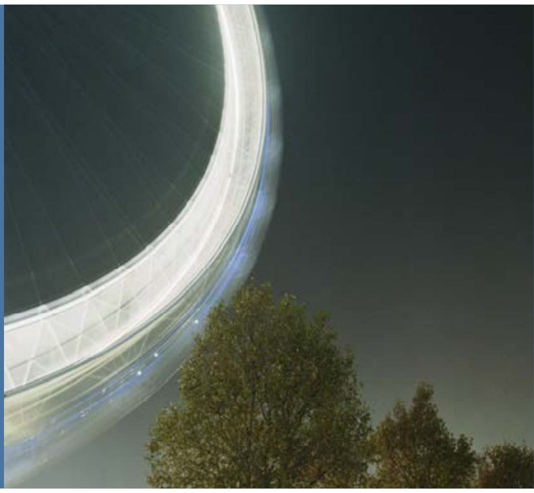
Jersey



Withers LLP and Panopticon Policy

Review of 1(1)(k) regime for the States of Jersey

11 October 2010

panopticon

withers LLP

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Certain sections of this report have been excluded where exemptions 3.2.1(a)(i), (ii), (v), (ix), (xi), (xii), (xiv) and (b) of the Code of Practice on Access to Official Information apply.

This report was prepared during 2010, on the basis of information available at the time. Some of this information is likely to now be out of date and should be used with caution on that basis.

Furthermore, the report was not intended to be widely published and in the interests of expedience and costs not all information was independently verified.

PART A – Introduction

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1. **Background – the need to increase tax revenues**

1.1 The world economy is expected to have contracted by just over 1% in 2009 (for the first time in over 60 years) before returning to growth in 2010. The States of Jersey have a resulting budget deficit, due to reduced revenue receipts. Later budget positions are not solely caused by the cyclical (temporary) economic downturn because economic growth is forecast to have returned to previous trend rates in 2011. Instead, it is possible that they are structural. Moreover, there is a large range of estimates produced by the States' Treasury and Resources Department, due to the long-term and contingent nature of these estimates. To prevent the position becoming permanent there must be changes to taxation or spending. Changes to spending are being reviewed within the Comprehensive Spending Review and changes to taxation are being assessed following the Fiscal Strategy Review Green Paper published earlier this year by the States.

1.2 In his first budget speech on 9 December 2009, the Treasury and Resources Minister Senator Philip Ozouf stated that he believed everyone should provide an 'appropriate contribution'. In that context he was concerned to ensure that individuals who had taken advantage of Jersey's 1(1)(k) regime made a major contribution to tax revenues and played a valuable role in the community. He committed to appointing a person with appropriate knowledge and international expertise to conduct a review of Jersey's 1(1)(k) regime. Withers LLP and Panopticon Policy were commissioned to undertake that review and this report presents the findings.

2. **Terms of the report**

2.1 This report has been prepared jointly by Withers LLP and Panopticon Policy.

2.2 It was commissioned by and has been prepared for the sole review of the Chief Minister's Department of the States of Jersey. It contains confidential information which was provided to the authors by the Chief Minister's Department, the Economic Development Department, the Treasury and Resources Department and the Jersey Financial Services Commission. Such information was provided for the purposes of the preparation of the report on the basis that the report would remain confidential to the Chief Minister's Department. Accordingly the report should not be shown, made available or copied in whole or in part to any other person, firm, or company other than the employees and officers of the Chief Minister's Department without the prior written consent of the Withers LLP and Panopticon Policy.

2.3 The report seeks to identify opportunities to raise revenues from existing and/or future 1(1)(k)s while maintaining Jersey's competitive position. The report should not be read as extending, by implication, to any other matter.

2.4 The methodology employed in preparing the report is explained below, including details of various interviews undertaken. The authors are not responsible for the accuracy of the information provided in those interviews or the opinions of the interviewees and have agreed to keep the identity of the interviewees confidential to ensure they are free to give honest opinions. The authors have intended to report such opinions objectively. The report may not comprise all the information provided in those interviews. The information contained in the report has not, save as expressly stated, been independently verified by the authors.

3. **Scope of the report**

3.1 The engagement letter of Withers LLP and Panopticon Policy is attached as Appendix 1.

3.2 The report seeks to:

3.2.1 summarise the current 1(1)(k) regime and analyse the benefits, costs and perceptions of the current regime;

3.2.2 review Jersey's current competitive position including the barriers to attracting high net worth individuals ('**HNWIs**');

3.2.3 identify alternative regimes and/or changes to the current regime that would improve the ability to attract more 1(1)(k)s and/or increase revenues from future or existing 1(1)(k)s; and

3.2.4 provide high level comment on how any future regime should work with other policy areas.

3.3 Since the report will principally identify opportunities to raise revenues from existing and/or future 1(1)(k)s, the report will only provide ancillary analysis rather than a comprehensive study in relation to the following:

3.3.1 The overall legitimacy of regimes specifically designed to attract HNWIs.

3.3.2 Other policy areas which may indirectly impact upon the 1(1)(k) regime or be indirectly affected by the regime, e.g. housing, health, education, environment etc.

3.3.3 More distant potential 'multiplier' effects of the future or existing 1(1)(k)s, e.g. the impact of their spending power, their recourse to the health services etc.

3.3.4 The role the existence of the regime plays in depicting Jersey as an attractive financial centre or holiday destination or otherwise, whether that be positive or negative.

3.3.5 The role the regime plays in encouraging or discouraging potential non-1(1)(k) immigrants.

3.3.6 The potential non-financial impact of 1(1)(k)s: e.g. voluntary positions HNWIs may occupy or services HNWIs may offer within the community, perhaps to Jersey clubs, societies, charities or non-profit making entities.

3.3.7 Other aspects of policy not directly related to the generation of tax revenue from existing and/or future 1(1)(k)s.

4. Methodology

4.1 The report represents the combined research of Withers LLP and Panopticon Policy, and draws on the legal and tax expertise of Withers LLP and the policy expertise of Panopticon Policy and our combined understanding of the HNWI market in the UK and internationally.

4.2 The report has been compiled in a number of stages:

4.2.1 Researching the history and current operation of the 1(1)(k) regime.

4.2.2 Reviewing comparable regimes in other low tax jurisdictions.

4.2.3 Reviewing data from a number of surveys of HNWIs and their advisors in relation to possible relocation from the UK.

4.2.4 Interviewing key Jersey public sector figures.

7 interviews were conducted with key personnel from:

(a) the Chief Minister's Department;

(b) the Economic Development Department;

(c) the Treasury and Resources Department;

(d) Jersey Financial Services Authority; and

(e) the Population Office.

Through these interviews information was gathered regarding the regime and the revenues generated from it. The interviews also aided understanding regarding the interaction of the regime with other policy areas such as housing and financial services.

4.2.5 Interviewing key Jersey private sector advisors.

16 interviews were conducted with key private sector individuals in Jersey from:

(a) law firms;

(b) accountancy firms;

(c) the banking sector;

(d) fiduciary services; and

(e) the private equity and hedge fund industry.

Through these interviews the authors explored the perceptions of the island 'stakeholders' regarding the benefits or otherwise of the regime and discussed potential areas of change.

4.2.6 Interviewing key UK advisors.

Detailed discussions were held with 18 key advisors to HNWIs in the UK from:

(a) law firms;

(b) accountancy firms; and

(c) the private equity and hedge fund industry.

We were able to draw on the expertise of leading opinion formers in the UK, who between them represent a significant number of HNWIs.

These advisors were asked to identify the principal factors driving HNWIs to leave the UK (or other high tax jurisdictions) and the key criteria for HNWI in selecting an alternative jurisdiction of residence. They were asked to list the jurisdictions to which HNWIs had relocated, providing an order of preference. They were also asked to identify the relative strengths and weaknesses and the competitive advantages and disadvantages of various jurisdictions.

4.2.7 Discussions with advisors in alternative low tax jurisdictions.

The merits of particular low tax jurisdictions have been discussed with practitioners in various jurisdictions, including:

(a) Switzerland

(b) Guernsey

(c) the Isle of Man

(d) the Bahamas

Through these discussions the authors have been able to assess the perceived strengths and weaknesses of other regimes, consider the extent to which those jurisdictions are targeting HNWIs and evaluate whether the reality matches external perceptions.

5. Executive summary

5.1 Key findings from research

5.1.1 The 1(1)(k) regime currently raises £13.5 million in income tax levied on the 1(1)(k)s as individuals from 123 taxpayers (this figure is the latest number of 1(1)(k)s however other numbers are referred to in other contexts as they correspond to the latest non-tax data relating to 1(1)(k)s). This review has been established to examine the possibilities of maximising the benefit in revenue terms and the wider economic and social benefit of the 1(1)(k) regime to the people of Jersey.

5.1.2 **The economic effects of 1(1)(k)s are large**. We have derived estimates from the income tax payments made by 1(1)(k)s in 2009 that **their economic impact is at a minimum of £50-70 million**, however, this estimate is both extremely conservative and subject to many uncertainties.

5.1.3 Interviews with advisors from Jersey, competitor jurisdictions, the UK and other EU Member States generated a number of key insights into what HNWIs look for when relocating.

5.1.4 These interviews demonstrated that **many UK advisers, drawn from the major private banks, law firms and accountancy practices, thought that Jersey was ‘closed for business’ in terms of taking further HNWIs.**

5.1.5 These interviews also showed us that supporting **whatever regime is in place is probably as important as the form of the regime itself**: ensuring that the marketing of the regime is more effective, that the application process has greater transparency, that there is sufficient available housing to support the regime, and that clusters of certain key industries are encouraged.

5.1.6 Jersey is an attractive place for HNWIs and can rival the best locations. It has natural beauty, a magnificent coastline, excellent leisure facilities and good schooling. **Any marketing and fiscal strategy involving the 1(1)(k) regime must be based on appropriate market segmentation based on age and whether individuals are HNWI (disposable assets in excess of £10 million) or UHNWI (disposable assets in excess of £50m).**

5.1.7 **Any further marketing work needs to explicitly demonstrate the quality of important factors such as transport links, leisure facilities and the top schools Jersey has to offer. Moreover, the States should consider its marketing to 1(1)(k)s when they are resident in Jersey.** If Jersey wants 1(1)(k)s to remain it should follow this policy through by being positive about their contribution.

5.1.8 **It may be possible to maximise the indirect tax revenue received from the multiplier effects of 1(1)(k)s by encouraging them to invest and spend more in Jersey.** The benefit may also extend to existing 1(1)(k)s). 1(1)(k)s would be encouraged rather than dissuaded from using local wealth advisory and fund management services and encouraged to invest and spend locally. Although not without significant difficulty this could potentially be achieved by providing specific provision for 1(1)(k)s to hold assets in Jersey outside the scope of their tax commitment.

5.1.9 There is a widely held view that some 1(1)(k)s tax payments are insufficient. Individuals paying smaller amounts of income tax are almost always doing do so because that was the agreement they reached as far back as the 1970s. Any changes made to pre-existing agreements would need to be carefully managed as new entrants would be concerned about subsequent future amendments. This would undoubtedly have a severe impact upon the ability of Jersey to attract new 1(1)(k)s. The stability and reliability of the tax regime is one of the most important factors highlighted by HNWIs in selecting a low tax jurisdiction and **if Jersey were to have a track record of failing to honour past agreements, it would be very difficult to persuade HNWIs that this would never happen again**. Jersey would be instantly disadvantaged against its competitors.

5.1.10 The regime could, however, be changed to maximise the direct tax revenue by increasing the number of 1(1)(k) applications and maximising the tax received from new 1(1)(k)s. The key questions are:

(a) What should be the minimum amount of tax? Less than £100,000, £100,000, more than £100,000 or on a sliding scale according to an applicant's overall wealth? Should the amount be index linked?

(b) How should the payment be structured? Under the current system or through the introduction of a cap or a fee? Or should an entirely new regime be introduced?

(c) Should 1(1)(k) status be granted indefinitely or for a fixed period of time?

5.1.11 This review weighs the relative merits of solutions to these problems and where possible it provides limited estimates of the anticipated revenue yield.

5.2 Options to consider

5.2.1 Abandoning the regime and bringing 1(1)(k)s into the wider tax net would likely reduce tax revenue as existing 1(1)(k)s left Jersey and new HNWIs did not move to the island (see 15.1 for further discussion).

5.2.2 Leaving the regime unchanged would demonstrate stability, an important feature of a regime designed to attract HNWIs, but would raise only the revenue generated as new 1(1)(k)s paying a minimum of £100,000 per annum replaced those on old agreements as time passes (see 15.1 for further discussion).

5.2.3 Introducing a cap could encourage assets to be managed in Jersey, which is currently a major opportunity that has been missed. However, it would potentially advantage the businesses and investments of 1(1)(k)s over local residents (see 15.1 for further discussion).

5.2.4 Introducing a fee should ensure revenues are held steady even in economically lean years. The fee could be optional, akin to the remittance basis charge, or not. However, a fee has similar problems to a cap (see 15.1 for further discussion).

5.2.5 The granting of a 1(1)(k) license could be explicitly term limited. This could lead to significant extra revenue but not until the expiry of a 1(1)(k)s term (see 15.3 for further discussion).

5.2.6 The minimum commitment of a 1(1)(k) is currently decided as a matter of policy. In practice it is £100,000 per annum. This figure could be increased or decreased, a sliding scale could be introduced based on wealth or economic activity in Jersey or the system of pegging the minimum to an inflation index could be formalised (see 15.2 for further discussion).

5.3 **Consequential recommendations**

5.3.1 It is not our role to recommend a particular regime change. We have set out the various options and explained the advantages and disadvantages of each. **The focus of the decision should be the impact on current high yielding 1(1)(k)s and future HNWI immigrants.** This will be a judgement call to be made by the States of Jersey, depending upon the weight given to specific factors.

5.3.2 However, in our review of competitor jurisdictions it became apparent that Jersey is not alone in failing to provide clear and coherent advice in relation to the HNWI immigration regime**. Providing easily accessible advice about Jersey and the 1(1)(k) regime, both online and through discreet marketing channels, would help dispel some of the unhelpful myths which surround the regime and offer first mover advantage over many competitor jurisdictions.**

5.4 **Subsequent considerations and research recommendations**

Consideration needs to be given formally to the land use and planning policies that should shape any policy to take in more or less 1(1)(k)s. Interestingly, the principality of Monaco undertook a similar review recently and according to newspaper reports have concluded that they will run out of available space by 2020.

Our research team was unable to assess how long 1(1)(k)s spend as K residents due to privacy requirements. **We would recommend that this area is further examined particularly in regard to the points mentioned above at 5.2.5.**

Jersey could consider making a further assessment of the multiplier effects of 1(1)(k)s.

PART B – The current regime

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6. **The current regime**

6.1 **Legal framework**

6.1.1 Regulation 1(1)(k) of the Housing (General Provisions) (Jersey) Regulations 1970 (attached as Appendix 2.1) stipulates that the Housing Committee may grant consent to an individual to purchase certain properties in Jersey where *'the Committee is satisfied that consent can be justified on social and economic grounds*'.

6.1.2 There does not appear to be any formal determination (based in statute or otherwise) of what constitutes '*social and economic grounds*' and the matter appears to be based solely on the Housing Committee's determination of the matter from time to time.

6.1.3 Social applications are granted when an individual is likely to enhance the standing and status of Jersey. Social applications are very rare.

6.1.4 Economic applications are granted when the benefit of an individual's tax contribution is likely to sufficiently outweigh the any cost of their residency.

6.1.5 Under the Income Tax (Prescribed Limit and Rate) (Jersey) Regulations 2004 (attached as Appendix 2.2), with effect from 1st January 2005, 1(1)(k)s are taxed as follows:

(a) Jersey source income is taxed at 20%:

(b) Non-Jersey source income is taxed as follows:

1. the first £1m @ 20%;
2. the next £500,000 @ 10%
3. the balance @1%.

6.1.6 However, some 1(1)(k)s structure their affairs in such a way as to produce the amount required to meet the agreed minimum tax liability for the application to be justified by the Housing Committee on economic grounds.

6.2 **History of the 1(1)(k) regime**

6.2.1 The regime was introduced in 1970.

6.2.2 The determining factor as to whether the Housing Committee is satisfied that consent can be justified on economic grounds has always been the amount of income tax that an applicant undertakes to pay.

6.2.3 In 1970 economic applicants had to undertake to arrange their finances to pay Jersey income tax of at least £3,000 per annum. After a peak of £200,000 in the mid-1990s, the minimum now stands at £100,000.

6.2.4 The number of successful applications has fallen from between 60 and 70 each year in the early 1970s to less than 5 each year recently. Between 1990 and 2010 only 86 people were granted 1(1)(k) licences.

6.3 **Application process**

6.3.1 Most applications are made by professional advisers in Jersey, who seem to have a good understanding of how the process works in practice. However, there is no formal application process, no published form to be completed, limited consistency in approach and very little transparency.

6.3.2 Broadly speaking, an application requires:

(a) a personal letter of application;

(b) a CV or business profile;

(c) an undertaking by the individual to structure his finances to pay a minimum amount of Jersey income tax each year;

(d) full disclosure of worldwide financial details (although it appears to be accepted that pre-existing trusts and other structures fall outside of the scope of this disclosure, except to the extent that such structures will be the source of income by reference to which the individual agrees to pay a minimum amount of Jersey income tax); and

(e) answers to a series of questions from the Treasury and Resources Department.

6.3.3 All applications should be channelled through the Economic Development Department. The Economic Development Department should then liaise with the Treasury and Resources Department and the Housing Committee. The Treasury and Resources Department will determine whether the individual is likely to be able to meet the necessary minimum amount of Jersey income tax. The Housing Committee will undertake due diligence in relation to the individual. The final decision rests with the Housing Committee.

6.3.4 Most applications are expected to be processed within a month.

6.4 Concerns about the current regime

6.4.1 Perception

(a) There appears to be a split in the perception of the 1(1)(k) regime between those working in the financial services sector and those not.

(b) Within the financial services sector there is a general understanding of the direct benefits brought to the island by 1(1)(k)s in the form of tax revenue, but also of the indirect benefits in terms of increased work within the financial services sector and more generally.

(c) Outside of the financial services sector, there seems to be a general mistrust of the regime. There is a common belief that 1(1)(k)s are paying little or no tax. There is a perception that the 1(1)(k) regime is shrouded in secrecy and there also seems to be a belief that 1(1)(k)s are a drain on Jersey's resources (such as the health service), that they have an adverse impact on the availability and affordability of property and that they do not contribute much to the island.

