

Jersey for Africa cross-border transactions

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With governments across Africa working to improve the business climate, developed investment communities are appreciating the reality that Africa remains one of the last unrecognised growth opportunities in the world. Commodities are not the only attraction. Increased intellectual capital, in countries such as Kenya and Nigeria, and significant entrepreneurial spirit have fostered cross border deals in the telecoms, infrastructure, leisure and IT sectors. Jersey is ideally placed, with all of the necessary expertise, to provide solutions.

When looking at inward and outbound investment relating to Africa, as in any other parts of the world, businesses have to consider the most effective and efficient structuring methods. The offshore world already plays a significant role in a number of African investments, whether for reasons of advantageous tax treatment or to utilise the flexibility afforded by such jurisdictions.

Advantages

Jersey has already featured prominently in investment structuring and capital raising and its Government has embraced the opportunities presented by the continent. Economic and political stability, features now uncommon in some other European-based tax structuring jurisdictions, provide significant advantages for Jersey. Tax neutrality is clearly important and Jersey has a proven record of providing tax efficient solutions and driving innovation. It would be unwise to compound any investor uncertainty around Africa by utilising a structuring jurisdiction that has its own inherent difficulties.

Jersey companies are used for a wide range of purposes and requirements including structured finance, capital markets, banking and property. Using a Jersey company for structuring international transactions can also be beneficial in terms of company law provisions around ease of transfer of ownership and distributions to shareholders. Additionally, share capital can be denominated in any currency and issued in various classes, including redeemable shares. The introduction of no par value companies has added yet more flexibility. These features enable

Jersey companies to be structured to meet a wide variety of business purposes, from trading vehicles to investment vehicles and joint ventures.

Joint ventures

Joint venture activity in the African continent is something that has risen significantly in the last few years. There have, of course, been a number of very high profile joint ventures. These include the one between Nigeria and Russia, established to exploit Nigeria's vast gas reserves and the use of joint venture structures by China's state-backed Africa investment fund, which seeks joint venture partners to build infrastructure throughout Africa. However, these structures have also been popular on a private level. Joint ventures are often seen as a cost effective way of structuring transactions between parties with complimentary aims and objectives, who seek to pool their various resources.

Jersey provides an excellent and well tested home for these joint ventures with flexible corporate legislation and the ability to imbed contractual agreements between the joint venture parties into the constitution of the company. The parties then have the ability to control whichever elements of the operation they require at either board or shareholder level, without the level of prescription that is sometimes evident in the onshore world.

Vehicles domiciled in Jersey are easily established and relatively low cost to maintain, which can also be an attractive feature for parties looking to establish a joint venture. The fact that these companies are suitable from cradle to grave, or from inception of an idea to perhaps the flotation of the company, means that efficient structuring can be put in place at the outset and ideally before the entity in question has developed value, which could cause difficulties at a later date (such as the crystallisation of gains causing tax triggers).

Over the last few years there has been a significant convergence in the laws and structuring options in the principle offshore jurisdictions. However, it is Jersey that has the most developed track record in cross border corporate transactions. As various African countries, investors and business owners become more sophisticated

and capital raising or investment opportunities increase, there will undoubtedly be further demand for offshore structuring. Jersey is perfectly positioned to assist.

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