

Jersey substance proposals - the Banking and Finance perspective

Insights - 19/03/2019

EU finance ministers have formally approved Jersey's economic substance legislation by removing the jurisdiction from the "grey list" on 12 March 2019 and the Privy Council granted formal approval to the Taxation (Companies - Economic Substance) (Jersey) Law 2019 (the Law) on 13 March 2019. The Law takes effect from 1 January 2019.

The Law – similar to laws passed in other offshore jurisdictions in response to findings of the EU Code of Conduct Group - requires relevant companies to demonstrate economic substance in the jurisdictions in which they are tax resident.

Following approval of the Law, further Guidance Notes about the practical implications of the Law are expected shortly.

Our view, in anticipation of those Guidance Notes, is that:

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The Law includes three key tests.

Relevant companies must be **directed and managed** in Jersey, which requires:

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Relevant companies must also demonstrate **adequate activity** in Jersey:

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They must also conduct **Core Income Generating Activities**, or CIGAs, in Jersey, which in the case of "finance and leasing business" includes:

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In relation to "holding company business" the CIGAs are broadly defined as all activities related to that business. Consideration will need to be given to ensuring sufficient CIGAs are carried on in Jersey in order to demonstrate compliance with the requirements of the Law.

If you would like to discuss any aspects of the Law, or whether your companies or clients may be affected, please speak to your usual Ogier contact, or contact a member of our Economic Substance team.

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