6.4.2 Process

As noted above, although the process is not unduly difficult and seems to be understood by those advisers and public sector workers familiar with the regime, to outsiders, be they HNWI's themselves or their professional advisers in the UK, there is very little transparency. It is feared that some potential 1(1)(k)s are put off even before the application stage by a misguided apprehension that the process will be time consuming and complicated or simply because they are unclear how to proceed.

6.4.3 Old consents

(a) There are a number of 1(1)(k)s from the 1970s and early 1980s, who have particularly low minimum tax requirements. While they are still required to pay 20% income tax on any Jersey source income, their minimum tax requirements are low, in some cases just £3,000 to £4,000 per annum. While the statistics suggest that most pay significantly more tax than their minimum requirement, the tax they pay nevertheless falls well below that paid by 1(1)(k)s from the 1990s and 2000s.

(b) That said, there is no reliable data as to whether such individuals have significant wealth outside Jersey and therefore whether to attempt to bring any such old 1(1)(k)s into any new regime would actually produce any increased tax revenue.

6.4.4 **1(1)(k)s not meeting their obligations**

Statistics indicate that for the most part 1(1)(k)s honour their minimum tax payment. There are examples of those whose earnings have fallen for a variety of reasons, such as the recession, divorce etc, and who therefore no longer meet their minimum tax requirement. Under the current regime, there is no requirement for such individuals to have recourse to their capital, even if significant, to meet their minimum tax requirements. However, it is difficult to ascertain whether individuals who fail to meet their minimum tax requirement because their income stream is reduced still have significant capital or access to other income streams in structures outside the reach of the Jersey tax authorities, which would make their failure to meet their minimum tax payment 'unfair'.

6.4.5 **Pre-residence structuring**

Nearly all new 1(1)(k)s undertake structuring before becoming resident in Jersey. The intention is to arrange their affairs such that they are paid the correct amount of income to produce the minimum £100,000 tax liability but not exceed it. Therefore, while 1(1)(k)s under the current regime are in theory subject to special rates of income tax in relation to their non Jersey source income (the first £1m is taxed at 20%, the next £500,000 is taxed at 10% and the balance at 1%) the reality is that nearly all 1(1)(k)s earn around £500,000 of income resulting in £100,000 of tax. Their remaining assets remain safely out of the reach of the Jersey tax authorities in trust or other structures, often located in Guernsey.

6.5 **Benefits of the current regime**

6.5.1 **Tax revenue**

We understand that the 2009 tax yield from all 1(1)(k)s was £13.5m. Jersey's total 2009 tax yield was £595m. Therefore, while the tax revenue from 1(1)(k)s only represents approximately 2% of the total tax revenue, it is nevertheless a significant amount from relatively few individuals (it is understood that there are currently around 120 1(1)(k)s against a Jersey population of approximately 87,000).

As a percentage of income tax receipts the contribution of 1(1)(k)s is small. However, when those receipts are broken down the picture is very different. It can be generally assumed that the vast majority of the income of 1(1)(k)s falls into the self employed and investment holder category. 1(1)(k) income constitutes a large proportion of that figure. The income tax receipts from all self-employed and investment holders are in the region of £43 million with 1(1)(k) receipts around £13.5 million.

6.5.2 **Creating employment**

(a) Local professionals cite the creation of employment as one of the key benefits of bringing 1(1)(k)s to the island. In fact, many are of the view that the direct tax paid by 1(1)(k)s is far less than the tax paid by their employees. This is a very difficult benefit to quantify accurately.

(b) There are certainly several examples of 1(1)(k)s moving to Jersey and establishing highly successful businesses, employing highly paid locals, thereby creating jobs for the local population and increasing the tax revenue. They bring in highly paid 1(1)(j) workers and this benefits Jersey's tax yield and potentially improves the availability of on-island expertise. Our research in Jersey suggested that the recruitment of 1(1)(j) workers was generally considered to be positive and that there was no significant concern that 1(1)(j) workers adversely affected the local employment market. However, whether an increase in 1(1)(j)s is desirable is a matter of policy for the States of Jersey.

(c) There are also several examples of 1(1)(k)s who had moved their family offices to Jersey with them. The typical trend tends to be for an individual to get comfortable with a particular service provider, build a family office within that service provider and eventually set up their own stand alone family office.

(d) Our enquiries suggest that even the less active 1(1)(k)s employ household staff such as cleaners and gardeners.

(e) It is therefore our belief that while it is difficult to quantify the precise benefits 1(1)(k)s offer in terms of job creation, the benefit is undoubtedly significant particularly in the case of 1(1)(k)s who establish local businesses.

(f) It is also difficult to analyse how many such jobs would be created in any event without the presence of a particular 1(1)(k). It is probably fair to say that a new 1(1)(k) who brings his hedge fund into Jersey with him and employs both 1(1)(j) and local workers is creating new employment. However, it is more difficult to say whether a 1(1)(k) who establishes a new business venture in Jersey is not simply first to market where a non-1(1)(k) would have established that business in any event. This, of course, requires speculation beyond the scope of this report, but our research indicates that the net benefit to employment within the island created by the immigration of 1(1)(k)s is significant.

6.5.3 Spending

There are many examples of 1(1)(k)s spending significant amounts locally, be it to improve their residence, park their aircraft or moor their yacht, buy cars and luxury goods and spend money on simple day to day expenditure which for a typical 1(1)(k) tends to be significant. This will result in a small increase in the GST yield and will also help local businesses, particularly those aimed at the wealthy market, which in turns helps create employment and generate tax.

6.5.4 Investing locally

While there are examples of 1(1)(k)s investing locally, these tend to be few and far between. The regime currently encourages 1(1)(k)s to retain the bulk of their wealth in structures outside of Jersey. Investing in Jersey, where any profits will be subject to 20% income tax, is distinctly less attractive than investing abroad.

We have made estimates of multiplier effects in Jersey although given the size of the task this has not been as scientific an estimate as we would like. Economic multipliers differ because of the openness and size of an economy. In a highly open economy such as Jersey’s it is likely that multiplier effects are smaller than in countries with exchange controls or other economic limitations. We have used OECD estimates for other similar economies including Dubai and Ireland which share some characteristics with the States of Jersey. Using those countries multiplier effects we can create a likely bottom and ceiling for the multipliers used. We have then used the only available data to us on the impact of 1(1)(k)s which is the income tax paid (£13.5 million in 2009). From that we have derived a range of £50-70 million. This is naturally subject to caveats. Clearly the process used was not based on multipliers in Jersey but comparator countries which clearly have different characteristics to the States. It must also be borne in mind that this is only relating to spending on individual income. The actual impact is likely to be much larger in cases where 1(1)(k)s have businesses for example.

6.5.5 Housing

It is generally considered that 1(1)(k)s have had an impact on house prices at the top end of the market. Whether this constitutes an advantage depends upon whether the States of Jersey wish to see a growing market or increased accessibility to the market.

It is possible that the presence of such wealthy individuals has an impact on the Jersey housing market. The econometric literature has shown that expectations play a major part, alongside other factors such as the structure of the credit market, in driving house prices. However, this is not a simple dynamic. The literature suggests that the presence of transaction costs cause important non-linearities in house price dynamics[1].

The numbers of 1(1)(k)s – there are 117 1(1)(k)s and over 90,000 residents in Jersey - coupled with the size of the investment means that although they will have an effect on the very top end of the housing market in Jersey the effect on the housing market as a whole will be negligible.

6.5.6 Charitable work

There are several 1(1)(k)s who make notable contributions to the charitable sector. However, there is also a concern that they get rather inundated with requests which may result in no donations being made despite a willingness to make some.

6.5.7 Publicity

It is not thought that publicity generated by the presence of wealthy individuals, and more particularly internationally renowned individuals, in Jersey significantly affects the financial services sector or the tourism industry, but there may be some small indirect benefit in terms of brand awareness.

[1] See for example, Muellbauer, J. and Murphy, A. 1997. 'Booms and Busts in the UK Housing Market'. CEPR Discussion Paper no. 1615. London, Centre for Economic Policy Research. http://www.cepr.org/pubs/dps/DP1615.asp.

6.5.8 **Family**

(g) Younger 1(1)(k)s tend to bring their families with them. If children are schooled locally this has the immediate advantage of additional school fees. It also encourages the 1(1)(k) to spend more time in Jersey and therefore spend more money in Jersey.

(h) Conversely, there is, of course, the concern that with limited places at Jersey's most popular schools, there is greater competition potentially disadvantaging local children.

(i) In the longer term, the percentage of Jersey educated individuals who remain in Jersey or return to Jersey after university is thought to be high. 1(1)(k)s moving to Jersey with their families could therefore lead to the next generation of wealthy Jersey residents, as their children look to settle on the island. Furthermore, the children of 1(1)(k)s will not usually benefit from their parents' 1(1)(k) status such that if they stay in Jersey after they have inherited their parents' wealth, they may be subject to increased tax in Jersey.

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7. Increasing revenue from 1(1)(k)s

7.1 General observations

7.1.1 The principal aim of any tax system is to finance the level of public expenditure chosen by society. However, another important factor in designing taxes is that taxes also affect the decisions made by individuals. Once it is established how much revenue is desirable taxes are generally assessed against five criteria:

(a) fairness

(b) economic efficiency;

(c) competitiveness;

(d) revenue stability; and

(e) administrative cost.

7.1.2 In general, tax measures that score well in terms of efficiency and competitiveness tend to score poorly in terms of fairness or progressiveness. Similarly, tax measures that contain a significant progressive element – income tax and other gradated taxes – score less well in terms of competitiveness and efficiency. It is clear that any package designed to meet the potential shortfall in States' revenue will need to balance political requirements to deliver a progressive package with the need to promote economic activity. This is a political not an economic choice.

7.2 Would reform to the 1(1)(k) regime reduce the structural deficit?

7.2.1 To the extent that tax revenues tend to finance expenditure on public services, the stability and predictability of revenue is a desirable property. Consumption and property taxes tend to have a less volatile tax base (expenditure and base property values) than income and payroll taxes (earned and unearned income).

7.2.2 A short-term factor is that an increase in the revenues raised from 1(1)(k) resident individuals will not only produce a small increase in revenue per year but that it will likely take several years to be implemented. This means that its capacity to narrow the deficit is minimal in the extreme.

7.3 **Increasing revenue yield from 1(1)(k)s**

7.3.1 Accepting the fact that increasing the yield from 1(1)(k)s will not have a significant impact in relation to the structural deficit, there is, scope to improve the generation of tax revenue from 1(1)(k) in a number of different ways:

(a) by increasing the amount that current 1(1)(k)s pay;

(b) by significantly increasing the number of 1(1)(k)s attracted to Jersey; and/or

(c) by increasing both the number of 1(1)(k)s and the amount they pay.

8. Existing 1(1)(k)s

8.1 The figures available suggest that in 2007 102 of the then 117 1(1)(k)s were granted 1(1)(k) consent prior to 2000 and that of the 117, 32 are currently paying less than £20,000 per annum. Some of this number will have low minimum tax requirements, others (although the evidence suggests this is a small number) are failing to meet their agreed minimum tax requirements. It has not been possible to verify these facts as the data detailing the amount of tax revenue generated by these people has not been made available (in order to ensure that the identity of individuals 1(1)(k) is protected).

8.2 It is understood that those people who are 'underperforming' are generally not doing so out of a desire to undermine the system but as a result of the effect of adverse market conditions, divorce or other reasons essentially beyond the control of the individual.

8.3 Changing the regime to increase the amount contributed by those on a lower minimum (e.g. by aligning the minimum amount of tax to be paid by all 1(1)(k)s or by determining that 'long stay' 1(1)(k)s should be taxed as Jersey residents) would only serve to increase revenue yield if those affected a) decided to remain in Jersey; and b) have sufficient assets to generate the required level of taxable income.

8.4 The following additional comments/concerns were voiced in response to a suggestion that the regime be changed so as to impact current participants:

8.4.1 The change in demographic profile of 1(1)(k)s should (without any change to old agreements) naturally result in an increase in revenue yield as new 1(1)(k)s with higher minimum tax requirements replace those on the old agreements. Over time revenues could increase in excess of £4m per annum as long as new entrants could be attracted and provided that there is sufficient housing stock to accommodate new entrants.

8.4.2 If the authorities in Jersey decide to unilaterally change previously agreed lifetime arrangements, this could undermine the attractiveness of Jersey for prospective 1(1)(k)s – particularly those for whom the retroactive legislation is a catalyst for relocation. A parallel can be drawn with the changes to the taxation of non-UK domiciliaries introduced in 2008, which has undermined the attractiveness of the UK for prospective immigrants.

9. **Attracting new 1(1)(k)s**

9.1 In recent years the number of people applying for the 1(1)(k) regime has declined undoubtedly as a result of a number of diverse factors. In seeking to attract new applicants the States of Jersey need to consider the following:

9.1.1 HNWI criteria for selecting a jurisdiction of residence;

9.1.2 The potential market of prospective 1(1)(k)s; and

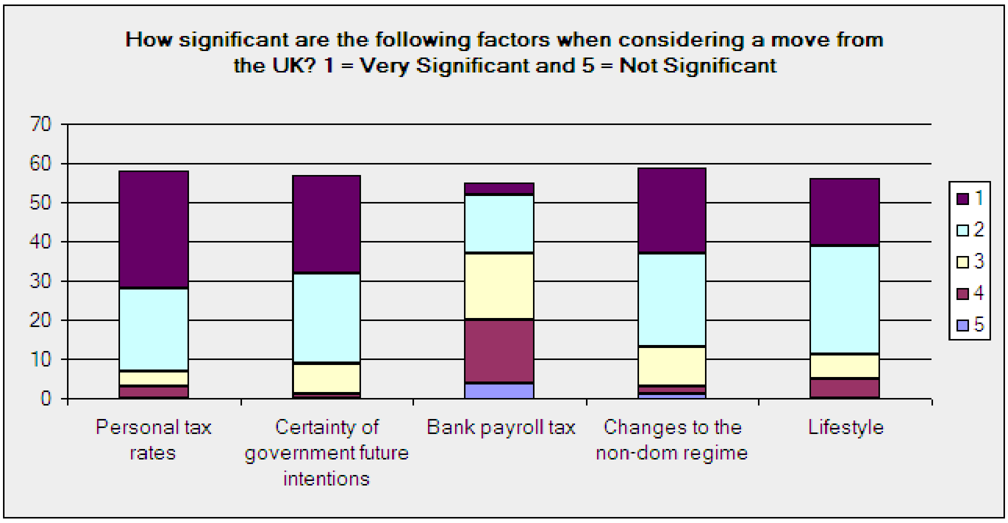
9.1.3 Current barriers to the selection of Jersey as against the competition

9.2 **HNWI criteria for selecting a jurisdiction of residence**

9.2.1 It is necessary to be aware of the various criteria on which reliance is placed by prospective applicants and the respective importance placed on each.

9.2.2 In March 2010, Withers LLP conducted a survey (the '**Withers' survey**') of wealth planning professionals in relation to the possibility of their clients leaving the UK. This survey showed that while the prime motivator for any individual leaving a high tax jurisdiction to take up residence in a low tax jurisdiction is tax mitigation, lifestyles issues are almost as important:

How significant are the following factors when considering a move from the UK? 1 = Very Significant and 5 = Not Significant						
Answer Options	**1**	**2**	**3**	**4**	**5**	**Response Count**
Personal tax rates	**30 (52%)**	21 (36%)	4 (7%)	3 (5%)	0 (0%)	58
Certainty of government future intentions	**25 (44%)**	23 (40%)	8 (14%)	1 (2%)	0 (0%)	57
Bank payroll tax	3 (5%)	15 (27%)	**17 (31%)**	**16 (29%)**	4 (7%)	55
Changes to the non-dom regime	22 (37%)	**24 (41%)**	10 (17%)	2 (3%)	1 (2%)	59
Lifestyle	17 (30%)	**28 (50%)**	6 (11%)	5 (9%)	0	56



9.2.3 In subsequent interviews with HNWIs and their advisors, the key motivating factors were broken down further. While each HNWI is different and each HNWI prioritises different factors depending upon their personal profile, the following table attempts to give an overall indication of the impression gleaned from HNWIs and their advisors as to the relative importance of different factors:

	Significance (1 = most significant, 5 = least significant)			
	HNWIs		Ultra HNWIs	
	Trading	Retiring	Trading	Retiring
Tax	5	4	3	2
Stability	5	5	5	5
Business factors	5	1	5	1
Double tax agreements	3	2	3	2
Social factors	5	5	5	5
Housing	5	5	5	5
Facilities	3	3	5	5
Location	4	3	4	3
Education	3	1	3	1
Health care	1	2	1	2
The cluster effect	5	1	5	1
Confidentiality	2	2	4	4
Immigration process	1	1	1	1
Language	1	1	1	1
Existing connections	3	3	3	3

9.2.4 **Tax**

(a) As tax mitigation is a prime motivating factor for any individual seeking to relocate away from a high tax jurisdiction, the level at which he will be expected to pay tax in his new jurisdiction of residence (both in relation to his personal assets and also in relation to any business activity that he may wish to undertake) will be a factor for him in selecting that new jurisdiction. Research has shown, however, that HNWIs look at factors beyond the precise level at which tax (or a tax equivalent charge) is set in determining where they and their families will relocate. For example, for a potential 1(1)(k) looking to leave the UK to avoid capital gains tax at 28% and income tax at 50% the difference in paying £20,000/£30,000 in Switzerland, £100,000 in Jersey or £115,000 in the Isle of Man may not be significant. Accordingly, although the Jersey 1(1)(k) regime is one of the more expensive options, HNWIs do not necessarily consider it unattractive purely on the basis of the effective entry cost.

(b) This might lead to the conclusion that there could be scope to increase the minimum tax requirement without jeopardising the perceived appeal of the regime. However, care is required in this regard. It is important to a HNWI that the regime being offered is 'fair' not only as between him and local residents but also as between him and others attracted by the same regime.

9.2.5 **Stability**

(a) The need for stability in a jurisdiction was a recurring theme that emerged from the interview process.

(b) External perception is that Jersey suffers in this regard. Besides the structural deficit, there is current uncertainty surrounding the 0%/10% corporate tax rate and concerns about the possible rise of Jersey income tax rates after Senator Ozouf publically stated his intention to review the 1(1)(k) regime.

(c) A regime will not necessarily be regarded as unstable by potential residents by virtue only of the fact that it is capable of being changed. Many 1(1)(k)s, or potential 1(1)(k)s, have indicated that they do not expect a guarantee that a particular regime would continue to apply to them indefinitely. They did, however, generally require some sort of long term guarantee. Views on whether 1(1)(k)s expected a lifetime agreement or were able to accept a fixed term deal differed as between individuals and their own particular reasons for moving to Jersey. For example, the 1(1)(k) looking to bring his business to the island needs certainty regarding the manner in which the regime will apply to him and his business in order to ensure that he will not have to incur the expense and inconvenience of relocating his business more than once within a relatively short period in order to avoid an increased tax liability. On the other hand, the 1(1)(k) looking to mitigate a UK capital gains tax liability may be primarily concerned to ensure that the 1(1)(k) regime will continue to apply to him for at least 5 years. A 1(1)(k) in this latter category may choose to remain in Jersey for lifestyle reasons rather than because he has a lifetime minimum tax requirement.

