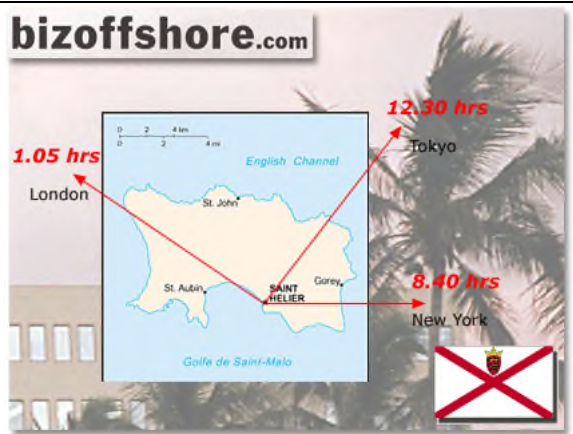


Jersey

Overview

The island of Jersey, one of the Channel Islands between England and France, is an autonomous possession of the British Crown, and the Sovereign is represented in the island by the Lieutenant Governor. The island has its own independent government with its own legislative, legal, fiscal and administrative system. Britain is responsible for its external affairs including negotiations with the European Union. Under the UK's accession treaty with the EU, Jersey forms part of the single market but is outside the EU fiscal area.

Jersey is a highly developed and long established international finance centre, and its political and economic stability has made it an attractive base for thousands of banks, fund management companies and other financial professionals. From Jersey's population of 90,000, over 12,000 are professionally trained staff working within the finance or related industries. The Island has developed a sophisticated and comprehensive infrastructure of laws and regulations to support its finance industry and has particularly strong banking, investment fund and trusts sectors.



Current time

Date and Time

Country Motto

None

Online News Sources

Jersey Evening Post: www.jerseyeveningpost.com
www.Thisisjersey.com

Business Environment

The main areas of business are banking, mutual funds, investment, treasury, trust, administration, and insurance. Jersey is not part of the European Union, but has a special relationship defined by a protocol attached to the UK's membership in the European Community. Under the terms of the protocol, Jersey complies with EC directives in the trade of industrial and agricultural products, but is not subject to any directives or regulations, including those dealing with the harmonisation of taxation, financial services, the exchange of information or social policy. Proposed EU directives on tax harmonisation seek to apply the regulations to dependent territories. Under a proposed EU taxation of savings directive Jersey has agreed to apply a withholding tax on the interest payments of savings held by EU residents. The directive is expected to come into effect during 2005.

The OECD listed Jersey as among 35 jurisdictions that could face punitive measures over 'harmful tax competition'. Jersey signed a letter in February 2002 committing to the OECD's proposals to exchange information on civil and criminal tax investigations and was subsequently taken off the tax haven

blacklist (see the tax section below). The G7's Financial Stability Forum rated Jersey a 'group one' offshore financial centre, i.e., deemed to be of 'good quality' supervision.

Companies may be classified as exempt companies or international business companies upon application to the Registrar of Companies, an office of the Jersey Financial Services Commission (FSC). Exempt companies are non-resident for tax purposes, and are not taxed on overseas income. All other companies are considered resident in Jersey. No Jersey resident may have a beneficial interest in an exempt company, unless indirectly through shares in a listed company that has a beneficial interest in the company. They may directly hold up to 10% of the shares if there are at least 10 people holding an interest in the company. The international business company may be a Jersey company, an overseas company controlled from the island and therefore resident in the island, or the Jersey branch of a non-resident company. International companies are considered resident for tax purposes and are taxed at a rate between 0.5% to 2% on non-Jersey income.

The FSC keeps details of beneficial owners of all companies. All companies must have a registered office and maintain a register of members, directors, and a company secretary and other records in Jersey. Directors and shareholders need not be resident in Jersey. Private companies require a minimum of one director, but a public company requires at least two. Residency is granted for short-term contract workers.

The Companies (Amendment No. 6) (Jersey) Law 2002 came into force on 1 September 2002 and introduced four new forms of companies and provisions for permitting redomiciliation, or continuance, of companies both in and out of Jersey. Until the amendment came into force, the only type of company that could be incorporated in Jersey was a company with par value share capital, whose members had limited liability through holding shares. The amendment extends incorporation to companies with no par value share capital, guarantee companies, unlimited liability companies, and single member companies. The legislation also alters the rules relating to the provision by a company of financial assistance for the acquisition of its own shares.

Taxes

By 2008 Jersey's government plans to phase in a new tax system under which financial services companies will pay a 10% income tax and all other companies will pay no tax at all. The decision to end the difference between the taxation of offshore and domestic companies stems from the need to meet the Organisation for Economic Cooperation and Development and the European Union's concerns over 'harmful tax competition'. Currently exempt companies registered in Jersey pay do not pay income tax on overseas income while international companies pay between 0-2%. Local companies pay the standard tax rate of 20% on worldwide income.

Under the Income Tax Law all companies incorporated in Jersey are regarded as resident companies. Any company incorporated outside Jersey is regarded as resident in Jersey 'if its business is managed and controlled' in Jersey, for example if board meetings are held in Jersey. However companies can become tax exempt companies and be treated as non-resident under the Income Tax law. An exempt company is exempt from income tax on income arising outside Jersey (including income received from another exempt company) and on interest credited by banks and building societies operating in Jersey. Other income arising in Jersey, such as rental income, is liable to income tax as are the profits of a trade carried on through an 'established place of business'. Business passing through an established place of business in Jersey is taxed at the standard 20% corporate tax rate.

