

## **Consultation on new rules for the provision of information by partnerships to Revenue Jersey**

**Closing date for comments:**

**31 March 2022**

## 1. Executive Summary

As a result of new rules in Jersey on economic substance requirements for partnerships, Revenue Jersey is proposing to change the way it interacts with partnerships and their partners. The main proposals are:

### **New responsibilities for partnerships**

All partnerships will have new information reporting obligations. From 2023, they will have to submit a new Combined Notification containing details of economic substance and tax information if applicable.

### **New responsibilities for partners**

From 1 January 2023, all partners will be responsible for reporting their share of any taxable partnership income in their own Jersey income tax return. Every partner will be assessed by Revenue Jersey on their own share of taxable partnership income, and the joint assessment of general partnerships will be discontinued. Similarly, every partner will be responsible for discharging the tax liability arising on their own share of partnership income.

### **What is not changing?**

The amount of tax that is payable by the partners will remain the same.

## 2. Background

2.1. In 2020 the EU Code Group asked all 'criteria 2.2' tax jurisdictions, including Jersey, to extend their economic substance legislation for companies, so that it also applies to partnerships. The States Assembly passed legislation extending the scope of economic substance to partnerships in June 2021 in order to maintain Jersey's compliance with international standards.

2.2. The [Taxation \(Economic Substance – Partnerships\) \(Jersey\) Law 2021](#) ("Economic Substance Law") has effect from 1 July 2021. Under this legislation, all partnerships in Jersey will be required to make a declaration as to whether they are within scope of economic substance, and if so, assess whether they meet the economic substance test.

2.3. In addition to the enactment of the Economic Substance Law, Revenue Jersey is also required to have an effective risk-based mechanism to identify and monitor ongoing compliance of partnerships for economic substance purposes. It is, therefore, necessary that

Revenue Jersey has a framework through which it can obtain basic information on all partnerships while seeking to minimise the compliance burden involved.

2.4. The introduction of the economic substance reporting requirements is also an opportunity to review the Jersey income tax reporting requirements for partnerships. The proposed changes will create efficiencies for both partnerships and Revenue Jersey by streamlining the notification process.

### **3. Purpose of this consultation document**

3.1. This consultation document is being issued to seek feedback from key stakeholders (including partnerships, industry associations, practitioners, and any related parties) on a proposed combined partnership notification that will cover both economic substance and income tax. The aim of the combined notification is to:

- I. Avoid duplicative reporting,
- II. Adequately obtain the pertinent information for the purposes of the economic substance requirements, and
- III. Promote efficiencies in compliance for both partnerships and Revenue Jersey.

3.2. The proposed Combined Notification, outlined below, will specifically relate to economic substance and income tax reporting. It will not negate other partnership filing requirements e.g., the filing of GST returns.

3.3. Stakeholders should be aware that when Jersey LLCs are available to industry, the intention is that Revenue Jersey would use an administrative approach consistent with the approach to partnerships.

3.4. The closing date for submissions is **31 March 2022**.

### **4. Current position**

4.1. Although economic substance requirements are new to partnerships, partnerships do currently have filing responsibilities in relation to tax.

4.2. The Income Tax (Jersey) Law 1961 (“ITL”) specifically recognises a number of arrangements as “partnerships”. A list of partnerships and their reporting requirements is outlined in Appendix I.

4.3. There are currently several approaches to the taxation of partnerships in the ITL. For example, some types of partnership are required to provide an annual partnership

statement to Revenue Jersey and some are not; some partners are jointly assessed, and some are not, etc. All these approaches have their own advantages and disadvantages but having multiple methodologies for dealing with partnerships creates unnecessary complexity for both partnerships/partners and for Revenue Jersey.

4.4. Furthermore, if the Comptroller does not issue a notice, some partnerships may not file a partnership statement. This creates several inefficiencies in reconciling the income tax liability for each partner depending on the nature of the partnership.

4.5. The current reporting requirements for partnerships are outlined in Appendix I.

**Question 1: In your experience, is the current tax regime for partnerships giving rise to difficulties and, if so, please outline the nature of these difficulties?**

**What recommendations would you propose to improve the tax filing arrangements for partnerships?**

## **5. Summary of proposed changes**

5.1. As noted in the Executive Summary, Revenue Jersey is proposing that all partnerships file a new Combined Notification from 2023 and that all partners become individually responsible for discharging the tax liability that arises from their partnership income.

### **The new regime for the tax assessment of partners**

5.2. All partners subject to Jersey income tax will be required to disclose their share of taxable partnership profits in their own income tax returns, and these profits will form a part of their own taxable income for the applicable year of assessment.

5.3. Joint assessments will no longer be required.

**Question 2: Do you agree that any future partnership tax assessment approach should involve the partners being personally assessed on their taxable income from the partnership, as opposed to a joint assessment (as currently applies to general partnerships)?**

### The new Combined Notification for partnerships

5.4. Revenue Jersey is proposing a “Combined Notification” that will enable the partnership to make economic substance disclosures and provide a partnership tax statement where required.

5.5. The Combined Notification will be filed by the partnership on an annual basis and on a fixed date. The proposal is to align the filing deadline for this Combined Notification with the corporate income tax return filing deadline, rather than the earlier filing date for individuals.