9.2.6 **Business factors**

(a) The ability of 1(1)(k)s to undertake business in Jersey is very important for trading 1(1)(k)s and is a distinctive feature of the Jersey regime in comparison to many of its competitors.

(b) Looking at the financial services sector, and in particular hedge funds:

1. Jersey is considered to have a more onerous licensing regime than many of is competitors. Jersey effectively has a double licensing requirement (i.e. a requirement both at the asset management level and also at the managed account level.)

2. Jersey operates a ‘six eyes’ principle whereas most other jurisdictions operate a ‘four eyes’ principle.

3. The funds code of conduct is generally felt to be more rigorous such that it is more demanding at an operating level.

4. While this was cited as a possible reason behind the apparent loss of hedge fund business to competitors, particularly Switzerland, it is also widely acknowledged that the high and formal regulation is a unique selling point for Jersey and is seen as a huge advantage by some. This seems to be a deliberate positioning strategy for Jersey within the offshore world. This strategy is perceived as enhancing the attractiveness of the jurisdiction as a financial services centre and should not be undermined in the context of encouraging 1(1)(k)s to emigrate to

Jersey, which is of secondary importance to encouraging the financial services sector as a whole.

5. There are aspects of the process which could be reviewed to ensure that financial services businesses are able to comply with the Jersey regulatory requirements without significant disruption to the business, but this falls outside the scope of this review.

9.2.7 **Double tax agreements**

(a) Historically most 1(1)(k)s have emigrated from the UK. A UK emigrant needs to ensure that he successfully breaks UK residence if he is to avoid being taxed as a UK tax resident by virtue of retaining links with or making occasional visits to the UK.

(b) There is currently no definitive statutory test of tax residence in the UK. Until recently, individuals and their advisors relied upon guidance issued by HM Revenue & Customs ('HMRC') in the form of a booklet known as 'IR20'. That guidance was replaced by a new booklet, HMRC6: Residence, Domicile and the Remittance Basis with effect from 6 April 2009.

(c) HMRC6 indicates that the act of leaving the UK to live abroad is not sufficient of itself to cause an individual to become non-UK tax resident. In deciding whether an individual who has left the UK has become non resident, HMRC will look at a number of factors including the individual's reasons for leaving, his visits to the UK made after leaving and the connections he has retained with the UK, e.g. family, property, business and social connections. HMRC require the individual to make a distinct break from the UK and to change the pattern of his life. A number of recent cases have shown this to be an increasingly difficult test to satisfy.

(d) An individual moving from the UK to Switzerland is in a stronger position in this regard. The UK and Switzerland have entered into a double tax treaty which provides a tiebreaker provision which is helpful in determining any dispute as to fiscal residence between the UK or Switzerland and provides relief in the event of double taxation charges. Thus, even if the individual fails to achieve non-UK residency under the UK's domestic laws (provided the individual has moved his centre of vital interests to Switzerland) it is likely that he will be able to take advantage of the double tax treaty.

(e) However, in the case of an individual moving to Jersey, because there is no double tax agreement in place, the individual must satisfy the UK's domestic laws as to non-residency.

9.2.8 **Social factors**

(a) Social factors play an incredibly important part in a HNWI's decision process of selecting a low tax jurisdiction. Obviously Jersey scores well for the sailing or golfing enthusiast. Jersey will never be able to complete with Switzerland for the avid skier or the Caribbean for those demanding year round sunshine.

(b) Providing a 'concierge' service for prospective and new 1(1)(k)s is clearly important in providing connections at the golf clubs or marinas etc. The research undertaken indicates that this is achieved successfully. This is important because prospective 1(1)(k)s are influenced by the positive experiences of the existing 1(1)(k)s they meet in these social settings.

9.2.9 **Housing**

(a) The research undertaken indicated that many prospective 1(1)(k)s and their advisers believe there to be an insufficient supply of good quality housing stock in Jersey.

(b) It is understood from the Population Office and various estate agents that there are a number of £2m plus Category 1 properties (available to 1(1)(k)s) that have been on the market for a number of years. However, it is noted that the Jersey housing market has been relatively stagnant for several years and a shortage of good quality housing stock could return if the market picks up.

(c) It is also apparent that many significant properties are not advertised on the open market but are marketed privately through various estate agents. A number of interviewees commented that it would be helpful if such properties could to be grouped together and be made available for prospective 1(1)(k)s, without having to approach each estate agent individually. Many 1(1)(k)s are reluctant to make a number of individual approaches for confidentiality reasons.

(d) As 1(1)(k)s leave the regime, either through leaving Jersey or through death, it is not always the case that those properties find their way back on to the market: widows and/or children are often permitted to retain the properties either through the hardship provisions (1(1)(g)) or through become locally qualified (1(1)(a) to (h)). There is therefore potentially a dwindling supply of suitable properties.

(e) When considering the housing needs of prospective 1(1)(k)s it is important to recognise the geographical and other limitations of Jersey. An ultra HNWI is likely to require a significant estate rather than a £2-£5m country house. These are limitations shared by some of Jersey's competitors.

(f) Even in Switzerland, it is generally accepted that prestigious housing facilities are scarce. Furthermore, contrary to forecasts made by Swiss economists, property prices have remained high during the financial crisis and in certain high-end areas prices have increased (or are currently increasing). It was reported anecdotally that demand is such in some areas that prices are artificially inflated by competitive bids.

9.2.10 **Facilities**

The advisors of ultra HNWIs repeatedly cited the lack of hangers for private jets as a reason why the jurisdiction was not a jurisdiction of choice for such individuals. Many 1(1)(k)s are happy to use the services of Aviation Beauport but there will always be those who require their own jet.

9.2.11 **Location**

It is widely perceived that close proximity to the UK will be a key factor in jurisdictional choice for those prospective 1(1)(k)s emigrating from the UK. This was not, in fact directly cited as a relevant factor by many in the interviews. It was noted, however, that the jurisdictions most mentioned by UK advisors were Jersey, Guernsey, Isle of Man, Switzerland and Monaco, suggesting that distance from London is an important factor for UK emigrants.

9.2.12 **Education**

(a) Traditionally, 1(1)(k)s have tended to be retirees whose children have already passed through the education system, so the standard of education in jurisdictions they moved to was not particularly important. However, given the recent move towards younger immigrants with families, the availability of good quality local education will become more important. Jersey matches its closest rivals with several good quality local independent schools and proximity to the UK for those who want to send their children to boarding schools there.

Jurisdiction	School	BBC independent school league table position
Guernsey	Elizabeth College	360
Jersey	Victoria College	363
Isle of Man	King William's College	430

(b) By comparison, while there are some very famous and prestigious international schools in Switzerland such as Le Rosey, Aiglon College and Leysin American School, research indicates that finding appropriate schooling in Switzerland is a difficult process: many schools have significant waiting lists, the selection requires time and there is often a requirement to live very close to the relevant school. Indeed, when relocating to Switzerland with children, finding an appropriate school is often treated as a priority and will often influence the particular canton chosen for the family's residency.

9.2.13 **The cluster effect**

There is a perception in the market that many hedge fund managers are relocating to Switzerland simply because other hedge fund managers have already done so: the cluster effect. It is certainly true that having other key industry figures in the same place facilitates business and therefore encourages others to relocate. However, our research found that there has not been the huge exodus of hedge fund managers from the UK that some commentators would suggest. There seem to be many hedge fund managers still in London, still deciding what their next move is, and while Switzerland may be a primary consideration, nothing is set in stone and there is still much to play for.

9.2.14 **Confidentiality and anonymity**

This is very important to nearly all HNWIs and is expected of any immigration regime. There must also be the perception of confidentiality. A transparent application process, where it is clear precisely who has access to any confidential information during the course of the application, would help improve the perception of confidentiality.

9.2.15 **The immigration process**

The immigration process was not cited as a particularly important factor in the interviews. However, we do believe that it has a more subtle impact upon the attractiveness of a regime. A smooth, transparent process will go largely unnoticed whereas an unclear, time consuming, opaque process may deter a new immigrant from undertaking other activities which require public sector input or from employing 1(1)(j)s.

9.2.16 **Language**

In the global world we now live in language is no longer considered to be the barrier it perhaps once was. However, there is no doubt that in appealing to the UK market, the fact that Jersey is English speaking is undoubtedly an advantage.

9.2.17 **Existing connections**

(a) There is a definite trend of UK emigrants moving to jurisdictions where they have some connection, be that family, friends or business. For example, it is widely known that Jensen Button selected Guernsey principally because of a long term friend who moved there.

(b) While the importance of existing connections cannot be predicted or manipulated, the better Jersey's efforts in attracting hedge funds or family offices, the more likely the principals are to follow.

9.3 **The potential market**

9.3.1 **UK domiciled HNWIs leaving the UK**

(a) The traditional market for 1(1)(k) immigrants is UK domiciled HNWIs who wish to mitigate UK income tax, capital gains tax and/or inheritance tax. This is still likely to be Jersey's principal market. The recent increase in the top rate of UK income tax to 50% and the recent rise of capital gains tax rates to 28% are likely to encourage more UK domiciled HNWIs to consider leaving the UK. Our research indicates that the full impact of the rate rises may not truly be felt until HNWIs file their tax returns for 2010/2011 in late 2011.

(b) **Income tax**

UK domiciled individuals should not suffer UK income tax on non-UK source income in a tax year in which they are not UK resident. In theory, therefore, provided that a UK domiciled individual is able to successfully establish his non-UK residence for just 1 tax year and he receives significant non-UK source income in that tax year, that income would be outside the scope of UK income tax. Most emigrants will be looking to prevent the impact of 50% income tax over a longer term.

(c) **Capital gains tax**

UK domiciled individuals who make disposals after leaving the UK who have been resident or ordinarily resident in the UK for 4 out of the 7 tax years prior to becoming non-resident and who remain non-resident for less than 5 years will be taxable in their year of return on gains realised by them during their period of non-residence on assets acquired whilst UK resident. Therefore, UK domiciled individuals seeking to mitigate UK capital gains tax will, under the current UK rules, need to remain in Jersey for at least 5 complete tax years.

(d) **Inheritance tax**

UK domiciled individuals seeking to escape inheritance tax on their worldwide estate will need to move to Jersey with the intention to remain permanently or indefinitely.

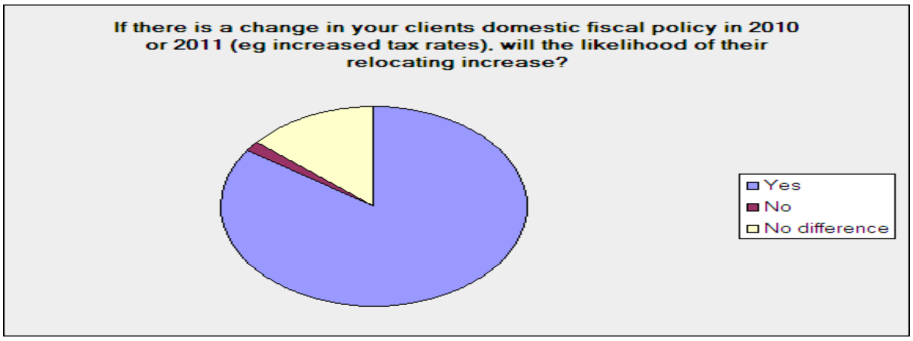
(e) There are therefore UK domiciled HNWIs seeking to leave the UK for a variety of reasons and who will look to establish Jersey residency for both the short and long term.

(f) The Withers' survey demonstrates the response of wealth planning professionals when asked how likely it was that their clients might leave the UK in response to the increased income tax rate.

Compared to last year, how likely is it that any of your UK based clients will move abroad in the coming year?		
Answer Options	**Response Percent**	**Response Count**
More likely	**60.7%**	**37**
Less likely	4.9%	3
About the same	34.4%	21
	answered question	**61**

(g) The likelihood of HNWIs leaving the UK is therefore increasing and the market for low tax jurisdictions is growing.

If there is a change in your clients domestic fiscal policy in 2010 or 2011 (eg increased tax rates), will the likelihood of their relocating increase?		
Answer Options	**Response Percent**	**Response Count**
Yes	**84.5%**	**49**
No	1.7%	1
No difference	13.8%	8
	answered question	**58**



(h) Of course since the Withers' survey the rate of capital gains tax has increased to 28%.

9.3.2 **Non-UK domiciled HNWIs leaving the UK**

(a) While the traditional Jersey 1(1)(k) market is UK domiciled HNWIs who need to leave the UK to prevent the impact of worldwide taxation, there is clearly a large new market developing of disillusioned non-UK domiciled HNWIs considering leaving the UK for various reasons:

1. the increased rates of income tax and capital gains tax applicable to their remittances;

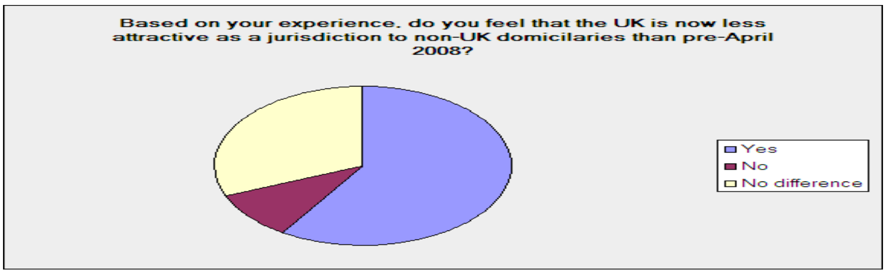
2. the requirement to pay the £30,000 charge;

3. the overall feeling of a sustained attack on the system of taxation of non-UK domiciled individuals, the fear of an unstable regime in the UK and the prospect of further change; and/or

4. the need to spend at least 3 complete tax years outside the UK to break the impact of the deemed domicile rules (for inheritance tax purposes, a person who has been resident in the UK for income tax purposes for all or part of 17 out of the 20 tax years is deemed domiciled and subject to inheritance tax on his worldwide estate).

(b) There are therefore undoubtedly a significant number of non-UK domiciled HNWIs seeking to leave the UK for a variety of reasons and who may look to establish Jersey residency for both short and long term. This is supported by Withers' survey:

Based on your experience, do you feel that the UK is now less attractive as a jurisdiction to non-UK domiciliaries than pre-April 2008?		
Answer Options	**Response Percent**	**Response Count**
Yes	**58.8%**	**30**
No	9.8%	5
No difference	31.4%	16
	answered question	**51**



(c) While it is probably fair to say that many non-UK domiciled HNWIs will simply return to their place of domicile, many will have retained their non-UK domiciled status despite having been resident in the UK for a significant period of time and may therefore wish to look to a more Anglicised jurisdiction to which to relocate. Others may not have the opportunity to return home, perhaps because it is unstable or unsafe, others may not wish to return home, perhaps because of high taxes, and many may wish to retain proximity to the UK, where their business and social interests lie without actually being UK resident. Such individuals are key targets for the 1(1)(k) regime.

(d) These findings are supported by a survey undertaken by KPMG in March 2009 (the '**KPMG survey**') which showed that:

1. 24% of non-UK domiciled HNWIs were planning to leave the UK in the next 2 years;

2. more than 90% believe the UK's competitiveness has been damaged; and

3. many were worried future tax changes are planned which will make the situation worse.

(e) Similarly, in June 2009, Knight Frank conducted a survey (the '**Knight Frank survey**') of non-UK domiciled HNWIs resident in the UK which showed that:

1. up to 7% had already relocated away from the UK in the months following the 2008 changes to the taxation of non-domiciliaries;

2. the most popular locations for migration are Switzerland and Monaco;

3. 31% of non-UK domiciled HNWIs were planning or actively considering a future relocation from the UK; and

4. the most significant negative impact for non-UK domiciled HNWIs has been perceived damage to the UK's reputation for having a stable tax regime.

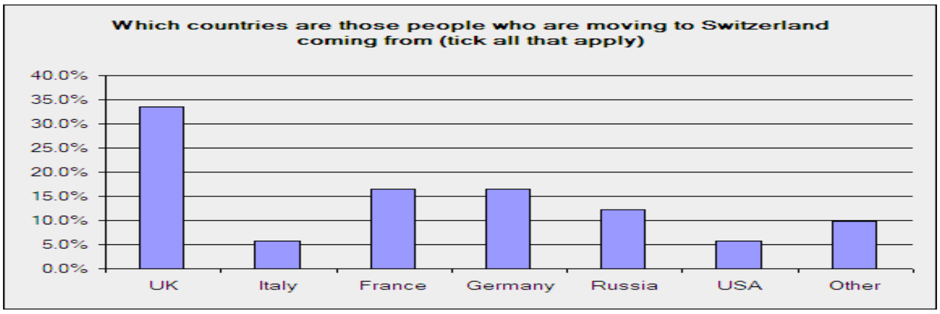
(f) According to HMRC Statistics for 2009/2010 there are 112,000 registered non-domiciled people in the UK. The market is therefore significant.

9.3.3 **HNWIs leaving other jurisdictions**

(a) According to Withers' survey, Switzerland attracts HNWIs from a number of different jurisdictions:

Which countries are those people who are moving to Switzerland coming from (tick all that apply)		
Answer Options	**Response Percent**	**Response Count**
UK	**33.6%**	**41**
Italy	5.7%	7
France	**16.4%**	**20**
Germany	**16.4%**	**20**
Russia	12.3%	15
USA	5.7%	7
Other	9.8%	12
answered question		**122**

Number	**Other (please specify)**
1	Middle East



(b) This must also be considered against the background of the fact that the Withers' survey was predominantly conducted amongst advisors based in the UK. There may therefore be the potential for Jersey to attract HNWIs from high tax jurisdictions other than the UK. However, it is accepted that given Jersey's geographical limitations (i.e. that the number of 1(1)(k)s must be restricted to some extent) it is thought that the UK market is sufficiently large to remain the primary focus.

9.3.4 **Market Opportunities and the EU**

In Europe alone there has been considerable growth in the numbers of HNWIs ($1m equiv in free assets) particularly from jurisdictions to which Jersey does not currently market its offering.[2]

[2] Source: Merrill Lynch Cap Gemini World Wealth Report 2008.

