

Jersey, Guernsey and the Isle of Man

Summary

Often these islands are referred to as 'tax havens' but attracting the tax benefits associated are not necessarily straight-forward. We have summarised below the criteria individuals need to satisfy to be granted residency on the islands and what benefits arise to high net worth individuals upon relocating.

Jersey

Being granted residency

Jersey is the strictest of the islands in terms of achieving residency. Most achieve this due to their employment skill-set, but for those who wish to move to Jersey outside these parameters it is more difficult.

For high net worth individuals there is a separate set of conditions that can be met to obtain Jersey residency which can offer a fixed rate of tax per annum, with planning. However, the country only allows around 10-20 of these individuals per year. This is known as High Value Residency ('HVR') status.

Conditions to be met for HVR status:

- Receive a minimum worldwide income of £725,000 per annum, that is sustainable.
- Contribute at least £145,000 in tax per year, regardless of the income levels in that year.
- Their residency will benefit the island in some way (usually by creating jobs or socially).

However, fulfilling these conditions still does not guarantee high net worth residency status.

Other factors taken into account include:

- Number of dependants of the applicant
- Total net worth
- Possibility of the applicant bringing business to the island
- Past charitable work/contributions to the local community
- Criminal record

If consent is given under this status, it is possible to purchase a property on the island. However, options are limited to properties that are outside the financial reach of the majority of local residents; typically in excess of £1.75 million for houses/£950,000 for apartments.

After 10 years of continued residence an application for entitled status can be made which will eliminate the restriction on the properties that can be purchased.

Determining residency

- **Length of your visit** – present for 183 days in any tax years (calendar year).
- **Frequency of your visit** – Averaging 90 nights per year over a four-year period, residency will be given from the start of year five.
- **Intention** - If the intention is to live in Jersey for five years or more, residency can be granted from the date of arrival.

In order to be taxed solely under the Jersey system, it will be necessary to shed UK residence, taking account of the UK Statutory Residence Test. If dual residence occurs, the tie breaker test under the Double Tax Treaty between the two countries will determine the country of residence and the basis of any tax relief.

Rates of tax and allowances.

For non-high net worth individuals, the standard tax rates are:

- Standard rate at 20% - applied to the total income less allowable expenses and pension contributions.
- Marginal rate at 26% - applied to the income less allowable expenses, pension contributions and personal allowance.

Those of whom attract HVR status (the high net worth individuals) after July 2011 will be taxed at:

- 20% on any Jersey rental income.
- For any other worldwide income, the first £725,000 is subject to tax at 20%, with the balance at 1%.

With pre-entry planning, the tax can be restricted to £145,000 per annum.

In addition:

- Capital gains are not taxed in Jersey.
- Inheritance tax is not charged in Jersey.
- No stamp duty is payable on the transfer of shares. For any Jersey property transfers, the rates range from 0 to 9.5%.

Guernsey

There are tax advantages for high net worth individuals moving to Guernsey in particular for the first three years of arrival.

Being granted residency

There are no restrictions to moving and owning property in Guernsey as long as a UK or EEA passport is held. However, similarly to Jersey, there are restrictions on what properties can be acquired.

Residential properties are split into two categories; 'local market' and 'open market'. A UK resident moving to the island would only be allowed to purchase a property on the open market.

There are a limited number of properties on the open market (1,600 in 2019) and they are more expensive than the local market houses.

Principally or solely resident

Liability to Guernsey income tax is based on residency which is obtained if an individual:

- Spends at least 182 days in the year in Guernsey, or
- Spends at least 91 days during the year and during the four preceding tax years, has spent at least 730 days in Guernsey, or
- Takes up permanent residence on the Island.

In general, residents worldwide income is liable to Guernsey income tax at a rate of 20%.

If the individual has spent more than 91 days in Guernsey but does not satisfy the other tests above AND spends 91 days or more in another jurisdiction he will not be solely or principally resident and may attract a standard annual tax charge of £30,000 but would still have to pay tax on any Guernsey sourced income.

