

UK and Guernsey superannuation funds with income arising in Jersey to pay income tax

Insights - 21/02/2010

Abolition of Articles 115g and 115ga

The abolition of Article 115(g) and Article 115(ga) of the Income Tax (Jersey) Law 1961 comes into effect for the year of assessment 2010.

The consequence of the abolition is that UK and Guernsey superannuation funds that have (property) income arising in the Island will, from 2011 (year of assessment 2010) be required to pay tax on that income.

In other words, income derived from leasing or ownership of Jersey property will be charged at a standard rate of 20% subject to specific professional tax advice to the contrary.

Registration of all affected Superannuation Funds

In addition, all affected Superannuation Funds are requested to register with the Comptroller of Taxes no later than 31 July 2010.

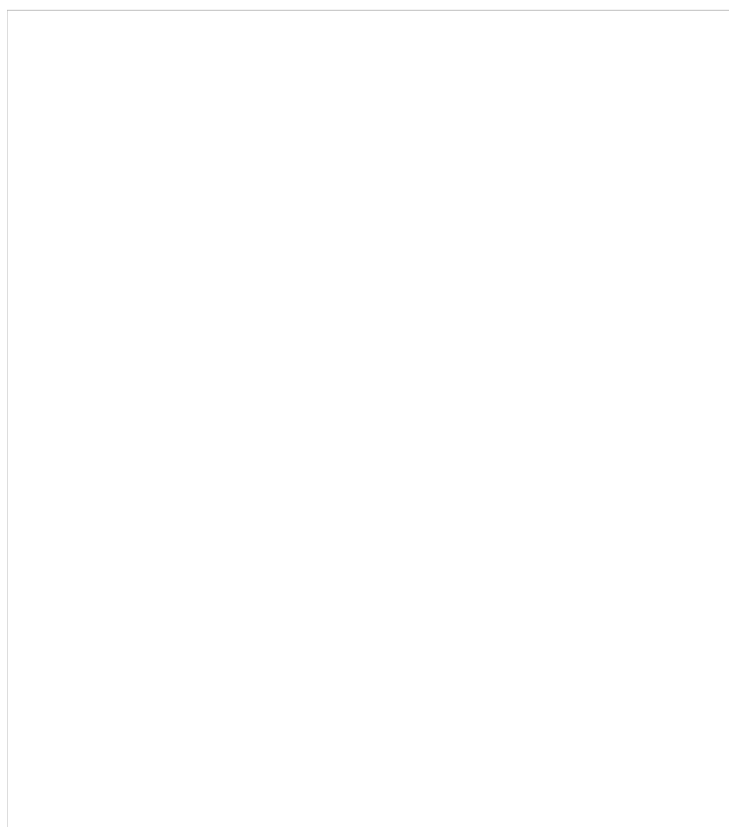
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Non Resident Landlord Scheme / Withholding Tax

The abolition of Articles 115(g) and 115(ga) also means that, subject to the structure of the property holding entity, affected Superannuation Funds will now need to consider withholding tax implications under the non resident landlord scheme.

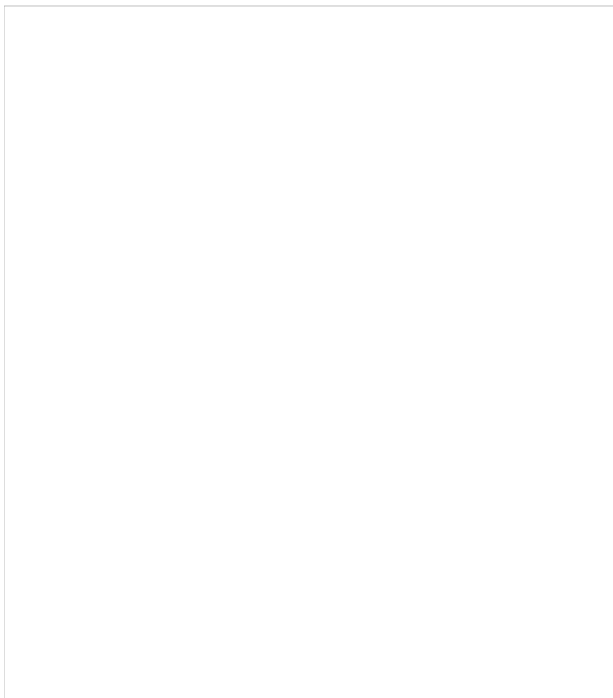
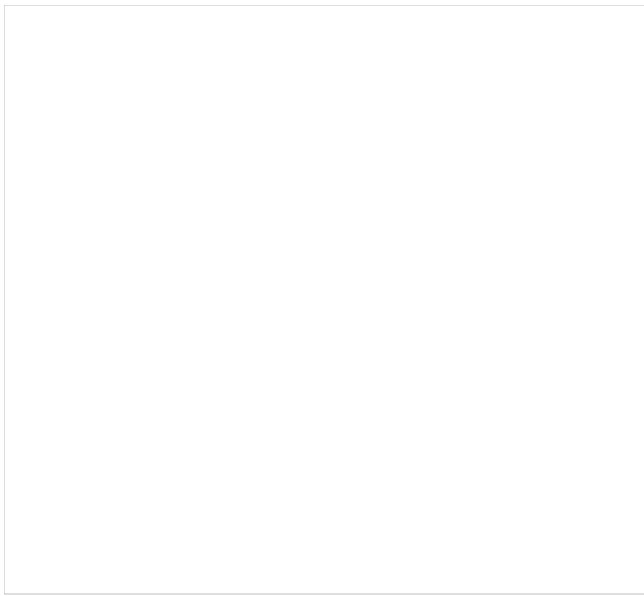
Under the non resident landlord scheme tenants of Jersey property (or Jersey agents who collect rent on behalf of a non resident landlord) are obliged to withhold Jersey income tax at 20% from rents paid to non resident landlords.

However, non resident landlords can apply for a 'certificate of good standing' which enables them to receive rent payments from their tenants gross. This does not cancel out the obligation to pay income tax itself. It simply means that the tenant is able to pay gross rent to the landlord with the landlord itself being obliged to account to the States of Jersey for the income tax on the gross rental income that it receives.



| Goods and Services Tax

In addition, Superannuation Funds will need to ensure that their investment leases are structured to provide for Goods and Services Tax ("GST") to be recovered on gross rental income rather than on rental income net of withholding tax



This briefing provides a general summary only of this area based on the current law and practice in Jersey at the date of writing and is subject to changes. It does not purport to be comprehensive and does not constitute legal or tax advice that may be relied upon. Specific, professional advice should be sought on each occasion.

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Meet the Author



Jonathan Hughes

Partner

Jersey

E: jonathan.hughes@ogier.com

T: [+44 1534 514336](tel:+441534514336)

Key Contacts



Katharine Marshall

Partner

Jersey

E: katharine.marshall@ogier.com

T: [+44 1534 514304](tel:+441534514304)



Sarah Parish

Managing Associate

Jersey

E: sarah.parish@ogier.com

T: +44 1534 514249



Laura Shirreffs

Senior Associate

Jersey

E: laura.shirreffs@ogier.com

T: +44 1534 514096

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