Country	Numbers of HNWIs	Percentage change from 2007
UK	571200	7.49
Germany	387700	8.48
France	36500	7.07
Italy	312500	6.91
Portugal	48100	5.95
Ireland	36500	8.63
Spain	206500	8.29

(a) This in itself does not create new market opportunities for Jersey because the ability of these HNWIs to move to Jersey is limited, as is their willingness to do so, by a number of factors.

(b) Interviews with a number of key private bankers have shown us that an increasing number of HNWIs have relocation plans. This has come about as a result of political instability in the Eurozone countries. HNWIs are no longer confident of the stability of the taxation and business regimes in their own jurisdictions.

(c) In conjunction with this shift there has been a major series of gradual changes within EU tax law. One of the major inhibiting factors for those looking to relocate has been the existence of exit taxes in a number of EU Member States. Secondly, HNWIs have been worried about political developments relating to international financial centres such as Jersey. There has been a perception that supranational bodies such as the FATF, the G20 and the European Union in particular would launch punitive measures against “unco-operative” jurisdictions. Whilst developments have caused concern it should be understood that Jersey is not un-cooperative and is white-listed by the OECD. There have been understandable concerns that the institutional architecture in this field means that while one body such as the OECD can white-list Jersey, another may attack it. This could happen on a unilateral basis or through a supranational organisation working to a different agenda, for example the European Union.

(d) In our view it should be understood that there are limits to the action that the European Union can take in this area and that the Treaty of the European Union in fact limits the ability of Member States to restrict the ability of EU Citizens from moving and, with particular interest to the 1(1)(k) regime, moving capital.

(e) Article 56 (1) of the EC Treaty prohibits, 'all restrictions on the movement of capital between Member States and between Member States and third countries'.

(f) Over the last 15 years, the European Courts of Justice have ruled in cases involving capital flows between two Member States that the tax laws of the respective jurisdictions must not impede capital flows between two jurisdictions on the basis that this affects the ability of individuals and legal entities to enjoy the fundamental freedoms of the European Union, set out in the Treaty.

(g) Article 56 is peculiar in EU law because it applies extra-territorially, globally in fact. This has radical implications for third countries and was included in the fundamental freedoms of the European Union as a means of recognizing the global nature of capital flows.

(h) The ECJ has now begun to define how article 56(1) applies to restrictions to capital movement arising from direct taxation measures of Member States in relation to movement of capital to countries outside of the EU. The jurisprudence shines an important light on the approach of the EU institutions to third countries and the Treaty. However, the rulings of the ECJ raise as many questions as they do answers. It is important to understand the typography of the Courts decisions because they have profound implications for the States of Jersey's ability to attract capital, business, and individuals to the islands from EU countries.

(i) This section is divided into three parts. The first part examines the scope and application of the fundamental freedoms, with particular emphasis upon the freedom of movement of capital, the definition of capital and movement, and the cases which define EU Law in this area, the justifications for restrictions of free movement of capital are analyzed as are the non-tax cases relating to the freedoms and third countries.

(j) The second part examines the similarities and differences between intra-EU and extra-EU capital movements and the restrictions allowed or otherwise under the Treaty. The third part of this section examines the implications for The States of Jersey.

9.3.5 **The fundamental freedoms in context**

(a) The prohibition on the restriction of free movement of capital between the EU and third countries was only made concrete when the Maastricht Treaty came into force on January 1 1994. At the same time the Commission and EU citizens began to successfully challenge the ability of Member States to inhibit free movement of capital within the EU. This was because, although the original Treaty of Rome had provisions which included the free movement of capital between Member States, it did not have direct effect until Directive 88/361 became effective. The first case dealing with direct taxation measures in this regard was *Staatsecretaris van Financien v Verkooijen* as late as 2000. It was only in 2006 and 2007 that the question of free movement of capital and the third country aspect of direct taxation measures came before the Court.

(b) The purpose of the extension of Article 56 freedoms to third country capital movements has been debated at length. The Court has stated:

'even if the liberalization of the movement of capital with third countries may pursue objectives other than that of establishing the internal market, such as, in particular, that of ensuring the credibility of the single Community currency on world financial markets and maintaining the financial centrex with a worldwide dimension within the Member States, it is clear that, when the principle of free movement of capital was extended, pursuant to Article 56(1) EC, to movement of capital between third countries and the Member States, the latter chose to enshrine that principle in that article and in the same terms for movements of capital taking place within the Community and those relating to relations with third countries.'[3]

[3] At 31 Skatteverket v A.

9.3.6 **Defining capital movements**

(a) The ECJ has stated that, although no longer in force, it considers the first Annex of Directive 88/361 as remaining the foremost reference for the transactions and activities which are to be regarded as movements of capital. As the ECJ has frequently pointed out that the list is not an exhaustive list - see for example the *Hein Persche* case in which it was put to the court that a gift of childrens' shoes constituted a capital movement (a contention that Court rejected).

(b) Annex 1 largely covers the relevant possible movements of capital that could be undertaken by an individual looking to move his residence to the States of Jersey. Investments in real estate, direct investments in undertakings, establishment of branches or creation of, acquisition of, or participation in new or existing undertakings. The kind of personal movements of capital such as loans, gifts, or inheritances and transfers of assets connected with moving in or out of a Member State are also included in the Annex alongside operations necessary for the purposes of such capital movements.

"Any measure that makes the cross-border transfer of capital more difficult or less attractive and is thus liable to deter the investor constitutes a restriction on the free movement of capital. In this respect the concept of a restriction of capital movement corresponds to the concept of a restriction that the Court has developed with regard to the other fundamental freedoms, especially the freedom of movement of goods."[4]

(c) In *Veroijen* the Court further explained this point by stating that it applied equally to measures which restricted capital inflows as well as outflows.

9.3.7 **Exceptions and justifications of restrictions of capital movements**

(a) The ECJ has made it clear that in relation to direct taxation residents and non-residents are not in comparable situations. Differential tax treatment is therefore not necessarily in contravention of the Treaty freedoms. In the Treaty there are separate provisions for intra-EU movement of capital and movement of capital between EU and third countries.

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[4] Case (C-319/02) *Manninen*

(b) Article 58(1)(b) provides a justification relevant to direct taxation in allowing Member States to 'take all requisite measures to prevent infringements of national law and regulations, in particular in the field of taxation...' These measures may include those designed to create effective fiscal supervision, prevent or hinder tax evasion, and preserve the cohesion of the national tax system. However, these measures are not absolute determinants of the legitimacy of a restriction[5] and the Court has stated clearly that the Article 58(1)(a) must be strictly interpreted.

(c) Article 57(1) of the EC Treaty contains provisions for derogations from Article 56(1) in relation to third countries. The ECJ has indicated that it views the third country angle as working in a 'different legal context'. Between February 2006 and May 2008, the ECJ issued 10 judgments on the third country dimension of Article 56(1) and direct taxation. In 7, the Court found either that there was no restriction (*van Hilten, ACT IV*), that another Treaty freedom excluded consideration of Article 56(1) (*Thin Cap, Lasertec, Stahlwerk Ergste Westig, Skatteverket v A and B*), or that the disputed measure was protected by Article 57(1) (*Holböck*). In 2 cases, *FII Test Claimants* and *Skatteverket v A,* the Court referred the determination of the application of Article 57(1) back to the national court for a final ruling. In the latter case, the ECJ also accepted the justification of guaranteeing the effectiveness of fiscal supervision. Thus taxpayers have been unsuccessful in relying on Article 56(1) in all but *FII Test Claimants* and *OESF* (and may yet be unsuccessful in *FII Test Claimants*). This is a very different record of success compared to intra-EU direct tax cases generally, which have found measures to be incompatible with EU law in an overwhelming majority of cases.

(d) Whilst the picture is complex, there are for instance further limitations on Article 56(1) arising from the Lisbon Treaty, and depends very much upon the circumstances of the tax regime of the Member State in question it is clear that barriers have fallen in this context. It should, in principle, be easier for HNWIs to relocate to other jurisdictions in or outside of the EU itself. Jersey should explore other market opportunities to diversify its markets as a result.

[5] Case C-150/04 Commission v Denmark

9.4 **The principal competition**

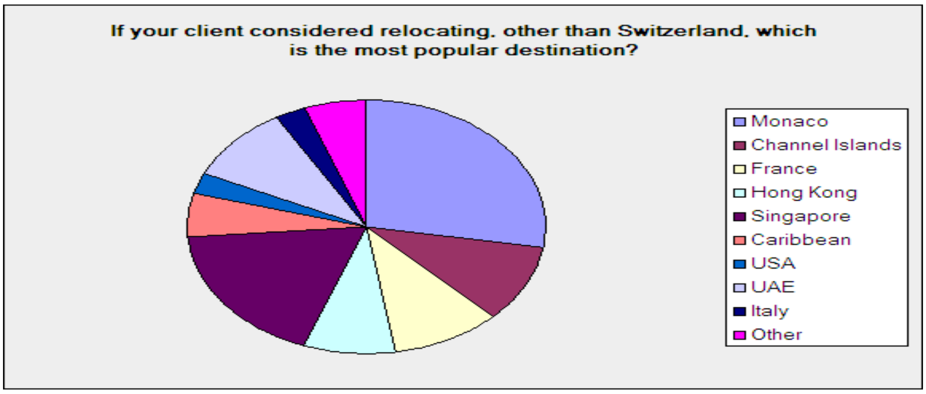
9.4.1 A summary chart and detailed explanation of the tax regimes of other low tax jurisdictions looking to attract HNWIs is attached at Appendix 3.

9.4.2 The Knight Frank survey found that the 2 most popular jurisdictions for emigrants from the UK to be Switzerland (26%) and Monaco (23%).

9.4.3 Withers' survey looked at jurisdictions other than Switzerland, as it was thought at that time that Switzerland was by far the market leader:

If your client considered relocating, other than Switzerland, which is the most popular destination?		
Answer Options	**Response Percent**	**Response Count**
Monaco	**27.8%**	20
Channel Islands	9.7%	7
France	9.7%	7
Hong Kong	8.3%	6
Singapore	18.1%	13
Caribbean	5.6%	4
USA	2.8%	2
UAE	9.7%	7
Italy	2.8%	2
Other	5.6%	4
	answered question	**72**

Number	**Other (please specify)**
1	Gibraltar
2	Mauritius
3	Israel
4	Canada



9.4.4 Looking at Jersey's principal competitors, with emphasis on their strengths and weaknesses of those jurisdictions, lessons which can be learned by Jersey and possible opportunities for Jersey to exploit gaps in the market:

(a) **Switzerland**

1. We understand that the 2009 tax yield from all 1(1)(k)s, (currently around 123), was £13m. By contrast, Switzerland has around 4,500 forfait taxpayers.

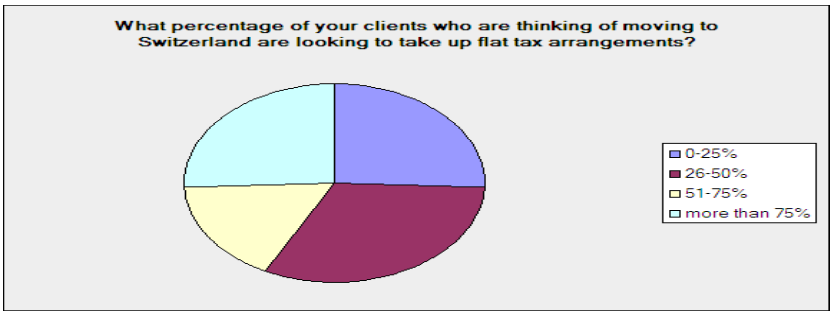
2. Currently, the Canton Zug requires a minimal taxable income of CHF300,000 and a minimal net wealth of CHF6 million whereas for the Canton Schwyz the minimal taxable income should be at least CHF500,000 and the corresponding net wealth at least CHF10 million. In the Canton of Schwyz the lump-sum taxation is currently under discussion and indications are such that the minimum annual expenses could be raised from five to seven times the yearly rent paid in future, in order to equalise the tax load among the taxpayers.

3. Nearly all the professionals spoken to in connection with this report agreed that Switzerland was not seeing the huge movement of hedge fund managers that it liked to portray and the Swiss tax regime was not as robust as those outside Switzerland believed it to be.

4. Despite the availability of flat tax arrangements, a significant number of HNWIs would not look to take them up according to Withers' survey:

What percentage of your clients who are thinking of moving to Switzerland are looking to take up flat tax arrangements?

Answer Options	Response Percent	Response Count
0-25%	**25.9%**	**14**
26-50%	31.5%	17
51-75%	16.7%	9
more than 75%	**25.9%**	**14**
	answered question	**54**



5. Presumably this is predominantly because under lump sum taxation the HNWI must abstain from conducting professional or other gainful activities in Switzerland.

6. In general, prestigious housing facilities are scarce in Switzerland. Contrary to forecasts made by Swiss economists, property prices have remained high during the financial crisis and in certain high-end areas the prices have increased or are currently increasing. It is not uncommon for villas in hot spot areas in Geneva and Zug to have a market value with double digit million amounts. In some cases, sales have a considerable resemblance to auctions, where the best bidding party gets the property, which in most cases is at a price higher than the true value of the property.

7. Living costs in Switzerland are also very high, even compared with Jersey. Geneva was recently ranked in an Xpatulator survey as the 3rd most expensive city in the world to live in, with St Helier ranked as the 60th (Appendix 4).

8. Therefore, while the average forfait taxpayer in Switzerland may pay less tax than the average 1(1)(k) in Jersey, the costs of living in Switzerland are undoubtedly greater than Jersey. Our research indicates that the increased costs of housing and living far exceed the tax differential.

9. However, there have been changes in the Swiss tax regime since this review began. Some Swiss tax experts that we interviewed said that this may have, an albeit small, impact on the perception of some cantons as a relocation jurisdiction.

The changes are as follows:

On 8 September 2010, the Federal Council published its proposals for a revision of the lump-sum taxation regime at the federal and cantonal levels. The lump-sum tax base will still be based on the worldwide annual living expenses, but with a minimum pre-determined threshold. The proposals include:

– for federal and cantonal tax purposes, the lump-sum tax base will be at least:

- seven times the rental value of the individual's own property; or
- seven times the rent paid to the landlord in Switzerland; or
- three times the costs for board and lodging;

– for federal tax purposes, the minimum tax base will be CHF 400,000;

– for cantonal tax purposes, the minimum tax base will be freely determined by the canton concerned; and

– the cantons will levy a wealth tax.

Currently, approximately 4,500 resident individuals benefit from the lump-sum taxation regime.

(b) **Monaco**

The costs of housing and living in Monaco also far exceed Jersey. However, there is no minimum tax in Monaco; there is no income tax or capital gains tax at all. Most of its revenue comes from value added tax and property transactions. While this is clearly not a viable model for Jersey it is at least interesting in that the success of the Monaco economy shows the importance of the multiplier effects of HNWIs.

Interestingly, last year Monaco suffered a €61m shortfall in its budget. The government is currently preparing to unveil measures to 'reinvigorate growth' and 'to favour entrepreneurs.' However, the government has also announced that it faces a shortage of housing stock and expects to have developed all available land by 2020.

(c) **Guernsey and the Isle of Man**

1. Guernsey has a capped £100,000 income tax liability on non-Guernsey source income and Guernsey bank deposit interest and a capped £200,000 income tax liability on all income if most of the HNWI's income arises in Guernsey.

2. The Isle of Man has a capped £115,000 maximum income tax liability.

3. Given the emphasis our research placed on non-tax factors this suggests that Jersey could have a slightly higher tax minimum while remaining competitive: we would expect Jersey to score more highly than Guernsey or the Isle of Man in terms of business factors, social factors, facilities etc.

4. Where Jersey seems to lose out is that the Guernsey and Isle of Man regimes project certainty and transparency, both in terms of the tax regime itself and the application process. This is where Jersey must improve its offering.

5. Guernsey's inclusion of Guernsey bank deposit interest within the £100,000 income tax cap and the overall £200,000 cap is also interesting as this appears to have been designed to encourage HNWIs to hold assets in Guernsey rather than offshore.

(d) **Montenegro**

1. We were surprised by the number of times Montenegro was mentioned as a potential jurisdiction to which HNWIs emigrate. It has traditionally been popular amongst the Russian market because of its proximity to Russia but we understand that it is now being considered by HNWIs for other jurisdictions, including the UK.

2. Montenegro is actively marketing itself as a place for yacht owners, with many berths designed specifically to accommodate super yachts. It is also generally considered that the property market has good investment potential.

3. Montenegro will tend to appeal to a more 'glitzy' HNWI than Jersey but the interesting fact to note about the regime in Montenegro is that it is experiencing recent success despite the fact that once a HNWI becomes resident in Montenegro he is taxable on his worldwide income at a rate of 9%. There is no maximum or minimum tax liability. This shows that HNWIs will still be attracted to jurisdictions where the tax burden is significantly higher than other low tax jurisdictions provided the

right lifestyle factors are offered. 9% is still significantly less than 50%.

9.5 **T**he fact that so many HNWIs are considering leaving high tax jurisdictions in favour of low tax jurisdictions, and the fact that so few have done so thus far, suggests that, as many advisors suggested in our interviews, ‘everything is still to play for.’ Switzerland has not ‘stolen the march’ that commentators once thought.

However, it is difficult to gauge at this stage what the correlation will be between HNWIs considering leaving the UK and other high tax jurisdictions and those that actually do. Will the pull of London, for example, eventually justify the additional tax? Only time will tell. But there will inevitably be some HNWIs that leave and the next few years will be the key time to attract them to Jersey.

PART D – Reform

10. **Options for consideration**

There are several options open to the States of Jersey to reform the 1(1)(k) regime with the intention of increasing both the number of 1(1)(k)s and the amount they pay:

10.1 abandon the regime;

10.2 retain the present regime unchanged;

10.3 modify the current regime; and/or

10.4 introduce a new regime.

11. **Abandon the regime**

11.1 There are those in favour of abandoning the 1(1)(k) regime altogether. The principal objections to the regime come from:

11.1.1 those who believe that Jersey is already overcrowded and are anti-immigration as a whole;

11.1.2 those who object to HNWIs paying low effective tax rates; and

11.1.3 those local HNWIs who feel the regime unfairly prejudices them as they are unable to benefit from such low effective tax rates.

11.2 This report seeks to identify opportunities to raise revenues from existing and/or future 1(1)(k)s. It does not address the overall legitimacy of regimes specifically designed to attract HNWIs.

11.3 The research undertaken does, however, indicate that the benefits brought to Jersey by immigrant 1(1)(k)s, both economic and otherwise, are significant. We accept that the regime produces an element of inequality which is unfortunate. However, the reality is that the regime benefits everyone: without the regime HNWIs would be very unlikely to consider Jersey as a possible jurisdiction to which to move, the overall Jersey tax yield would be lower and to meet that deficit locals, including local HNWIs, would be forced to pay higher taxes.