If leaving the UK to become resident in Guernsey, an individual would have to ensure they were treated as non-UK resident under the Statutory Residence Test. This may be more difficult the fewer the days spent in Guernsey, simply because it may mean more days are spent in the UK.

Guernsey has a Double Tax Agreement with the UK that will determine the primary place of taxation should dual residence occur.

Rates of tax and allowances

- Residents are liable to 20% tax unless they elect to cap their liability as set out below.
- A tax cap of £130,000 applies on non-Guernsey income but can be increased to £260,000 on worldwide income i.e. any income over £260,000 is taxed at 0%. Generally, Guernsey rental income is not covered by this cap.
- A more beneficial temporary tax cap applies of £50,000 for the year of arrival and the three following years provided that:
 - The individual has been non-Guernsey resident for the three years prior to the year he/she becomes resident.
 - In the year of arrival an open market property must be purchased in Guernsey with at least £50,000 paid in document duty which is charged at a rate of 3%.
 - The property must be purchased within a period of six months before and six months after taking up permanent residency.
- Guernsey has no capital gains tax.
- There is no inheritance tax, nor death tax, other than UK inheritance tax if the individual is UK domiciled.
- Stamp duty tax rates

2 %	on up to £250,000
3.25%	On £250,001 to £400,000
3.5%	On £400,001 to £750,000
3.75%	On £750,000 to £1,000,000
4%	On any amount above £1,000,000

Residency on Sark (which forms part of the Bailiwick of Guernsey) offers even more favourable tax options which cap personal tax to £6,400 per resident adult.

Isle of Man

There are significant tax advantages for the first five years of residency for high net worth individuals.

Being granted residency

If coming from the UK, there are no barriers to moving to the island. However, if planning to work on the island, there are work permit restrictions.

Determining residency

Residency will be determined by the:

- **Length of visit** – Present for at least 183 days in the tax year
- **Frequency of visits** - Spend more than 90 days over the four previous tax years.
- **Intention** - If there is an intention to stay permanently, residence will be given on the date of arrival.

Rates of tax and allowances

- Income up to £13,250 is taxed at 0%. An additional £6,500 is taxed at 10% and the remainder at 20%
- An individual's tax liability can be capped at £175,000 (2019/20) if an election is made. The election can only apply for the first five years at the cap in place at the date of the election. (i.e. £175,000 in this case.)
- There is no capital gains tax.
- No inheritance tax other than UK inheritance tax if the individual is UK domiciled.
- No stamp duty on shares or property.

A new Double Tax Agreement was entered into between the Isle of Man and the UK that applies from 6 April 2019. This determines the basis of tax if dual residency applies between the UK and the Isle of Man. In order to avoid this, UK residence should be shed in accordance with the UK Statutory Residence Test.

To discuss how we can help, please contact:



Michael Dawson
Managing Partner
T: 0161 927 3851
E: Michael@forbesdawson.co.uk



Laura Hutchinson
Partner
T: 0161 927 3853
E: Laura@forbesdawson.co.uk

Forbes Dawson is the trading name of Forbes Dawson Ltd, which is a limited company registered in England and Wales with registered number 08451784. Its registered office is at First Floor, Fairbank House, 31 Ashley Road, Altrincham, Cheshire, WA14 2DP. We are registered with the Chartered Institute of Taxation (CIOT) as a firm of Tax Advisers. This publication is written in general terms and should be seen as broad guidance only. The publication is not designed to cover specific situations and you should not rely, upon the information contained therein without obtaining specific professional advice. Please contact Forbes Dawson to discuss these matters in the context of your particular circumstances. Forbes Dawson, its partners, employees and agents do not accept or assume any liability or duty of care for any loss arising from any reliance on the information in this publication or for any decision based on it.

Copyright © June 19 Forbes Dawson Ltd. All rights reserved.

www.forbesdawson.co.uk

Forbes Dawson
THE TAX SPECIALISTS