

**WRITTEN QUESTION TO THE MINISTER FOR EXTERNAL RELATIONS
BY DEPUTY G.P. SOUTHERN OF ST. HELIER
ANSWER TO BE TABLED ON TUESDAY 20th NOVEMBER 2018**

Question

What is the Minister's assessment of the likelihood that, by restricting the new Taxation (Companies – Economic Substance) (Jersey) Law to Jersey-resident companies only, the test for economic substance will fail to address the concerns of the E.U. Code of Conduct Group that the Crown Dependencies (including Jersey) do not have a "legal substance requirement for entities doing business through the jurisdiction"?

Will the Minister confirm whether or not the Law will cover the majority of companies incorporated outside the Island but trading within (or through) Jersey and, if not, state whether such internationally-registered companies which are not covered will consequently be offered a level of tax which is lower than the general level of tax in Jersey, and will receive tax benefits reserved for non-resident owned companies; and will he further advise what risk there is that tax incentives will effectively be provided for activities which are isolated from the domestic economy and that there will be a granting of tax advantages to these companies even in the absence of any real economic activity in Jersey?

Answer

The draft Taxation (Companies – Economic Substance) (Jersey) Law (the **draft law**) law applies to 100% of Jersey tax resident companies, whether they are incorporated in Jersey or not. This is not a restriction and is the proper scope for this legislation. It correctly uses the tax residency test already established in Jersey under the Income Tax (Jersey) Law 1961. This is a test based on being managed and controlled in Jersey.

The draft law is designed to meet the specific concerns the E.U. Code of Conduct Group has in relation to Jersey and that includes with respect to the scope of companies caught by the test.

There are no tax benefits which are reserved for non-resident owned companies. Such companies are treated exactly the same as those owned wholly or in part by residents of Jersey.