12. **Retain the present regime unchanged**

Leaving the regime completely unchanged would have the benefit of demonstrating stability, which is undoubtedly a key attraction for HNWIs to any regime. We believe, however, that there are changes or alternatives which should be considered, which would provide the States of Jersey with an opportunity to address some perceived shortcomings with the present system and generate additional revenues potentially from a greater number of people. We consider that these modifications could be implemented without undermining the perception of stability.

13. **Modify the current regime**

This section discussed in significant detail the options summarised in section 15 and has therefore been withheld on the basis of exemptions 3.2.1(a)(v), (ix) and (xii) of the Code of Practice on Public Access to Official Information.

14. **Introduce a new regime**

This section discussed in significant detail the options summarised in section 15 and has therefore been withheld on the basis of exemptions 3.2.1(a)(v), (ix) and (xii) of the Code of Practice on Public Access to Official Information.

15. **Summary of options for reform**

Whether and how to reform the regime to increase the direct tax yield from 1(1)(k)s, either by increasing the number of 1(1)(k)s or maximising their tax contribution, can be broken down into three principal questions:

15.1 Should the structure of the regime be changed?

Option	**Advantages**	**Disadvantages**
Abandon the regime	Reduces inequality.	HNWIs would be very unlikely to move to Jersey, resulting in a reduced tax yield.
Leave the regime unchanged	Demonstrates stability.	Potentially misses an opportunity to generate additional tax revenues.
Introduce a cap	Potentially encourages 1(1)(k)s to hold assets	Increases inequality if the cap does not apply to local HNWIs.

	locally, providing a boost to the Jersey finance sector.	Disadvantages local businesses against those owned by foreign HNWIs, unless the cap is restricted to investment income.
Introduce a fee	Ensures 1(1)(k)s will continue to meet their minimum tax requirements, even in years when their income levels drop. Potentially encourages 1(1)(k)s to hold assets locally, providing a boost to the Jersey finance sector.	Increases inequality if the fee does not apply to local HNWIs. Disadvantages local businesses against those owned by foreign HNWIs unless the fee is restricted to investment income.
Extend the anti avoidance provisions	Increases the tax yield from each 1(1)(k), particularly for ultra HNWIs (a HNWI earning more than £1.5m income would be subject to at least £250,000 income tax).	Increases disclosure requirements which risks reducing the number of 1(1)(k) applications, particularly from ultra HNWIs.
Introduce a worldwide low rate tax upon the payment of a fee or with a floor	Increases the tax yield from each 1(1)(k), particularly for ultra HNWIs. Potentially encourages 1(1)(k)s to hold assets locally, providing a boost to the Jersey finance sector.	Increases disclosure requirements which risks reducing the number of 1(1)(k) applications, particularly from ultra HNWIs. Disadvantages local businesses against those owned by foreign HNWIs unless the Jersey source trading income is excluded from the worldwide low tax rate and subject to 20%

		income tax.

15.2 What should be a 1(1)(k)s minimum tax liability?

Option	**Advantage**	**Disadvantage**
Reduce the £100,000 minimum	May increase the number of 1(1)(k) applications.	Reduces the tax yield from each 1(1)(k).
Reduce the £100,000 minimum by reference to a 1(1)(k)s other contributions to Jersey	Encourages 1(1)(k)s to invest locally, providing a boost to local business, the local economy and local job creation.	Reduces the tax yield from each 1(1)(k). Disadvantages local businesses against those owned by foreign HNWIs.
Increase the £100,000 minimum	Risks reducing the number of 1(1)(k) applications.	Increases the tax yield from each 1(1)(k).
Introduce a sliding scale	Risks reducing the number of 1(1)(k) applications (but perhaps not as much as a straightforward increase would).	Increases the tax yield from each 1(1)(k). Increases disclosure requirements which risks reducing the number of 1(1)(k) applications, particularly from ultra HNWIs.

15.3 For how long should 1(1)(k) status be granted?

Option	**Advantage**	**Disadvantage**
For life	Demonstrates stability.	Potentially misses an opportunity to generate additional tax revenues.
For a fixed term	Potentially increases the	Risks reducing the number of

	tax yield from ex-1(1)(k)s who remain in Jersey.	1(1)(k) applications. There will be no increase in tax yield until 1(1)(k)s come to the end of their fixed terms.

16. **Supporting regime change**

This section discussed in significant detail various ideas and opportunities to support the 1(1)(k) regime and improve Jersey's competitive position. Various sections have therefore been withheld on the basis of exemptions 3.2.1(a)(ix) and (xii) of the Code of Practice on Public Access to Official Information.

16.1 Since non-tax factors seem for many HNWIs to take precedence over the actual amount of tax which must be paid, addressing and improving those other factors could potentially lead to an increase in the number of 1(1)(k) applications.

16.2 Of course many such factors are beyond the control of the States of Jersey:

16.2.1 there is simply no room to improve the stock of housing or provide further space for jets and super yachts;

16.2.2 nothing can be done to stop fog; and

16.2.3 the variety and standard of restaurants is outside the control of the States of Jersey.

16.3 There are, however, some ways in which Jersey could be made more attractive to 1(1)(k)s beyond any regime change.

16.4 **Perception**

16.4.1 It is mentioned above that outside the financial services sector, there seems to be a general mistrust of the regime. There seems to be a common belief that 1(1)(k)s are paying little or no tax. There is a perception that the 1(1)(k) regime is surrounded by a shroud of secrecy and there also seems to be a belief that 1(1)(k)s do not contribute much to the island.

16.4.2 It is our view that much of this is simply born out of a lack of public information about the regime. While there is obviously a need to protect 1(1)(k)s' confidentiality, we see no reason why more general statistics cannot be published more widely to show, for example, the small number of 1(1)(k)s in the island, the relatively large contribution they make to the island's tax revenue and an example of some of the multiplier effects created by 1(1)(k)s. It is hoped that publishing such information would remove some of the mystery surrounding the regime and show the tangible benefits that 1(1)(k)s bring to Jersey. This may help displace any resentment levelled at 1(1)(k)s. This, in turn, may make 1(1)(k)s feel more welcome on the island which will make Jersey a more attractive destination for prospective 1(1)(k)s.

16.5 **Housing**

Some form of central hub for Category 1 property which is available to 1(1)(k)s may help dispel the perception that no suitable housing is available in Jersey. Of course this may not be supported by local estate agents and we understand that many sellers of significant properties in Jersey wish to keep the sale confidential. Ways of addressing the perception, though, must be addressed.

16.6 **Double tax agreement**

The negotiation of a double tax agreement with the UK would undoubtedly increase the ability of Jersey to attract 1(1)(k)s with continuing interests in the UK and the wish to spend longer amounts of time in the UK. Similarly other DTAs on the OECD model may encourage others depending on the nature of their residency rules. However, it is accepted that this may be difficult given in particular Jersey's position as a leading international financial centre.

16.7 **Process**

16.7.1 As noted above the process is not unduly difficult, and is clearly understood by those advisers and public sector workers familiar with the regime. However, to outsiders, be they HNWI's themselves or their professional advisers in the UK, the process is not very transparent. It is feared that some potential 1(1)(k)s are put off at the very start by a misguided apprehension that the process will be time consuming and complicated or simply because they are unclear how to proceed.

16.7.2 Therefore, the process itself does not require changing, but it must be formalised. There should be a clear series of steps that must be undertaken in a defined order within an agreed timeframe. This information must be readily available to potential 1(1)(k)s and their advisers.

16.7.3 Moreover, there are a number of elements which make the regime appear less transparent than it in fact is. The Housing (Jersey) Law 1949 gives a wide discretionary power to the Housing Minister to grant a 1(1)(k) status. This status will be granted only if the Comptroller of Income Tax is satisfied that capital is sufficient to ensure that the minimum tax requirement could be met. The problem here is not that affairs are structured so that income yields revenue less than the minimum because any post-hoc structuring would mean that 134A of the Income Tax (Jersey) Law 1961 could be applied. The problem is the perception that this structuring takes place after the event. In our view it does not precisely because of the anti-avoidance provisions. There are potentially problems around the death of a 1(1)(k) and the granting of 1(1)(g) status to the spouses of the deceased. It is unclear on what basis this happens or on the basis that a 1(1)(k) licence might be granted to the widow/er. Greater clarity would possibly satisfy the general public and the prospective 1(1)(k) alike. Similarly there is a lack of clarity around whether or not an 'if let' 1(1)(k) licence[6] is granted or not. It is possible that this could also be made more clear.

16.8 **Marketing**

16.8.1 While appointing a Director of High Value Residency within the Economic Development Department was an important start, there is more that can be done to actively market the 1(1)(k) regime. Interestingly, our research indicates that the marketing of competitor jurisdictions is also relatively weak. There is therefore an opportunity for Jersey to gain a competitive advantage.

16.8.2 Our research suggests that HNWIs considering moving to a low tax jurisdiction start their investigations by searching the internet (or asking their family office employees to search the internet!) and/or speaking with their tax advisors. It is therefore of the upmost importance that:

(a) there is sufficient useful information promoting the 1(1)(k) regime readily available online; and

(b) HNWIs' advisors are sufficiently knowledgeable about the regime.

16.8.3 **Online**

(a) Searching Google for 'emigrating to Jersey' (Appendix 5.1) reveals a page which refers to 'Jersey's tight immigration controls' and another which declares that 'it's well nigh impossible to emigrate to Jersey'.

[6] An if let licence appears to have been granted in cases where 1(1)(k)s buy properties with multiple dwelling sites which allow people including family and staff to occupy such buildings on the condition that they are not renting them for a major consideration. In recent times it has been suggested that such 'if let' conditions are not being attached to the granting of a licence.

None of the top 10 pages are particularly useful for a prospective immigrant.

(b) Even knowing what the regime is called and searching for '1(1)(k) Jersey' (Appendix 5.2) reveals that the useful Ogier (Appendix 5.3) and Edge Property Finders (Appendix 5.4) pages are split by a page questioning the stability of the regime and asking whether '1(1)(k) residents are to pay more tax' (Appendix 5.5).

(c) Turning to the many internet guides comparing low tax jurisdictions with a view to immigration, many group Jersey and Guernsey together. Not only are the regimes completely different but Jersey and Guernsey, despite their close physical proximity, are very different islands with different characteristics which would attract different people.

(d) A useful project would therefore be to ensure that when relevant searches are undertaken the right information is available. Consultants can help ensure that the right sites reach the top of relevant searches. A simple process of sending further information to some of the principal online resources may also help.

(e) Some of the legal and accountancy firms' and estate agents' websites contain useful information about the 1(1)(k) regime. However, the States of Jersey website (Appendix 5.6) contains only a small amount of information about the 1(1)(k) regime and a link to www.reflectonjersey.com (Appendix 5.7) which provides a further small amount of information. It would be helpful to establish a specific site, or a specific section on the States of Jersey website, aimed at potential 1(1)(k)s which could detail a more streamlined and transparent regime.

16.8.4 **Advisors**

The senior advisors interviewed, key figures in the wealth advisory field who between them advise a huge number of HNWIs, surprisingly had very little knowledge about the 1(1)(k) regime and several were under the impression that Jersey was 'closed for business'.

16.8.5 Withers LLP and Panopticon Policy are not marketing experts and have not been engaged to review the marketing of the 1(1)(k) regime. We also realise that given the current annual tax yield from 1(1)(k)s of approximately £13m, the regime does not warrant a multi million pound advertising campaign. It is also unlikely from a policy perspective that a visible marketing campaign would be desirable, and it may even be counterproductive given the importance HNWIs place on confidentiality. However, it is clear that HNWIs and their advisors are not sufficiently aware of the regime and the necessary information is not readily available. One of our key recommendations is therefore to:

(a) establish a website containing all the information a potential 1(1)(k) immigrant needs about Jersey, the 1(1)(k) regime and the immigration process; and

(b) commission an external marketing consultant to decide how best to market the regime. This may include, for example:

1. road shows to HNWIs' advisors in the UK;

2. ensuring a presence at boat shows and other events aimed at HNWIs; and

3. linking up with Jersey Finance at hedge fund industry events etc.

16.8.6 Finally, there are a growing number of companies offering relocation advice to businesses and individuals, outside the traditional legal and accountancy advisory services, particularly aimed at the hedge fund industry. Firms are increasingly advising hedge fund managers in relation to structuring their businesses outside the UK. Our research indicates that Jersey Finance has been successful in attracting a number of hedge funds and private equity funds and continues to actively market Jersey as a viable destination to which hedge funds can relocate. Obviously this is the bigger picture in terms of overall tax revenues. But it also provides a good opportunity and a useful network of contacts to give more publicity to the 1(1)(k) regime.

Appendix 1.1

Jersey

HOUSING (GENERAL PROVISIONS) (JERSEY) REGULATIONS 1970

Revised Edition
18.315.50
Showing the law as at 1 January 2010
This is a revised edition of the law

HOUSING (GENERAL PROVISIONS) (JERSEY) REGULATIONS 1970 [1]

THE STATES in pursuance of Articles 14 and 21 of the Housing (Jersey) Law 1949,[2] have made the following Regulations -

Commencement [see endnotes]

1 Consent conditions

(1) Subject to the provisions of this Regulation, for the purposes of Article 14 of the Housing (Jersey) Law 1949 [3] (hereafter called the "Law"), consent to the sales or transfers of land or registered contracts of lease shall be granted by the Minister in any case where -

(a) the intending purchaser, transferee or lessee is of full age and was born in Jersey and has been ordinarily resident in Jersey for a period of at least 10 years; [4]

(b) the intending purchaser, transferee or lessee purchased, took a transfer of, or leased dwelling accommodation prior to 5 April 1949 and has ordinarily resided in such accommodation during the whole of the period since the person so purchased, took a transfer of, or leased such accommodation;

(c) the intending purchaser, transferee or lessee purchased, took a transfer of, or leased on a registered contract of lease, dwelling accommodation and the Law did not apply to such transaction by virtue of the provisions of Article 10 thereof and the person concerned has ordinarily resided in such accommodation during the whole of the period since the person so purchased, took a transfer of, or leased such accommodation;

(d) the intending purchaser, transferee or lessee has previously been granted a consent under the Law to purchase, to take a transfer of, or to lease on a registered contract of lease, dwelling accommodation and has actually purchased, taken the transfer of, or leased, the accommodation and has been ordinarily resident therein for the whole of the period from a date not later than 6 months after the grant of such consent, or such later date as the Minister may, in any particular case, allow:

Provided that this sub-paragraph shall not apply where the consent was previously granted by virtue of sub-paragraph (g), (j), (k) or clause (i) or (ii) of sub-paragraph (n); [5]

(e) the intending purchaser, transferee or lessee has previously been granted consent under the Law to lease dwelling accommodation and has actually leased the accommodation, or has leased dwelling accommodation as a person exempt from the provisions of Part 4 of the Law or has previously been granted consent to lease or occupy property pursuant to subparagraph (j), and has been ordinarily resident therein for the whole of the 10 years immediately preceding the person's application for consent; [6]

(f) the Minister is satisfied that the intending purchaser, transferee or lessee has been ordinarily resident in Jersey for a continuous period of at least 11 years immediately preceding the person's application; [7]

(g) the Minister is satisfied that the hardship (other than financial hardship) which would be caused to the purchaser, transferee or lessee or to persons ordinarily resident in Jersey if consent were not to be granted outweighs the fact that the person does not fall within any sub-paragraph of this paragraph; [8]

(h) the Minister is satisfied that the intending purchaser, transferee or lessee is a child of a person who falls within any sub-paragraph of this paragraph, is of full age and for a total period of at least 10 years commencing prior to the person's 20th birthday has been ordinarily resident in Jersey; [9]

(j) the Minister is satisfied that the intending purchaser, transferee or lessee either is, or will be, essentially employed in Jersey and that consent can, in the best interests of the community, be justified; [10]

(k) the Minister is satisfied that consent can be justified –

(i) on social or economic grounds or both, and

(ii) as being in the best interests of the community; [11]

(l) the intending purchaser, transferee or lessee is an association incorporated by virtue of an Order in Councilor by virtue of the Loi (1862) sur les teneures en fideicommis et l'incorporation d' associations; [12]

(m) the Minister is satisfied that the intending purchaser, transferee or lessee is a recognized religious body; or

(n) the intending purchaser, transferee or lessee -

(i) is the spouse of the vendor, transferor or lessor,

(ii) is being joined in the purchase, transfer or lease with his or her spouse who is a person to whom the provisions of any of sub-paragraph (a), (b), (c), (d), (e), (f), (g), (h), (j) or (k) apply, or

(iii) is the spouse of a person in respect of whom consent would be granted by virtue of any sub-paragraph of this paragraph, with the exception of sub-paragraph (k), is ordinarily resident in Jersey at the time of the application and has been so resident for a period of at least 10 years in a shared unit of dwelling accommodation with that same spouse. [13]

(2) The provisions of paragraphs (1), (3) and (4) shall apply to the granting of consent to leases, other than registered contracts of lease, as they apply to the granting of consent to registered contracts of lease, subject to the following exceptions, modifications and additions -

(a) sub-paragraph (c) shall apply with the addition after the word "accommodation", in the third place where it appears, of the words "and the Minister is satisfied that consent can, in the best interests of the community, be justified";

(b) sub-paragraph (d) shall apply with the addition after the word "allow" of the words "and the Minister is satisfied that consent can, in the best interests of the community, be justified";

(c) sub-paragraph (h) shall apply with the substitution of the words "is 16 years of age or over" for the words "is of full age";

(d) after sub-paragraph (n) there shall be inserted the following sub-paragraph –

"(o) the Minister is satisfied that -

(i) the lessee is 16 years of age or over,

(ii) the lessee has been resident continuously in Jersey, in accommodation which the lessee has occupied lawfully for a period of at least 10 years immediately preceding the date of the grant of the lease, such period of residence beginning on or before the first day of January 1980, and

(iii) the dwelling, part of a dwelling, or flat is to be occupied by the lessee and the lessee's immediate family as the lessee's sole or principal place of residence.";

(e) sub-paragraph (n) shall not apply;[14]

(f) paragraph (3) shall apply with the substitution of the words "16 years of age or over" for the words "of full age". [15]

(3) In a case where an intending purchaser, transferee or lessee satisfies the Minister

(a) that the person is -

(i) of full age,

(ii) ordinarily resident in Jersey at the time of the person's application and has been so resident for a total period of at least 10 years commencing prior to the person's 20th birthday, and

(iii) the child of a person who during any part of the 10 year period referred to in clause (ii) of this sub-paragraph fell within any sub-paragraph of paragraph (1) of this Regulation, with the exception of sub-paragraph (j) or (k); and

(b) that the person's ordinary residence in Jersey has been continuous from the time the person referred to in sub-paragraph (a)(iii) of this paragraph ceased to fall within the sub-paragraphs of paragraph (1) of this Regulation referred to in that clause,

consent shall be granted under paragraph (1)(h).[16]

(4) For the purposes of paragraph (1)(j), the Minister shall not be required to grant consent in any case where he or she is satisfied that the intending purchaser, transferee or lessee should more properly occupy accommodation provided for the person by his or her employer or prospective employer.

