaining sub-paragraphs and internal cross references accordingly –

- “(2) Sub-paragraph (1) shall not apply to an international services entity, within the meaning of Article 60, in respect of which the conditions in paragraphs (3) and (4) of Article 57 are satisfied.”

MINISTER FOR TREASURY AND RESOURCES

REPORT

1. Background

The States Assembly agreed on 13th May 2005 (P.44/2005) to introduce a broad-based, 3% Goods and Services Tax (GST) as from 2008.

2. Comments

In the light of this decision, and following extensive consultation during 2006 with the business community and the wider public, law drafting on the above Law has now concluded and the final draft of the Law was lodged “au Greffe” for debate by the Assembly on 17th April 2007.

3. Amendments

Following subsequent representations from Jersey Finance Limited (JFL), the Minister is advised that the following amendments to the Law should be made –

- To replace the term Finance Vehicle with International Services Entities (ISE) as being a closer reflection of the reality of the Finance Industry.
- To withdraw the partial refund scheme for banks on the basis that banks will be eligible for inclusion as an ISE under the flat rate scheme proposed under Articles 57 to 60.
- To remove any uncertainty regarding the status and treatment of Finance Vehicles/ISE under Part 12 (they are not within the definition of “taxable person”).

4. Reasons for the Amendments

As a result of recent detailed analysis of the law undertaken in conjunction with Jersey Finance Limited it is now considered that the partial refund scheme for banks (as proposed in Part 12) could result insignificant complexity for the finance industry, requiring the need for additional administrative (non value adding) resources for industry, as well as the additional government resources necessary to administer the complexity.

Furthermore, complex law could potentially undermine the simplicity of Jersey based structures and client advice and may damage the competitiveness of the finance industry.

The proposed amendment will address the first two points and allow a more measured first step that can be assessed for effectiveness within a year. In particular the proposed approach should provide greater certainty regarding the ability to raise the targeted £5 million– £10 million, whilst not ruling out the ability to apply greater complexity if found to be necessary in due course.

In addition to provide greater certainty of treatment the law has been amended to clarify the status of a Finance Vehicle/ISE. Any such body listed under Part 12 would not be considered a taxable person for GST purposes.

5. Financial and manpower implications

There are no financial or manpower implications resulting from these amendments.