International business companies are considered resident for tax purposes and are taxed at a rate between 0.5% to 2% on non-Jersey income. International business companies are taxed 2% on the first £3 million of profits or gains, 1.5% on the next £1.5 million, 1% on the next £5.5 million and 0.5% on sums above £10 million. Profits or gains on Jersey-sourced income is charged at a 30% rate. The rate is to enable certain companies to avoid controlled foreign companies tax. Trusts for non-residents are exempt from tax on overseas income and on bank deposit interest, and collective investment fund income arising in Jersey.

Jersey funds are able to operate free of tax, apart from the exempt company fee of £500 applicable to open-ended investment companies. In terms of distributions from Jersey funds, income tax is not deducted from distributions to investors who are resident in countries other than Jersey. Double taxation treaties exist with Guernsey and the UK, but Jersey tax-exempt funds do not benefit from these treaties.

Local companies pay the standard tax rate of 20%. There are no taxes or duties on capital gains, gifts, estate, or inheritance. There is no value-added tax but on 13 May 2005 the States of Jersey approved the introduction of a goods and services tax, scheduled for 2008. There are no currency restrictions. Residents pay income tax of 20%. Non-resident individuals do not pay income tax. There is no withholding tax on interest or dividend payments for non-residents.

Stock Exchange

The Channel Islands' Stock Exchange (CISX) was launched in Guernsey in 1998 as a joint project with Jersey. The market capitalisation of the CISX as at December 2004 was in excess of US \$28 billion, covering 581 listed securities, of which a majority are open-ended funds. In September, 2002, the US Securities and Exchange Commission awarded the CISX designated offshore securities market status.

Key Contacts

Jersey Financial Services Commission
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St. Helier, Jersey
Channel Islands
JE4 8TP
Tel: (44) 1534 822000
Fax: (44) 1534 822001
E-mail: info@jerseyfsc.org
Internet: www.jerseyfsc.org

Channel Islands Stock Exchange
P.O. Box 623,
One Lefebvre Street,
St Peter Port,
Guernsey,
GY1 4PJ
Tel.(44) 1481 713831
Jersey
Tel. (44) 1534 737151

Key Stats

Country description: Bailiwick of Jersey or Jersey. Jersey along with Guernsey make up the Channel Islands and are UK crown colonies or dependencies. Jersey's dependencies are the Ecrehous rocks and Les Minquiers. The UK is responsible for defence and external relations. Population: 90,812 (July 2005 est.,) of which 53% were Jersey-born. The people of Guernsey are British citizens.

Capital: Saint Helier.

Currency: US\$1 = £0.54 British pound (September 2005). The Jersey pound is at par with the British pound. English money is freely accepted.

Legal system: Based on British law and local statute. Jersey has a Magistrate's Court and a Royal Court. The bailiff or his deputy presides over the Royal Court. Final appeal is to the London Privy Council. UK acts of parliament only apply to the island if it is expressly agreed that they should do so.

Government: The head of state is the British monarch who is represented by a lieutenant-governor. The 55-member legislative assembly is the States of Jersey and is composed of elected deputies, constables, and senators. The crown appointed bailiff and the deputy bailiff and three non-voting members, (the Dean of Jersey, the attorney-general and the solicitor general) also sit in the assembly. The bailiff is the president of the States of Jersey and is also the island's top judge. The 29 deputies are elected in single- and multi-seat constituencies. The 12 constables, or head of the parishes, are elected by the parishes and sit in the States by virtue of their position. The 12 senators are elected for a six year term, six of them renewed every three years. Government is carried out through a committee system.

Executive: Lieutenant-governor: Sir Michael Wilkes

Economy: The economy depends on finance, tourism, and agriculture (dairy products). Finance is the mainstay, accounting for over 20% of the Island's workforce, and 50% of national income. Tourism accounts for 24% of GDP. Jersey's financial institutions recorded total profits of £1,050 million in 2003. Between 2002 and 2003 banking profits fell by 6% whilst profits for funds and trusts grew by around 10%.

Gross domestic product (2001)
£2.9 billion (financial 55%, tourism 24%, investment 14%, agriculture and fisheries 5%, light manufacturing 2%). Gross national income is estimated at £1.9 billion.

Inflation rate (June 2004)
4.8% annual retail price index

Labour force (December 2003)
49,600 of which 6,370 work in the public sector. Unemployment: 677 persons.

Government accounts (2004)
Revenues of £452 million; current expenditures of £408 million and £48 million in capital spending. The total deficit is estimated at £4 million. Government's financial year is the calendar year.

Public holidays (2005)
1 January (New Year); 25 March (Good Friday); 28 March (Easter Monday); 2 May (May Day bank holiday); 9 May (Liberation Day); 30 May (bank holiday); 11 August (Battle of Flowers Day); 29 August (summer bank holiday); 25 December (Christmas); 26-27 December (Christmas holidays).

Time zone
GMT. The clock goes forward one hour on the last Sunday in March and back one hour on the last Sunday in October.

Financial Year: 1 April – 31 March

Restaurant Guide

We recommend:
Bohemia
Green Street, St. Helier
Jersey
Tel. (44) 1534 880 588
Email: bohemia@huggler.com