(5) Subject to paragraph (7), for the purposes of those sub-paragraphs contained in paragraph (1) to which this paragraph applies, a single period of ordinary residence outside Jersey commencing after the first day of February 1993 of not more than 5 years' duration shall not affect the eligibility for consent of an intending purchaser, transferee or lessee in a case where the requisite period of ordinary residence within Jersey has been established prior to the period of residence outside Jersey. [17]

(6) Paragraph (5) applies to-

(a) paragraph (1)(b), (c), (d), (e), (f), (g) and (n)(iii) of this Regulation; and

(b) paragraph (1)(h) of this Regulation, where a consent is granted under it by virtue of paragraph (3) of this Regulation.[18]

(7) Where a period of ordinary residence outside Jersey occurs in the case of a person previously exempt from the requirement to apply for consent by virtue of Regulation 5(1)(b)(ii)[19] as it was in force immediately prior to 12 October 1995 and where such residence interrupts the period of residence within Jersey required by paragraph (1)(f), a further period of ordinary residence within Jersey shall be required to bring the period of actual residence within Jersey to no less than 12 years if eligibility for consent under that sub-paragraph is to be acquired.[20]

(8) This Regulation shall not apply in any case where the intending purchaser, transferee or lessee is a limited liability company (hereinafter referred to as "a company”). [21]

(9) For the purposes of this Regulation, "child" includes a child -

(a) adopted in pursuance of an adoption order made by a court of competent jurisdiction in the British Islands or elsewhere;

(b) by a former marriage where a parent becomes the spouse of a person who qualifies under any sub-paragraph of paragraph (1) of this Regulation, provided that child has resided in Jersey with that parent and that parent's spouse, such period of residence having commenced prior to the child's 20th birthday, which birthday occurs after the marriage of the child's parent to the qualified spouse. [22]

2 Further consent conditions

For the purposes of Article 14 of the Law, consent to the sale, transfer or lease of any land shall be granted by the Minister in any case where the intending purchaser, transferee or lessee is -

(a) the public or a parish; or

(b) a company and the Minister is satisfied that consent can, in the best interests of the community, be justified. [23]

3 Application of Article 14(2)

The condition set out in Article 14(2) of the Law shall refer to persons who would be permitted to purchase, take on transfer or lease, on a registered contract of lease, any land under Regulation 1(1)(a), (b), (c), (d), (e), (f), (g), (h) or (n)(iii) of these Regulations or who would be permitted to lease, other than on a registered contract of lease, any land under these sub-paragraphs as applied by paragraph (2) of that Regulation or under sub-paragraph (o) as introduced by that paragraph.[24]

4 Application of Article 5

The condition referred to in Article 5 of the Law shall refer to persons who would be permitted to purchase, take on transfer or lease, on a registered contract of lease any land under Regulation 1(1)(a), (b),

(c), (d), (e), (f), (g), (h) or (n)(iii) of these Regulations or under sub-paragraph (o) as introduced by paragraph (2) of that Regulation.[25]

5 Application of Article 7[26]

The restriction referred to in Article 7 of the Law shall refer to persons who would be permitted to purchase, take on transfer, or lease on a registered contract of lease, land under Regulation 1(1)(a), (b), (c), (d), (e), (f), (g), (h), or (n)(iii) of these Regulations or who would be permitted to lease, other than on a registered contract of lease, any land under those sub-paragraphs as applied by Regulation 1(2).

5A Condition on occupation of land after inheritance[27]

The condition referred to in Article 7A of the Law shall refer to -

(a) a person to whom consent shall be granted by the Minister in accordance with Regulation 1;

(b) a person who occupies land under a licence granted to him or her by a person who inherited the land before this Regulation came into force; and

(c) a person who-

(i) occupied the land, before this Regulation came into force, under a licence granted to him or her by a person ('the first inheritor') who inherited the land, and

(ii) occupies the land under a licence granted to him or her by a person who, after this Regulation came into force, inherited the land from the first inheritor or from a person who inherited the land from the first inheritor.

6 Local housing

Notwithstanding the provisions of Regulations 1 and 2 of these Regulations, the Minister shall not be required to grant consent to the sale or transfer of land or to a registered contract of lease where, in the opinion of the Minister, the land concerned is suitable for the making of a loan under the Building Loans (Jersey) Law 1950,[28] or should be acquired on behalf of the public to provide for the housing of the inhabitants of Jersey:

Provided that the provisions of this Regulation shall not apply in any case where the Minister, having refused to grant consent for the reasons aforesaid, has not made a loan under the said Law in respect of the land concerned, nor purchased the land, nor served a preliminary notice in respect of the land in accordance with Article 4 of the Compulsory Purchase of Land (Procedure) (Jersey) Law 1961,[29] and a subsequent application for consent as aforesaid is received by the Minister at a date at least 6 months later than the date of the original refusal. [30]

7 Exempted transactions

(1) The provisions of Part 4 of the Law shall not apply -

(a) to the lease, not being a registered contract of lease, of a dwelling, or part of a dwelling, or a flat in Jersey for a period of at least 10 years and where the dwelling, part of a dwelling, or flat is to be occupied by the lessee and the lessee's immediate family as the lessee's sole or principal place of residence;[31]

(b) to the lease, not being a registered contract of lease, of a dwelling, or part of a dwelling, or a flat, where the lessee has, prior to such transaction, been granted consent under Regulation 1 (1)(h) to purchase, take on transfer or lease land, whether or not under a registered contract of lease.[32]

(c) to the lease by an individual ordinarily resident in Jersey of a furnished dwelling, being the person's principal place of residence, on a single occasion in the course of a calendar year for a term certain not exceeding 3 months,

and accordingly, any such transaction, as aforesaid, shall be deemed to be a transaction exempted from the provisions of Part 4 of the Law under Article 10(3) thereof:

Provided that such a transaction shall be deemed to be exempted as aforesaid only if, not later than

14 days after the transaction has been entered into, both parties thereto submit such particulars of the transaction, and in such form, as the Minister may from time to time require.[33]

(2) In this Regulation -

"dwelling" means premises used wholly or mainly for the purposes of a private dwelling;

"flat" means a part of a building designed or adapted for use as a self-contained dwelling.

8 Unlawful occupation

For the purposes of these Regulations, a person shall not be deemed to be ordinarily resident in Jersey in respect of any period during which the person has occupied accommodation unlawfully.[34]

9 Transitional[35]

(1) A spouse to whom, prior to 12 October 1995, consent was granted pursuant to Regulation l(1)(n), remains eligible, if able to comply with its provisions, for consent under Regulation l(l)(d) in any purchase, transfer or lease subsequent to 12 October 1995 as though the amendment made to sub-paragraph (d) by the Housing (General Provisions) (Amendment No. 11) (Jersey) Regulations 1995[36] had not been made.

(2) A condition regarding occupancy attached, pursuant to Article 14 of the Law, to a consent granted by the Housing Committee prior to 12 October 1995 -

(a) which refers to a class which, by virtue of the Housing (General Provisions) (Amendment No. 11) (Jersey) Regulations 1995, describes a class which is altered; or

(b) from which a class which the Housing (General Provisions) (Amendment No. 11) (Jersey) Regulations 1995 introduced is omitted,

shall be deemed, where appropriate, to refer to a class altered or introduced by the Housing (General Provisions) (Amendment No. 11) (Jersey) Regulations 1995, as though the consent were granted subsequent to 12 October 1995.

(3) A person who would, before 12 October 2005, have become eligible for consent under Regulation 1 (l)(h) of these Regulations prior to its amendment by the Housing (General Provisions) (Amendment No. 11) (Jersey) Regulations 1995, remains eligible for consent under that subparagraph as though that amendment had not been made, so long as the person -

(a) completes a total of 10 years' ordinary residence in Jersey; and

(b) is ordinarily resident in Jersey at the time of -

(i) 12 October 1995, and

(ii) the person's application for consent.

10 Citation

These Regulations may be cited as the Housing (General Provisions) (Jersey) Regulations 1970.

Appendix 1.2

Jersey

INCOME TAX (PRESCRIBED LIMIT AND RATE) (JERSEY) REGULATIONS 2004

Revised Edition
24.750.38
Showing the law as at 1 January 2006
This is a revised edition of the law

INCOME TAX (PRESCRIBED LIMIT AND RATE) (JERSEY) REGULATIONS 2004

THE STATES, in pursuance of Article 135A(4) of the Income Tax (Jersey) Law 1961, have made the following Regulations -

Commencement [see endnotes]

1 Prescribed limit

The prescribed limit referred to in Article 135A(3) of the Income Tax (Jersey) Law 1961[1] shall be £1 million.

2 Prescribed rate

The prescribed rate referred to in Article 135A(3) of the Income Tax (Jersey) Law 1961 shall be-

(a) on the first £500,000 of the income to be charged to tax in accordance with that paragraph, ten pence in the pound;

(b) on the remainder of that income, one pence in the pound.

3 Citation

These Regulations may be cited as the Income Tax (Prescribed Limit and Rate) (Jersey) Regulations 2004.

Appendix 2

Other low tax jurisdictions HNWI immigrant regimes

This comparison has been compiled using publicly available information, is for guidance purposes only and has not been verified by local counsel.

Jurisdiction	Financial entry requirements	Other entry requirements	Special Rights obtained	Applicable tax rules
Bermuda	Permission to Reside on Annual Basis: • Independent financial means adequate to support HNWI and dependants • Health insurance	• Cannot be employed in Bermuda • Good health • Clear criminal record and good character	• Right to reside for one year (renewable annually) • Can apply for licence to purchase designated property with a deemed annual rental value of at least $153,000	• Taxed at 18.23% of the annual rental value of HNWI's property • No income tax • No CGT • No inheritance tax
	Residence Certificate: • Independent financial means adequate to support HNWI and dependants	• Cannot be employed anywhere • Be over 50 • Have no more than two dependent children who will reside in Bermuda	• Right to reside for one year, can be renewable annually • Can apply for licence to purchase designated property with a deemed annual rental value of at least $153,000	

Jurisdiction	Financial entry requirements	Other entry requirements	Special Rights obtained	Applicable tax rules
		• Own property in Bermuda or have been employed there in preceding 5 years		
The British Virgin Islands	• Independent financial means adequate to support HNWI and dependants	• Evidence of pre-arranged accommodation (purchasing a property requiring a licence (and applying for the licence requires good character references)	• Property ownership entitles the owner to an Identification Card allowing a stay of up to 6 months/a year and, if it is intended to reside in the BVI permanently, an application for a Certificate of Residence allowing the holder to remain indefinitely	Taxed as a BVI resident if present for more than six months in a year: • No income tax • No CGT • No inheritance tax • Land tax at 1.5% of deemed property value
The Cayman Islands	Immigration scheme for persons of independent means: • If moving to live on Grand Cayman, an annual income of CI$150,000 and invested CI$750,000 (of which CI$250,000 in a home) in the Cayman	• Cannot be employed in the Cayman Islands • Good character / clean criminal record • Good health	• Right to reside in the Cayman Islands for 25 years	Taxed as a Cayman Islands resident: • No income tax • No CGT • No inheritance tax • No land taxes

Jurisdiction	Financial entry requirements	Other entry requirements	Special Rights obtained	Applicable tax rules
	Islands • If moving to live elsewhere, annual income of CI$75,000 and invested CI$250,000 (of which CI$125,000 in real estate) in the Cayman Islands • Health insurance			
Cyprus	Immigration scheme for persons of independent means: • Evidence an income capable of providing a 'decent standard of living'. • At least a secured annual income of €9,600 (plus an addition €4,600 per dependant)	• EEA citizens have no restrictions on taking up residency • Alien Registration Certificate (a formality for EEA citizens) • Cannot be employed or engaged in any form of business in Cyprus	• Right to hold a Cyprus Residence Permit	Taxed as a Cyprus resident if present for more than 183 days a year: • Worldwide income taxed at maximum of 30%
Gibraltar	Category 2 residency:	• Exclusive access to accommodation in Gibraltar	• None	• £20,000 minimum income

Jurisdiction	Financial entry requirements	Other entry requirements	Special Rights obtained	Applicable tax rules
	• Banker's reference confirming at least £2m net assets	in the tax year • CV and two references • Residency permit (normally granted to anyone to whom it is in Gibraltar's interest to grant a permit: in practice, qualifying for Category 2 residency normally constitutes sufficient reason)		tax liability • Taxed only on first £70,000 income received in and remitted to Gibraltar • Unremitted income not subject to tax • No CGT • No inheritance tax
Guernsey	• None	• EEA citizens have no immigration restrictions on the right to move to Guernsey • Restricted rights to property: may only purchase properties in the 'Open Market' • Require a permit to work	• Ownership of an 'Open Market' property entitles the proprietor to a residency licence.	Taxed as a Guernsey resident if present for more than 182 days a year: • £100,000 maximum income tax liability on non-Guernsey source income and Guernsey bank deposit interest or £200,000 maximum on all income if most of the HNWI's income arises in Guernsey • Guernsey income taxed at

Jurisdiction	Financial entry requirements	Other entry requirements	Special Rights obtained	Applicable tax rules
				20% • No CGT • No inheritance tax
Hong Kong	Capital Investment Entrance Scheme: • HNWI has beneficial ownership of at least HK$6.5m net assets in preceding two years • Has invested at least HK$6.5m in Hong Kong in the six months preceding or will do so in the next six months following the application • At least HK$6.5m must be, and remain, invested in accordance with detailed guidance • Independent financial means adequate to	• At least 18 years old • Good character / clean criminal record	• After an initial six month probation period, HNWI has the right to reside in the island for 2 year increments leading to an application for the right to abode in Hong Kong after 7 years. • Can be employed or operate a business in Hong Kong.	• Hong Kong source employment income subject to salary tax at a 17% maximum rate • Property tax at 15% of assessed value • No CGT • No inheritance tax

Jurisdiction	Financial entry requirements	Other entry requirements	Special Rights obtained	Applicable tax rules
	support HNWI and dependants			
Isle of Man	• None	• EEA citizens have no immigration restrictions on the right to move to the Isle of Man • Require a permit to work	• None	Taxed as Manx resident if physically present for six months in a year or HNWI registers for Manx income tax and owns Manx accommodation: • Worldwide income taxed at maximum rate of 20% • £115,000 maximum income tax liability • No inheritance tax
Malta	Maltese permanent residence status: • Own a Maltese property worth €75,000 or rent one worth €4,230 / year • Remit €14,100 (plus an additional €2,350 per dependant) annually	• Cannot be employed or engaged in any form of business in Malta	• Right to reside in Malta for one year (renewable annually)	• 35% maximum rate on Maltese income • 15% tax on remitted income • €4,200 minimum tax liability • No taxation of worldwide income or wealth • No inheritance tax

Jurisdiction	Financial entry requirements	Other entry requirements	Special Rights obtained	Applicable tax rules
	• Have €23,500 annual income or €352,500 in capital assets			
Monaco	*Carte de Sejour* holders: • Monaco bank's certification showing a deposit of c.€400,000	• Present in Monaco six months per year • Accommodation in Monaco • Good character / clean criminal record	• Right to reside in Monaco for one year (renewable annually)	• Inheritance tax at maximum rate of 16% on gifts not between antecedents and descendents • Land transfer tax at 7.5% of consideration paid • No income tax • No CGT
Montenegro	• Certification from a Montenegrin bank that the HNWI has deposited at least €200 with then • Health insurance	• Accommodation in Montenegro • Work permit (normally obtained by establishing a Montenegrin company in the name of the HNWI and having the company apply for one as prospective employer of the HNWI)	• Right to residence in Montenegro on an annual basis (renewable annually) with the right to apply for permanent residence after 5 years	Taxes will be levied on the HNWI and the company established to employ him. Taxed as a resident if present in Montenegro for 183 days or more per year and a company is resident if registered in Montenegro: • Income tax on worldwide income at a maximum rate of 9% on most sources of

Jurisdiction	Financial entry requirements	Other entry requirements	Special Rights obtained	Applicable tax rules
				income • Inheritance tax at maximum rate of 3% on gifts not between spouses and children • Land tax of 0.8% maximum rate on value of property • Corporation tax on worldwide income at 9% • No CGT
Switzerland	*Forfait* basis of taxation: • Agreed figure for tax base: normally at least five times the annual rental value of HNWI's accommodation band different cantons have set minimums, paying from CHF165,000 to CHF300,000 • Independent financial means adequate to	• Comply with normal immigration requirements • Cannot be engaged in any form of gainful activity in Switzerland • Detailed disclosure of HNWI's finances required in some cantons	• None	Forfait basis substitutes federal and cantonal income taxes (which include capital gains) and cantonal wealth tax: • Taxed at ordinary rates of federal and cantonal income tax on pre-agreed tax base • Inheritance tax • Gift tax

Jurisdiction	Financial entry requirements	Other entry requirements	Special Rights obtained	Applicable tax rules
	support HNWI and dependants • Health insurance			

1. **Bermuda**

1.1 **Immigration**

A HNWI wishing to reside in Bermuda must either apply for permission to reside on an annual basis or a Residential Certificate bestowing that right. If the HNWI wishes to be employed in Bermuda they will also require a work permit.

1.1.1 **Permission to reside on an annual basis**

This permits a non-Bermudian to stay in Bermuda as a resident. The permission lasts for one year, but can be renewed. Whilst resident on this basis the HNWI cannot be employed in Bermuda.

To apply for residency on this basis the HNWI will need to provide a satisfactory evidence of their ability to support themselves financially for the year, good health, adequate health insurance, good character and a clear criminal record.

1.1.2 **Residential Certificate**

To qualify under this heading the HNWI must:

(a) not be employed anywhere (in Bermuda or anywhere else);

(b) be over 50 years old;

(c) be able to demonstrate the ability to support himself financially without employment;

(d) have no more than two dependant children when applying for a Residential Certificate; and

(e) have been employed in Bermuda for the proceeding five years or own property in Bermuda.

Initially, permission to stay in Bermuda is likely only to be granted for a period of only 12 months, though this can be extended provided the HNWI is still able to demonstrate adequate financial resources and continued medical insurance coverage.

1.2 **Acquiring property**

A non-Bermudian HNWI will require a licence to acquire property in Bermuda. A banker's reference, two personal references (preferably from Bermudians) and evidence that

Bermudians have been given a fair opportunity to purchase the property (e.g. copies of advertisements appearing in local papers) are required to obtain the requisite licence.

