

Snapshot: Covid-19 economic substance concession ends in Jersey

Insights - 10/11/2022

Companies with accounting periods commencing on or after 1 November 2022 will no longer benefit from the temporary concession from the application of economic substance requirements, provided in response to the Covid-19 pandemic.

Introduced by Jersey's Comptroller of Revenue as a temporary measure, the economic substance concession (the **Concession**) was introduced in March 2020 to assist companies struggling to fulfil their obligations under the Taxation (Companies - Economic Substance) (Jersey) Law 2019 (the **Law**) while coronavirus restrictions made it difficult to comply. The Concession also applied to Jersey tax resident partnerships which fell within the scope of the Law following its extension to partnerships in 2021 under the Taxation (Partnerships – Economic Substance) (Jersey) Law 2021.

Why was the Concession introduced?

The Law requires that Jersey tax-resident companies which fall within its scope have their activities "directed and managed" from Jersey, and that certain "core income-generating activities" (**CIGAs**) be carried out on the island too. In many cases, directors would travel to Jersey to attend board meetings in person to fulfil these requirements. However, due to travel restrictions, social distancing and self-isolation requirements, these activities had to be carried out remotely, which led to the introduction of the Concession.

Where companies had to alter their practices due to Covid-19, the Concession meant that they would not fail to meet the economic substance test on the basis they had not adequately demonstrated that they were "directed and managed" in Jersey. Similarly, the Comptroller reassured companies incorporated elsewhere, which are deemed tax resident in Jersey as a result of being managed and controlled on the island, that their residency would not be impacted by temporary adjustments to their operation.

The Concession only ever related to compliance with the "directed and managed" requirement

of the Law. Compliance with the other economic substance rules, including carrying out CIGAs from Jersey and maintaining adequate employees, expenditure and physical assets on the island was required throughout the Covid-19 pandemic.

Timing and practicalities

The withdrawal of the Concession will apply only to accounting periods commencing on or after 1 November 2022, while businesses with accounting periods which commenced at an earlier date will still be able to benefit until the end of their current accounting period. This should allow time for businesses to plan ahead and to organise future board meetings in Jersey, together with any other changes to their operations which may be required, in order to comply fully with the Law once again.

A company seeking to rely on the Concession (in respect of an accounting period commencing prior to 1 November 2022) must:

- keep sufficient records to evidence the changes that have been made to its normal operating practices and evidence the underlying reasons for these changes
- disclose that it is relying on the Concession in its tax return

About Ogier

Ogier is a professional services firm with the knowledge and expertise to handle the most demanding and complex transactions and provide expert, efficient and cost-effective services to all our clients. We regularly win awards for the quality of our client service, our work and our people.

Disclaimer

This client briefing has been prepared for clients and professional associates of Ogier. The information and expressions of opinion which it contains are not intended to be a comprehensive study or to provide legal advice and should not be treated as a substitute for specific advice concerning individual situations.

Regulatory information can be found under [Legal Notice](#)

Meet the Author



Matthew Shaxson

Group Partner, Ogier Legal L.P.

Jersey

E: matthew.shaxson@ogier.com

T: [+44 1534 514064](tel:+441534514064)

Key Contacts



Alex Fisher

Senior Associate

Jersey

E: alex.fisher@ogier.com

T: [+44 1534 514161](tel:+441534514161)



Niamh Lalor

Partner

Jersey

E: niamh.lalor@ogier.com

T: [+44 1534 514210](tel:+441534514210)



Emily Haithwaite

Group Partner, Ogier Legal L.P.

Jersey

E: emily.haithwaite@ogier.com

T: [+44 1534 514072](tel:+441534514072)

Related Services

Corporate

Investment Funds

Regulatory

Legal

Related Sectors

Funds Hub