



Relocating to Jersey

The benefits to people and investment businesses

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Over the past couple of years Jersey, along with a number of other offshore jurisdictions, has witnessed a marked increase in both businesses and individuals considering their options to relocate away from the UK. Whereas the migration of larger British corporate entities to foreign shores will almost always be driven by a pure business case, for smaller organisations personal reasons will often be just as important. Compared with corporations, the smaller hedge fund businesses and boutique private equity houses are more fleet-footed in making decisions and going through the process of organising a relocation.

Jersey is currently enjoying something of a purple patch in terms of high value residents and businesses relocating here. In the first four months of 2011 there has been an almost unprecedented number of high-end residential property sales concluded with at least six properties being sold for prices between £4.5 million and £10 million.

Need for advice

When looking to relocate to Jersey, it must be understood that the island has strict laws in place determining who may purchase and who can occupy property in Jersey. Consent is also required to start up a new business. For these reasons, advice needs to be sought at an early stage.

The general rule is that unless one was born in Jersey or has lived here lawfully in unqualified accommodation for ten years, one has no right to purchase a property or reside in accommodation other than unqualified accommodation.

Against the general stated rule are the two main exceptions, namely: (1) for persons coming to the island and deemed to be essentially employed; and (2) for those who satisfy certain financial criteria. These two exceptions are known locally as either a “J” (essentially employed) or a “K” (high value resident) due to the sub-clauses of the relevant regulation under Jersey’s Housing Law.

J category licences

We shall look at businesses and “J” category licences first before looking at “K” licences.

For a majority of businesses which have relocated to Jersey, the essentially employed route (i.e.; “J” licence) will be more attractive. For a person to be approved as essentially employed there needs of course to be an approved business. To obtain a licence to carry on a business in the island (whether or not the activity is regulated) the Minister for Economic Development will first need to be persuaded that there is a real and measurable benefit in allowing a business to set up in Jersey.

In determining an application for a new business, the Minister is required to consider it with due regard for the island’s resources and reputation. In addition, where the business is going to be conducting regulated business activities (such as investment advice) the Jersey Financial Services Commission will also need to approve the business and the principals involved in its day-to-day management and control.

Hedge fund businesses are ideal for Jersey. They offer a low footprint in terms of office space and number of employees and offer reasonable income for the island in terms of tax on profits from the business. Added to this is revenue from social security contributions, income tax on salaries of employees and general spending within the island whether it is on cars, houses, boats or restaurants.

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A clear message

The island authorities are looking to send out a very clear message that well-run and reputable hedge funds businesses are welcome. To this end significant steps have been taken to ensure that the process involved from initial enquiry to formal approval for the business is as seamless and painless as possible whilst understandably ensuring that the necessary safeguards are in place to protect the island’s hard won and deserved reputation as a well-regulated offshore financial centre.

As part and parcel of the application to set up a new business, the Minister will want some limited information concerning the principals involved and this is particularly so where the new business seeks “J” consents. With owner-run businesses the need for the principal to be engaged in the business is self evident. However, if the business case is attractive enough then senior management

(for example a CFO) can also apply for a “J”. There are pressures on Jersey’s current housing stock and therefore whilst the principals should benefit from “J” licences it is not always the case that senior management will also receive “J” licences at the outset.

Assuming that the Minister is satisfied with the business case to grant a licence under the relevant law, and assuming for regulated entities that the JFSC is also content to grant a licence, the Minister will grant a licence for the business and hopefully a number of “J” licences for the principals. It is an important point to note that the “J” licence attaches to the business and not the individual. In most cases, the “J” licence cannot follow the individual to a different business if for whatever reason the employee ceases to be employed by the business.

Five-year licence

Initially, the business is granted the “J” licence for an employee for five years and the business’ performance is then assessed before a decision is made to renew the “J” licence for a further five years. In practice, provided the business performs largely in line with the initial business plan, the “J” licences will be extended.

Once an individual has been approved as a “J” employee for a business, they are then free to purchase any residential property in the island although this must be done through a company. When a “J” licence employee has completed 10 continuous years’ residency in the Island, they then automatically obtain local residential qualification and the “J” licence falls away. This means they have a permanent right to reside in the island and to purchase property here in their own name independent from their continued employment.

K category licences

Some individuals will have a choice due to their personal financial circumstances between either a “J” or “K” licence. I would say that the majority of principals prefer the “J” licence route as it is perceived to be less invasive in terms of personal enquiries, financial disclosure, references and the like. Against that the “K” licence does allow for considerable benefits in terms of personal taxation.

The “K” licence is granted to an individual who can satisfy certain financial criteria and who in the opinion of the Housing Minister does not pose a reputational risk to Jersey. To that end fairly extensive enquiries are made and information sought to establish the source of funds, verify the information given and check the general background of the individual. Once all the necessary information has been collated and submitted, a

decision in principle will normally be made within 10 working days.

Of considerable importance is to ensure that appropriate professional advice is taken well in advance of any proposed departure date from the UK. At present, assets of approximately £12 million and an income of £625,000 are needed. The minimum tax take sought by the authorities is £125,000. After the first £625,000 of worldwide income, addition worldwide income is taxed at 1% and there is no inheritance tax.

Relocating for a way of life

As a native of the island, I am naturally biased towards the many things Jersey has to offer. For a more independent view it is interesting to speak to a number of principals who together with their families have already relocated to Jersey. The way of life tends to be the most quoted reason why people, in particular those with young families, enjoy living here.

An important attribute for many is the fact that the journey to work is seldom longer than 20 minutes often with a sea view. In the summer, it is possible to be on the beach with friends and family only 30 minutes or so after leaving work. Schools are seldom more than 20 minutes apart and one client was thrilled that he could make the sports day for his children at two separate schools in the same afternoon.

The level of serious crime is very low. It is fair to say that if you left your laptop in an unlocked car in town during the day, there is a very good chance that it would be there when you returned. There are not too many places in England where that would still hold true.

For the family of principals relocating, the island is English speaking and therefore there are no language problems for partners and children. London is only a 40 minute flight away. From the island’s east coast it is possible to be in France after a 20 minute boat ride and the island is well resourced in terms of aircraft handling, marinas, golf courses, restaurants and hotels, in short, all the things that can make life more enjoyable. **THFJ**

ABOUT THE AUTHOR

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