There is a fee to obtain the licence. The fee is calculated at 25% in the case of a house, or 18% in the case of a condominium, of the property's value.

1.3 **Eligible property**

Non-Bermudians may only own properties:

1.3.1 already owned by non-Bermudians (or designated by the government as eligible for acquisition by non-Bermudians); and

1.3.2 with a government assessed annual rental value in excess of US$153,000 (c.£100,000) in the case of a house or US$32,400 (c.£21,000) in the case of a condominium.

1.4 **Taxation**

There are no income, capital gains of inheritance taxes payable by people resident in Bermuda.

A tax on the annual rental value of property is payable. The current rate is 18.23% on eligible properties.

2. British Virgin Islands

2.1 Immigration

The right to long term residence in the BVI is linked to land ownership.

HNWI visitors, like all other visitors, to the BVI are eligible to be granted leave to enter the BVI for a period of up to one month. Permission to enter the BVI is subject to the requirements that the HNWI, again like all other visitors, must provide evidence of adequate financial means to support themselves during their stay, possession of a return ticket and evidence of pre-arranged accommodations.

Purchase of a property in the BVI does not, in itself, establish resident status. However, owners of a BVI property are entitled to an identification card, which renders the holder eligible to be granted leave to stay in the BVI for a period of up to six months in any year. The holder of an identification card must still provide evidence of adequate financial means to support themselves.

A separate licence will be needed if the HNWI wishes to work in the BVI or run a business.

2.2 Land

In order to lease or purchase land, a non-BVI HNWI must obtain a Non-Belonger's Landholding Licence. Such a licence is specific to an individual property and cannot be used to purchase any other property. Applications for a licence must be accompanied by two personal financial references, one bank reference, two character references and the applicant's criminal record.

In the BVI it is common practice for property transfers involving a non-BVI purchaser such as a HNWI to be made conditional on the HNWI obtaining a Non-Belonger's Landholding Licence.

3. **Cayman Islands**

3.1 **Immigration**

The Cayman Islands permits persons of 'independent means' to take up residence on the islands. This scheme requires an applicant, who is at least eighteen, to demonstrate:

3.1.1 that he is of good character without any criminal convictions;

3.1.2 is in good health and has adequate medical insurance; and

3.1.3 if planning to live on Grand Cayman:

(a) that he has a continuous source of annual income in the amount of CI$150,000 (c.£120,000), without the need to engage in employment in the Islands; and

(b) that he has invested the sum of CI$750,000 (c.£600,000) in Grand Cayman, of which at least CI$250,000 (c.£200,000) must be in developed residential real estate; or

3.1.4 if planning to live on Cayman Brac or Little Cayman:

(a) that he has a continuous source of annual income in the amount of CI$75,000 (c.£60,000) without the need to engage in employment in the Islands; and

(b) that he has invested the sum of CI$250,000 (c.£200,000) locally, of which at least CI$125,000 (c.£115,000) must be in developed residential real estate.

If the HNWI wishes to work on the island a separate permit is required.

3.2 **Taxation**

The Cayman Islands has no income, capital gains, property or inheritance taxes.

3.3 **Developments**

The Cayman Islands parliament passed legislation making provision for a new category of residence for HNWIs who are able to invest in the islands to a prescribed minimum. These rules are expected to come into force in 2010.

A Residential Certificate for Investment permits 25 years' residence to wealthy individuals who invest in businesses that contribute to the prosperity of the islands, on certain conditions.

Grant of such a certificate carries a fee of CI$20,000 (c.£16,000). It allows the investor, their spouse and any dependents the right reside in Cayman. An applicant HNWI must:

3.3.1 have a net worth of at least CI$6 million (c.£4,800,000);

3.3.2 invest at least CI$2.4 million (c.£1,920,000) in licensed businesses with workforces comprising of at least 30% Caymanians, that contribute towards the prosperity of the territory;

3.3.3 pass checks on business competence, show financial records of their businesses' stability and show they undertake a managerial role in their given area;

3.3.4 possess a clean criminal record; and

3.3.5 be of good health with adequate health insurance.

A Residential Certificate for Investment does not incorporate a Trade and Business License and, if necessary for operations, this will need to be applied for separately.

4. Cyprus

4.1 Immigration

EEA citizens have the same rights of residence in Cyprus as Cypriot nationals. They must, however, obtain an Alien Registration Certificate and apply for a Residence Permit within three months of arriving on the island.

A HNWI not seeking employment may apply for a residency permit as a 'Category F' applicant. They must demonstrate they have full and free access to a secured annual income of at least €9,600 (c.£8,000) and €4,600 (c.£3,900) per dependant, but the immigration authorities will need to be satisfied that the income is high enough to give the HNWI a 'decent living' in Cyprus without engaging in any business, trade or profession.

4.2 Taxation

A person who is resident in Cyprus for more than 183 days in a year is deemed to be Cypriot resident and will then be taxable to Cypriot income tax on their worldwide income. The top rate of tax is 30% and this rate applies to income in excess of €36,000 per annum. Dividends payable to Cyprus residents are, however, exempt from tax.

Subject to exemptions and reliefs, net gains from the sale of immoveable property (e.g. land and buildings) in Cyprus and of shares of unlisted companies owning immoveable property in Cyprus are taxable at 20%. Gains from the disposal of other securities are generally exempt.

5. Gibraltar

Gibraltar offers tax reliefs to HNWI in the form of a special tax residency status: category 2 residence. To qualify, a HNWI must:

5.1 have exclusive, personal access to residential accommodation in Gibraltar in the whole year of assessment; and

5.2 provide a curriculum vitae detailing his qualifications and work experience together with two references, one from a banker confirming that the individual has net assets of £2,000,000.

A category 2 HNWI will only be taxable on the first £70,000 of their assessable income received in or remitted to Gibraltar. There is a minimum annual tax liability of £20,000 with no allowances or deductions. Unremitted non-Gibraltar source earnings are not taxed. There is no capital gains or inheritance tax in Gibraltar.

Once category 2 status is granted a HNWI must apply to the Governor for residency status. The Governor has broad discretion to grant a Residency Permit to anyone of good character and to whom it is in Gibraltar's interest to issue the permit. The permit will generally be valid for a period of one year but can be renewed so long as a HNWI continues to fulfil the criteria for category 2 residency.

6. Guernsey

6.1 Immigration

EEA nationals are free to take up residency in Guernsey. For non-EEA nationals Guernsey's immigration rules contain two routes of note for high net worth individuals: those wishing to establish a business or those who will invest at least £750,000 in Guernsey. If an individual intends to work in Guernsey they will need a specific permit to do so.

Although free to take up residence, non-Guernsey HNWIs can only purchase certain properties. Guernsey's property market is split between a Local Market and an Open Market. Properties classified as part of the Local Market are only available to persons born on and resident in Guernsey or, alternatively, employees of companies where a skill shortage has been identified on the island.

Anyone may purchase a property classified as part of the Open Market. Upon purchasing such a property an individual has the right to apply for a licence to reside in Guernsey. This right lasts for as long as you continue to own the property.

6.2 Tax

Residence in Guernsey is determined solely in reference to the number of days spent on the island in a given tax year. An individual who spends 182 days or more in Guernsey in a year; or is in Guernsey for 35 days or more in a year and during the preceding fours years has spent a cumulative total of 365 days or more in Guernsey is deemed to be resident.

An individual who is resident has his Guernsey income tax liability limited to £100,000 on non-Guernsey source income and Guernsey bank deposit interest. Income tax will be levied in respect of Guernsey source income taxable at the normal rates.

7. Hong Kong

Hong Kong operates a visa entry system allowing those with at least HK$6.5 million (c.£550,000) invested in Hong Kong to reside and work or conduct business there. No special tax reliefs are afforded to such residents.

7.1 Immigration

British citizens may visit Hong Kong visa-free for a stay up to 180 days. But, if they want to take up employment, establish or join in a business or settle in Hong Kong, they will have to obtain an appropriate visa before arrival. For example, British citizens seeking to take up employment in Hong Kong will have to establish that they possess special skills, experience or knowledge of value to and not readily available in Hong Kong, or that they can make a substantial contribution to the economy of Hong Kong.

7.2 HNWI visa scheme

However, Hong Kong has a special visa scheme targeted at attracting HNWI: the Capital Investment Entrance Scheme. To be eligible, the HNWI must:

7.2.1 be over 18 years old;

7.2.2 have net assets to which he is absolutely beneficially entitled worth HK$6.5 million during the two years prior to his application;

7.2.3 have invested in the six months before the application is made or will invest in the six months after the application is approved assets worth HK$6.5 million in permissible investments;

7.2.4 have no adverse record (e.g. criminal record) in Hong Kong or his country of residence; and

7.2.5 be able to demonstrate that he is capable of supporting and accommodating himself and his dependants on his own without recourse to public funds, employment or the return from the investments mentioned at (c) above.

The HNWI must maintain the necessary investments in a portfolio and not reduce his investment commitment while he is permitted to stay in Hong Kong under the scheme. There are detailed rules governing the composition of the portfolio and how the portfolio must be held and what information must be reported to the Hong Kong authorities.

7.3 Permissible investments

Broadly, the permissible investments are:

7.3.1 real property (commercial, industrial or residential);

7.3.2 equities and debts of companies listed on the Hong Kong stock exchange and traded in Hong Kong dollars;

7.3.3 Hong Kong Government debt; and

7.3.4 collective investment schemes specifically designated as eligible under this scheme.

7.4 **Residence**

An HNWI granted a visa under this scheme has the right to enter Hong Kong for three months. At the end of this period a further three months will be granted if it is shown that active progress in investing in Hong Kong has been made. Thereafter, the HNWI has the right to apply for two years' visitor status. This period of two years can be renewed indefinitely. After seven years continuous ordinary residence in Hong Kong the HNWI can apply for right of abode in Hong Kong.

An HNWI granted a visa under this scheme is permitted to take up employment, be self-employed or join in or establish a business in Hong Kong.

7.5 **Taxation**

Should the HNWI be employed, his Hong Kong source salary will be subject to Hong Kong's income tax: the salary tax. This is a tax levied at the lower of either 15% of assessable income less deductions or a progressive rate of assessable income less deductions and allowances (the rates ranging from 2 to 17%).

There are no taxes on dividends or capital gains realised on share sales. Hong Kong has no estate tax.

Hong Kong levies a property tax on the owner of property located in Hong Kong, irrespective of the residence or nationality of the owner. The tax is a charge of 15% of the property's government assessed annual rental value.

8. Isle of Man

The Isle of Man exercises no entry controls over EEA nationals and has no restrictions on its housing market which would prohibit a HNWI from acquiring a residence there. If residency is taken up, the HNWI is liable to Manx income tax on their worldwide assets. This liability is capped at £115,000.

8.1 Immigration

EEA nationals are free to take up residency in the Isle of Man. If a HNWI intends to work in the Isle of Man they will need a separate, specific permit.

8.2 Tax

An individual is resident in the Isle of Man when they have a view or intent of establishing residence from the date of arrival; is physically present for an average of 90 days per year in any four year period; or spend six months of the year in the Isle of Man. Upon taking up residence in the Isle of Man an individual must register for Manx income tax.

In most cases, it is the Isle of Man Tax Assessor's stated view that completing this registration form and obtaining accommodation on the island will, in most circumstances, demonstrate residence in the Isle of Man regardless of the number of days spent on the island.

Isle of Man residents are subject to income tax on their worldwide income. For an individual, subject to allowances and exemptions, Manx income tax is charged at 10% on the first £10,500. The rate is 20% thereafter. This liability is limited to a maximum charge of £115,000.

9. Malta

9.1 Malta Permanent Resident Scheme

Regardless of nationality, a HNWI may apply for Maltese permanent residency status provided they fulfil the following criteria:

9.1.1 purchase a property worth at least €75,000 (c.£63,000) or rent one worth €4,230 (c.£3,500) a year;

9.1.2 remit at least €14,100 (c.£13,000) a year, plus €2,350 (c.£1,900) per dependant;

9.1.3 have an annual income of at least €23,500 (c.£19,500) or have capital of €352,500 (c.£295,000);

9.1.4 not be employed in Malta without the requisite approvals and permits during the application process;

9.1.5 not exercise any occupation, profession or employment in Malta once granted permanent resident status under the scheme.

A HNWI's status under the scheme must be renewed each year. There is no minimum stay requirement.

9.2 Taxation

There is no taxation on worldwide income or wealth for someone with Maltese permanent resident status. Nor is any inheritance tax levied on anyone with Maltese permanent residency status.

All household goods moved to Malta within six months of obtaining residency status are exempt from import duties.

However, 15% is levied on all income (not capital) remitted to Malta, with a minimum liability of €4,200 (c.£3,500) and tax is paid on Malta-source income to a maximum rate of 35%.

10. Monaco

10.1 Carte de Sejour

To gain residency in Monaco an EEA national HNWI must make an application in person for a residency permit: a *carte de sejour*. The application will require a HNWI to commit to being physically present in Monaco for six months a year. At this meeting an interview date will be arranged.

At the interview, the applicant will need to provide proof of the proposed accommodation in Monaco (e.g. a certified copy of the rental agreement or property deeds), proof that the HNWI has never been convicted of a serious crime together with a bank certificate from one of Monaco's banks showing a deposit has been made is also needed. Many of the banks ask for €400,000 (c.£333,000).

If granted, the *carte de sejour* will be valid for one year, but can be renewed. After ten years, a HNWI can apply for the status of Privileged Resident making their *carte de sejour* valid for a further ten years.

10.2 Taxation

Monaco does not levy any income or capital gains taxes on residents. Nor are there any land taxes. However, a charge is levied on all land transfers. This charge is 7.5% of the sum paid for the property.

There is no inheritance tax on gifts between antecedents and descendants or between spouses. However, inheritance tax is levied on transfers between other relationships, to a maximum rate of 16%.

11. Montenegro

11.1 Immigration

EEA citizens have the right to enter Montenegro for 90 days without a visa. To be granted the right to reside in Montenegro a HNWI must obtain a work permit and have accommodation available in Montenegro.

A work permit must be applied for by an employer. In the case of a HNWI, it is common practice to establish a company in Montenegro who will then employ the HNWI as a director and make the appropriate application for the HNWI's work permit.

Local agents can be employed to establish the company and prepare the paperwork for this application. The paperwork will include a reference from a Montenegrin bank that the HNWI has deposited funds with the bank. The sum in question is nominal, €200.

Once the company has been incorporated and a work permit obtained (normally under three weeks' time) it is possible to apply for a temporary residence certificate. To do so it is necessary to demonstrate that the HNWI has accommodation. There are no restrictions on non-Montenegrins owning property and HNWI looking to take up residence may purchase or lease a property in advance of his application for a residence certificate.

A temporary residence certificate is valid for one year and may be renewed annually. After five years residence a HNWI may apply for a certificate of permanent residence allowing them to reside in Montenegro without limitation.

11.2 Tax

A Montenegro resident is taxable on their worldwide income, generally, at a rate of 9%. There is no maximum or minimum tax liability. As an employee, the HNWI will also be liable to make social security contributions at a rate of 16.5% of their employment income. Additionally, a tax is levied between 0.08% and 0.8% on the market value of any property owned by the HNWI. There is no capital gains tax.

Montenegro levies an inheritance tax with a maximum rate of 3%, though transfers between spouses and parents and children are exempt.

The company established in Montenegro will also be liable to corporation tax at a rate of 9% on its worldwide income.

12. Switzerland

12.1 Immigration

Switzerland offers a tax-advantageous scheme for HNWI: the '*forfait*' basis of taxation. For EU nationals to obtain a residence permit in Switzerland on a '*forfait'* basis, it is necessary to show that:

12.1.1 you have sufficient financial resources to ensure that you will not claim social benefits in Switzerland (usually, the local authorities accept a letter of introduction from a bank); and

12.1.2 you have comprehensive sickness and accident insurance cover for as long as you intend to stay in Switzerland.

12.2 '*Forfait*' basis

Tax based on a *'forfait'* arrangement substitutes income tax both at the federal and the cantonal level (note that capital gains, to the extent that they are taxable, are treated as income and are therefore covered by the forfeit basis). In addition, a forfait arrangement substitutes wealth tax at cantonal level (there is no wealth tax at federal level). By contrast, gift and succession taxes are not covered and so will still be payable.

In order to benefit from a forfait, an individual cannot pursue any 'gainful activity' in Switzerland at any time. If a HNWI wishes to work in Switzerland, this would jeopardise any forfait arrangement. By contrast, working outside Switzerland is permissible. This restriction is subject to an important exception: managing one's own wealth is generally not treated as a gainful activity. Accordingly, many HNWIs who move to Switzerland on a forfait basis set up their own management company and act as a member of the board without failing the gainful activity test.

12.3 Taxation under the '*forfait*' system

Instead of paying tax on his income, wealth, etc., a HNWI is asked to pay tax by reference to his level of expenditure. The HNWI's expenditure in any given year is ascertained and then taxed applying the ordinary tax rates at the federal, cantonal and communal level. Generally, the level of expenditure is not recalculated every year but is set in an agreement with the tax authorities and it should be at least five times the annual rental value/deemed rental value of the property in which the taxpayer lives.

In practice, various cantons have fixed a minimum tax base for the purposes of calculating the tax. Accordingly, it is understood that the minimum level of expenditure accepted by the tax authorities in the canton of Valais is in the region of CHF 250,000 (c.£154,000) (if the taxpayer is under 55 years old) and CHF180,000 (c.£111,000) (if the taxpayer is over 55 years old) whilst the canton of Ticino has a statutory threshold of CHF165,000 (c.£102,000) regardless of age. By contrast, Geneva has introduced a statutory threshold of CHF 300,000 (c.£185,000). In addition, the authorities in the canton of Geneva require a fairly extensive disclosure concerning the taxpayer's financial circumstances as part of the negotiations, while other cantons apply a more relaxed approach.

12.4 **Swiss income / Tax treaties**

Special rules apply if the taxpayer owns Swiss assets or receives certain types of Swiss income or foreign income for which he claims or otherwise obtains protection/relief under a treaty concluded by Switzerland. In these circumstances, the amount payable under the *forfait* arrangement is compared with the hypothetical income tax which would be payable on the taxpayer's Swiss assets/income/ gross foreign income for which the taxpayer obtains treaty relief. If, in any given year, the amount of hypothetical income tax payable under this so-called *'calcul de control'* exceeds the amount of tax payable under the *forfait* arrangement, the forfait is adjusted accordingly, but only for that given year.

In practice, the taxpayer can avoid any additional tax under the '*calcul de control'* procedure simply by managing the level of any Swiss investments/foreign investments for which he wishes to claim (or would otherwise obtain) protection under a treaty. There may be circumstances where it might be preferable to go down the '*calcul de control'* route, e.g. where the foreign tax at source is higher than the hypothetical Swiss income tax.

Special rules apply in relation to certain treaties, namely those concluded with Austria, Belgium, Canada, France, Germany, Italy, Norway and the US. By way of illustration, a person who wants to be treated as Swiss resident for the purposes of the Swiss/US treaty has to elect to subject *all* his income from the US which is taxable in Switzerland under the treaty to the generally imposed income taxes. Some cantons (e.g. Bern and Valais) apply reduced tax rates for this type of income, which in practice minimises the negative effect of subjecting foreign source income to Swiss income tax.

Appendix 3

City cost of living ranking

On average, people move home every seven years. The reasons are varied but many move because of living costs. If you feel you can live it up with the Jones's, here's the cost of living ranking list of the most expensive cities in the world (with their rank a year ago in brackets). Some cities are hugely expensive to live in simply because they are far away from easy access to cheap goods.

City cost of living ranking

1 Japan, Tokyo (1)
2 China, Hong Kong (33)
3 Switzerland, Geneva (4)
4 Central African Republic, Bangui (46)
5 Switzerland, Zurich (8)
6 Denmark, Copenhagen (3)
7 Venezuela, Caracas (32)
8 United Arab Emirates, Dubai (34)
9 Chad, N'Djamena (15)
10 Norway, Oslo (2)
11 Liechtenstein, Vaduz (18)
12 Brazil, Brasilia (5)
13 Bermuda, Hamilton (26)
14 Papua New Guinea, Port Moresby (40)
15 Angola, Luanda (36)
16 Greenland, Nuuk (7)
17 New Caledonia, Noumea (13)
18 Cameroon, Douala (17)
19 France, Paris (14)
20 Ireland, Dublin (12)
21 Solomon Islands, Honiara (173)
22 Italy, Milan (16)
23 San Marino, San Marino (19)
24 Qatar, Doha (45)
25 Monaco, Monaco (20)
26 United Kingdom, London (6)
27 Taiwan, Taipei (86)
28 Finland, Helsinki (28)
29 Korea Republic of, Seoul (41)
30 Austria, Vienna (22)
31 Italy, Rome (27)
32 Russia, Moscow (10)
33 Gabon, Libreville (58)
34 Croatia, Zagreb (35)

35 Australia, Sydney (29)
36 Bahamas, Nassau (84)
37 Nigeria, Lagos (11)
38 Isle of Man, Douglas (24)
39 USA, New York NY (50)
40 Netherlands, Amsterdam (38)
41 Belgium, Brussels (37)
42 Vanuatu, Port Vila (133)
43 Bahrain, Manama (82)
44 Slovakia, Bratislava (23)
45 Micronesia, Palikir (57)
46 Mali, Bamako (54)
47 Cameroon, Yaounde (53)
48 Comores, Moroni (77)
49 Canada, Toronto (59)
50 USA, Boston Mass (52)
51 Kiribati, South Tarawa (160)
52 Turkey, Ankara (65)
53 Togo, Lome (85)
54 USA, San Francisco Calif (30)
55 Spain, Madrid (47)
56 USA, San Jose Calif (48)
57 Nauru, Yaren (80)
58 United Arab Emirates, Abu Dhabi (100)
59 Germany, Berlin (56)
60 Jersey, Saint Helier (39)
61 Palau, Melekeok (69)
62 Guernsey, St Peter Port (44)
63 Vatican City, Vatican City (61)
64 Singapore, Singapore (66)
65 Guinea-Bissau, Bissau (67)
66 Canada, Vancouver (71)
67 Congo Democratic Rep, Kinshasa (128)
68 Estonia, Tallinn (64)
69 Haiti, Port-au-Prince (87)
70 Falkland Islands, Stanley (49)
71 Australia, Melbourne (62)
72 Australia, Canberra (63)
73 Germany, Bonn (60)
74 Iceland, Reykjavik (42)
75 Germany, Frankfurt (74)
76 Luxembourg, Luxembourg (70)
77 Malta, Velletta (113)
78 Azerbaijan, Baku (75)
79 Timor-Leste, Dili (185)
80 Djibouti, Djibouti (92)
81 Senegal, Dakar (88)
82 Trinidad and Tobago, Port-of-Spain (135)

83 Czech Republic, Prague (21)
84 Portugal, Lisbon (72)
85 Canada, Calgary (219)
86 Australia, Perth (73)
87 USA, Los Angeles Calif (68)
88 Cote D'Ivoire, Abidjan (31)
89 USA, Philadelphia Pa (79)
90 Burkina Faso, Ouagadougou (121)
91 Ghana, Accra (115)
92 Lebanon, Beirut (122)
93 Sao Tome and Principe, Sao Tome (145)
94 Hungary, Budapest (9)
95 USA, Washington DC (78)
96 Sweden, Stockholm (51)
97 Tuvalu, Funafuti (151)
98 USA, Baltimore Md (90)
99 Cayman Islands, George Town (101)
100 Saudi Arabia, Riyadh (183)

Date: 1 October 2009
Source: xpatulator,

Taken from http://didyouknow.org/lists/expensivecities/ on 24 September 2010

Appendix 4.1

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1 Mar 2003 ... It's well nigh impossible to emigrate to Jersey, what with the stringent property laws and other regulations (unless you're Nigel Mansell, ...
www.guardian.co.uk/ .. '/unitedkingdom.guardiansaturdaytravelsection -
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best place to emigrate? - Askaboutmoney.com 20 posts - 17 authors - Last post: 30 Dec 2008
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Irish Immigration
The Irish Famine stimulated a desire to emigrate. The figures for this period show a .... My family came from Ireland and I was born in the slums of Jersey ....
www.spartacus.schoolnet.co.uk/USAEireland.htm -
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Moving to the UK | UK bank accounts. UK banking services and ...
As a non UK citizen emigrating to the UK, your RND (Resident ... To enable this, you should base your account offshore in the Isle of Man or Jersey ....
www.offshore.barclays.com/moving-to-the-uk/ -
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If you are looking to emigrate to the UK, Barclays Wealth International can help you ... offshore locations such as Jersey, the Isle of Man or Gibraltar .... www.res-non-dom.barclays.com/emigrate-to-uk/ - Cached - Similar

Money Transfer to Jersey | Sending Money to Jerse GBP Currenc ...
8 Sep 2010 ... Buying property in Jersey? Emigrating to Jersey? Importing from Jersey? Exporting to Jersey? Regular Payments to Jersey? ...
www.exchangerates.org.uk/countries/ .. .!money-transfer-to-jersey.html - Cached

[PDF] Using Administrative Data Sources in the Estimation of **Emigration**

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H Evans - 2007 - Cited by 2 - Related articles
For emigration to countries outside of the EEA, contact should ..... mainland so will include moves to Jersey and Northern Ireland. The ...
www.statistics.gov.uk/articles/ ... trends/PT128AminDataforEmigration .pdf

How to go about **emigrating to** america? - Yahoo! UK & Ireland Answers

How to go about emigrating to america? My partner our 4 year old son and i are interested in moving to America? We currently live in Jersey (Channel ...
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www.ogierproperty.com/ ... /livinginjerseyasa11kandfamilyl - Cached

1(i)k residents to pay more tax? » News» This Is Jersey
10 Mar 2010 ... 'A total of £13.5 million is currently collected by the 123 1(i)ks in Jersey. My review will aim to enhance that contribution higher.' ...
www.thisisjersey.com/2010/03/ .. .I1ik-residents-to.pay-more-*taxi*- Jersey - Cached

Property Guide:: Jersey I Buying and Selling Tips I Houses for ....
Not unexpectedly, residents accorded 1(1)(k) status can only buy and occupy .... Discretion is the better part of everything in Jersey, and prospective ...
www.countrylife.co.uklproperty/ .. .IProperty-Guide-Jersey.html- Cached - Similar

Jersey 11 k and J Cat information - Welcome
Jersey 11 k and J Cat information for high value residents moving to or considering moving to Jersey, help and information service, jersey housing laws, ...
11 k.je/- Cached

Jersey barrier - Wikipedia. the free encyclopedia
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Tax Research UK » And Jersey says it isn't a tax haven
23 Apr 2010 ... Jersey also says that the 1(1)(k) residents - who basically come to live in jersey under fixed contribution tax agreements - pay £13.5 million ...
www.taxresearch.org.uklBlog/ .. .land-jersey-says-it-isnt-a-tax-haven/- Cached

'Jersey Shore' Cast Threaten to Strike Unless They Each Get $30K ... 19 Jul 2010 ... 'Jersey Shore' Cast Threaten to Strike Unless They Each Get $30K an Episode! ... 1 and bring Tinsel Town to a virtual halt .. oh, ... social.entertainment.msn.com/tv/blogs/N-buzz-blogpost.aspx?post ... - Cached

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Immigration to Jersey on this basis is at the discretion of the Jersey. Housing Minister and there is no prescribed limit on the number of 1(1Xk) ...
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Appendix 4.3

The Director will assist the new 1(1)(k) with virtually every aspect of his proposed move to the island and application for a permit, providing information on everything from housing and schooling to membership of golf-clubs and boat moorings.

As soon as an enquiry is made to the Director, full application details are sent to the applicant. On return of the application an initial response is usually provided within 48 hours with a final decision often being made within 10 working days.

We feel it is important, however, that the potential 1(1)(k) seeks professional advice from, in particular, his tax advisor before submitting his application.

Firstly, some thought will need to be given by the potential applicant to what he proposes he will actually pay to the island's authorities by way of income tax. Income tax will be charged on all Jersey income at the rate of 20% subject to certain personal allowances. Thereafter the first £1,000,000 of non-Jersey income is charged at a rate of 20%, the next £500,000 of non-Jersey income is taxed at 10% and any balance of non-Jersey income over and above the figure of £1,500,000 is charged at the rate of 1%.

grant a consent. Guidance as to how that discretion is likely to be exercised can be given.

The application for a consent under regulation 1(1)(k) is a two-stage application. Firstly, the applicant applies to be approved as a 1(1)(k) resident and once this approval is forthcoming he applies for consent to purchase a particular property.

Consent under Regulation 1(1)(k) is normally granted to a would-be wealthy immigrant where the Minister is satisfied that the applicant will make a major contribution to the island's tax revenues if he were to reside in Jersey. Although each application is considered on its merits, a successful applicant will be required to generate an annual tax contribution of no less than £100,000 on his worldwide personal income.

The general criteria against which 1(1)(k) applications are considered are as follows:

(i) the likely contribution to tax revenues;

(ii) the business/social background of the applicant;

(iii) the number of dependants and the extent to which these persons may in time acquire housing rights if consent is granted;

(iv) other, non-economic benefits which the island may receive if consent is granted;

(v) total net worth;

(vi) the possibility of the applicant bringing a business to the island which will generate tax revenues and provide employment whilst not adversely impacting upon the island's resources.

The availability of substantial properties outside the financial reach of the vast majority of local residents is an important issue in the administration of this Regulation and a successful applicant will have to purchase a property the value of which is likely to exceed £1m.

There are no limits on the number of consents the Minister may grant each year under this Regulation, although in practice until recently the number tended to be small. Whilst in previous years the Minister actually limited the number of 1(1)(k) permits to a maximum number (in more recent years 5) since November 2003, the notion of a limit on the number of 1(1)(k)s that would be permitted to move to the island has been abolished and the policy of the island's government is now to try to attract as many potential 1(1)(k)s to the island as reasonably possible.

Indeed the island's enthusiasm to attract a greater number of 1(1)(k)s to the island has led to the appointment of the island's first Director of High Value Residency being Nigel Philpott. (+44 1534 603715 nigel.philpott@jersey.com; www.reflectonjersey.com).

The function of the Director of High Value Residency is to provide a one stop shop for all 1(1)(k) applicants so that relocating to Jersey can be a very straightforward process. All applications are handled personally by the Director who provides a single point of contact with the local authorities so as to provide a very personal and individual support mechanism with the safeguarding of confidentiality given paramount importance.

-

Jersey 11k and J Cat information - Welcome

Jersey

High Value Residents 1(1)(k)

Welcome

Regulation 1(1)(k)

Regulation 1 (1)0)

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The Information Resource for high net worth individuals considering Jersey residency

Welcome

Welcome to 11 k.je, the independent website that aims to help potential 1 (1)K and 1 (1) J High Value Residents (HVRs) establish the necessary contacts to make any move to Jersey as smooth and trouble free as possible.

It is important to note that potential High Value Residents will have to make a formal application for 1 (1)K status to the island authorities Director of HVR, Nigel Philpott (for more information see www.reflecton·erse.com). We have an excellent working relationship with the Director's office and fully understand the process required to smooth a successful application through.

The Comptroller of the Jersey Income Tax Department will require full and frank disclosure of your World Wide income when they assess your application for 1 (1)K residential status and many of the successful 1 (1)K applicants have found it beneficial to speak to a Jersey based Accountant and Lawyer *before* submitting their application.

For your convenience we have provided contact information for the main Jersey and "Big 4" Accountancy Practices, Jersey Law Firms and all the Banks.

1 (1) J applicants looking to establish new business ventures on the island will be looked upon in a different light but will also find it essential to consult with Jersey professionals to ensure that they have a genuine claim to a licence and then to make certain that the application is handled in the appropriate manner. Jersey is different from the UK and whomever you appoint will work closely with your UK professionals to ensure a successful and tax efficient application.

"I hope that you find the information provided on this website both useful and informative. Should you require a *more personal point of contact I would be delighted to answer any questions that you may have."*

Yours,

James de la Cloche

Edge Property Finders

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Appendix 4.5

News from the Jersey Evening Post At the heart of Island Life

1(i)k residents to pay more tax?

By Carly Lockhart

WEALTHY immigrants, who collectively contribute £13.5 million to Jersey's economy, may have to pay more tax in the future.

1(i)k residents include former Former One world champion Nigel Mansell

Treasury Minister Philip Ozouf told the States yesterday that he was going to review arrangements for 1(i)k residents to 'enhance' their tax contributions. But he stressed that any increase would not reach the UK's new 50 per cent tax rate. The controversial move last year angered high-flying City workers, who threatened to leave the country in favour of offshore centres.

'I am reviewing 1(i)k arrangements ahead of the budget,' said Senator Ozouf. 'A total of £13.5 million is currently collected by the 123 1(i)ks in Jersey. My review will aim to enhance that contribution higher.'

Deputy Trevor Pitman asked why some of Jersey's super-rich citizens paid less than ten per cent tax when the Island's ordinary residents were facing tax increases.

Senator Ozouf explained that these wealthy immigrants would have moved to Jersey before the 1(i)k category was changed in 2005. The changes meant that rich individuals had to follow stricter criteria when it came to paying taxes.

Article posted on 10th March, 2010 - 2.58pm

Appendix 4.6

States of Jersey

The official website for
public services and information online

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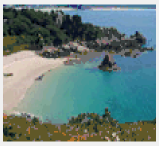
High value residency



Jersey has a huge amount to offer high value residents, who are known as 1(1)Ks locally. This is the special permit issued to individuals under the Jersey housing law.

Jersey has a comphrehensive offering - English speaking, excellent education and health systems, low personal taxes, no capital gains or death duties and only a short flight away from London, Paris and many other UK and European destinations. Together with dramatic coastal scenery, unspoilt sandy beaches and Michelin starred restaurants, Jersey provides for a sophisticated lifestyle in a dynamic business environment.

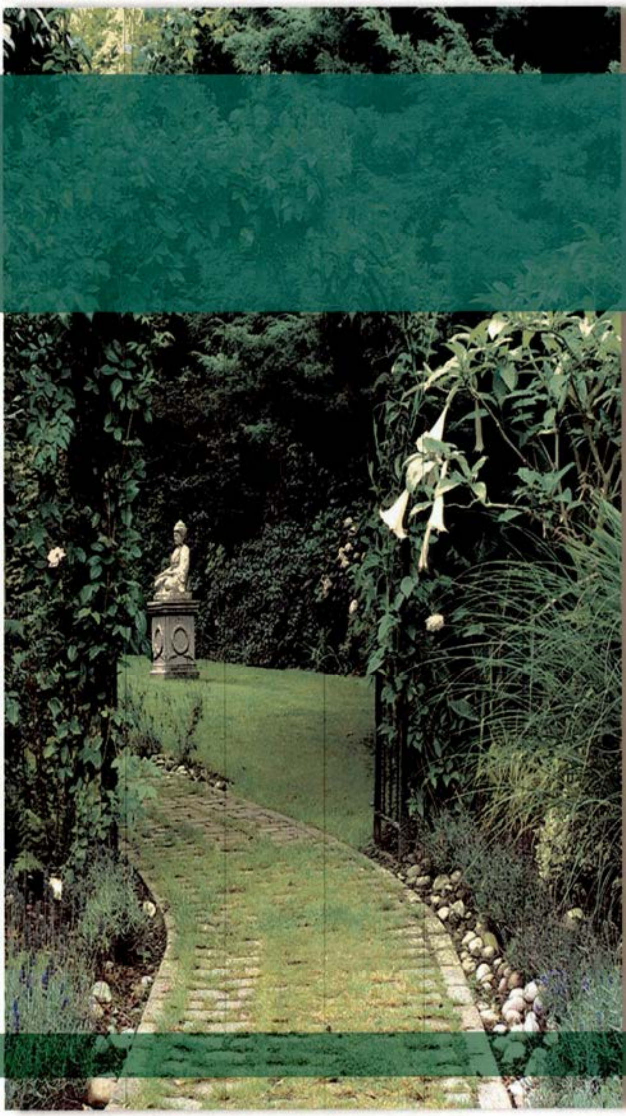
The Director for High Value Residency provides a personal service to those interested in moving to Jersey and can be contacted about the current requirements and application process.

More information about moving to Jersey as a high value resident

Contact details a opening hours

- High Value Residency Direc

Appendix 4.7



Housing
High Value Residents

1(1)(k) licences are granted to High Value Residents. There is no prescribed limit on the number of 1(1)(k) consents the Housing Minister may grant each year, although in practice, the number tends to be small. Each application is considered by the Minister on its own merits, with regard to factors such as:

The individual's likely contribution to tax revenues.
The business/social background of the applicant and their likely business activities (if any) in Jersey and;
Other non-economic benefits which the island may obtain if consent is granted.

Successful 1(1)(k) applicants will retain their residential status as long as they remain resident in Jersey. They may only purchase property which has been classified or approved as suitable for their occupation. In practice, such properties are priced around £1 million or more.

Did you Know? Exiled Frenchman of letters Victor Hugo lived in Jersey from 1852 to 1855.