**Question 3: Do you agree that all partnerships should have the one fixed filing date for the new Combined Notification?**

**Question 4: Do you foresee any challenges with aligning the partnership filing deadline to the corporate income tax return filing deadline?**

5.6. Beginning 1 January 2023, all partnerships will submit a Combined Notification as an online form, which will apply for the 2022 year of assessment and future years.

5.7. When the Combined Notification is introduced, Revenue Jersey will discontinue the current approaches, as outlined in Appendix I, such that all partnerships will only be required to submit a Combined Notification.

**Question 5: Do you agree that a consistent approach is desirable across all types of partnerships? If not, what distinctions should be made?**

5.8. The Combined Notification will contain three sections in which a partnership will need to disclose the following:

- I. Section 1: information to enable Revenue Jersey to conduct an effective risk-based approach to establish if a partnership is in scope of economic substance;
- II. Section 2: if a partnership is in scope for economic substance and not exempt, the partnership will be required to provide information in relation to the economic substance test;
- III. Section 3: if required, information to fulfil the requirements of a partnership tax statement.

Further details of each of these sections and the associated questions are provided in the sections below.

## 6. Details of the proposed Combined Notification

### Format of the return

6.1. The Combined Notification will be in electronic form, similar to the corporate income tax return, and will be submitted via an online portal. This will enable Revenue Jersey to collect the data necessary in order to align with the international requirements for exchange of information with respect to economic substance.

6.2. It also aligns with Revenue Jersey's policy on modernising the tax system and provides for greater efficiencies in tax administration.

<b>Question 6: Do you foresee any challenges with the requirement to file online?</b>
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<b>Question 7: Are you, or a person you represent, one of those to whom this would represent a difficulty?</b>
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### Section 1: Risk-based partnership identification notice

6.3. Revenue Jersey is required to monitor the partnerships which are in scope for economic substance. In order to conduct an internationally acceptable risk-based monitoring programme, Revenue Jersey will need to collect specific information from partnerships on an annual basis. Revenue Jersey wants to strike a balance between ensuring that the required information is collected and minimising the compliance burden for partnerships/partners.

6.4. It is proposed that there will be basic information required from all partnerships indicating the nature of their activity, and bands in which their levels of turnover and levels of profits fall. The information declared will be aligned with the international compliance requirements for economic substance.

6.5. A 'smart' electronic format will be used to ensure that only pertinent questions are asked subject to the previous answers provided.

### Section 2: Economic substance requirements

6.6. Partnerships will be required to make an annual declaration as to whether they are in scope for economic substance and if so, whether they meet the economic substance requirements.

6.7. The initial questions will include questions as to whether the partnership falls within the exemptions for economic substance. Should the partnership not be in scope of economic substance, no further questions would be required within this section.

6.8. If the partnership is in scope, it is intended that the questions will replicate those as included within the economic substance section of the corporate income tax return, as described on the [gov.je](http://gov.je) website.

### Section 3: Partnership tax statement (if required)

6.9. The tax element of the Combined Notification would function as a partnership tax statement and would be available for applicable partnerships to file, if the partnership income would give rise to Jersey income tax liabilities for any of the partners. The questions will include:

- I. The name of the partnership;
- II. The activities of the partnership;
- III. The partnership profits;
- IV. The profit split between the partners; and
- V. The taxable profits of the partnership attributable to each partner.

6.11. The form will allow additional information, computations and accounts to be submitted by the partnership, if it wishes, in support of the information it supplies.

**Question 8: What additional information would you consider should be included in the partnership tax statement?**

**Question 9: Do you foresee any challenges with the format of the proposed partnership tax statement ? If so, please provide details of the problems identified.**

### Compliance activities

6.12. The proposal is for the tax compliance activities in respect of partnership taxable profits attributable to the partners to take place at the partnership level and any associated appeals and other rights, claims, etc., in respect of those partnership taxable profits to be available at the partnership level.

6.13. If this results in any changes to the taxable profits of the partners, Revenue Jersey will be able to reflect these in the partners' tax assessments.

6.14. It is intended that appropriate changes will be made to the income tax law such as Articles 74-76.

**Question 10: Do you have any comments on this approach to dealing with the tax compliance of partnerships?**

## **7. Consultation questions**

7.1. Revenue Jersey is keen to hear the views and expectations of its stakeholders in determining how it can best improve the administration of partnerships in Jersey.

7.2. In response to the proposed changes outlined above, please highlight any areas of concern or areas that you believe would require further consideration.

## **8. Respondent details**

8.1. Please provide the name (and contact details) of the firm / company / individual who is responding.

8.2. Are you answering this consultation on your own behalf, or on behalf of another body?

8.3. Would you be directly affected by any proposed changes to partnerships?

8.4. Are you a member of /partner in a partnership?

## **9. How we will use your information**

The information you provide will be processed for the purpose of consultation. The Comptroller of Revenue will use your information in accordance with the Data Protection (Jersey) Law 2018 and the Freedom of Information (Jersey) Law 2011. We may quote or publish responses to this consultation and publish the names of individual respondents. If you do not want any of your name or response to be published, you should clearly mark it as confidential. Confidential responses will be included in any summary of statistical information received and views expressed.

**10. Submission instructions**

Please send your feedback by to [Tax.policy@gov.je](mailto:Tax.policy@gov.je)

Subject: Partnership consultation

Or via post to **Tax Policy Unit – Partnership consultation**

**Government of Jersey**

**19-21 Broad Street**

**St Helier**

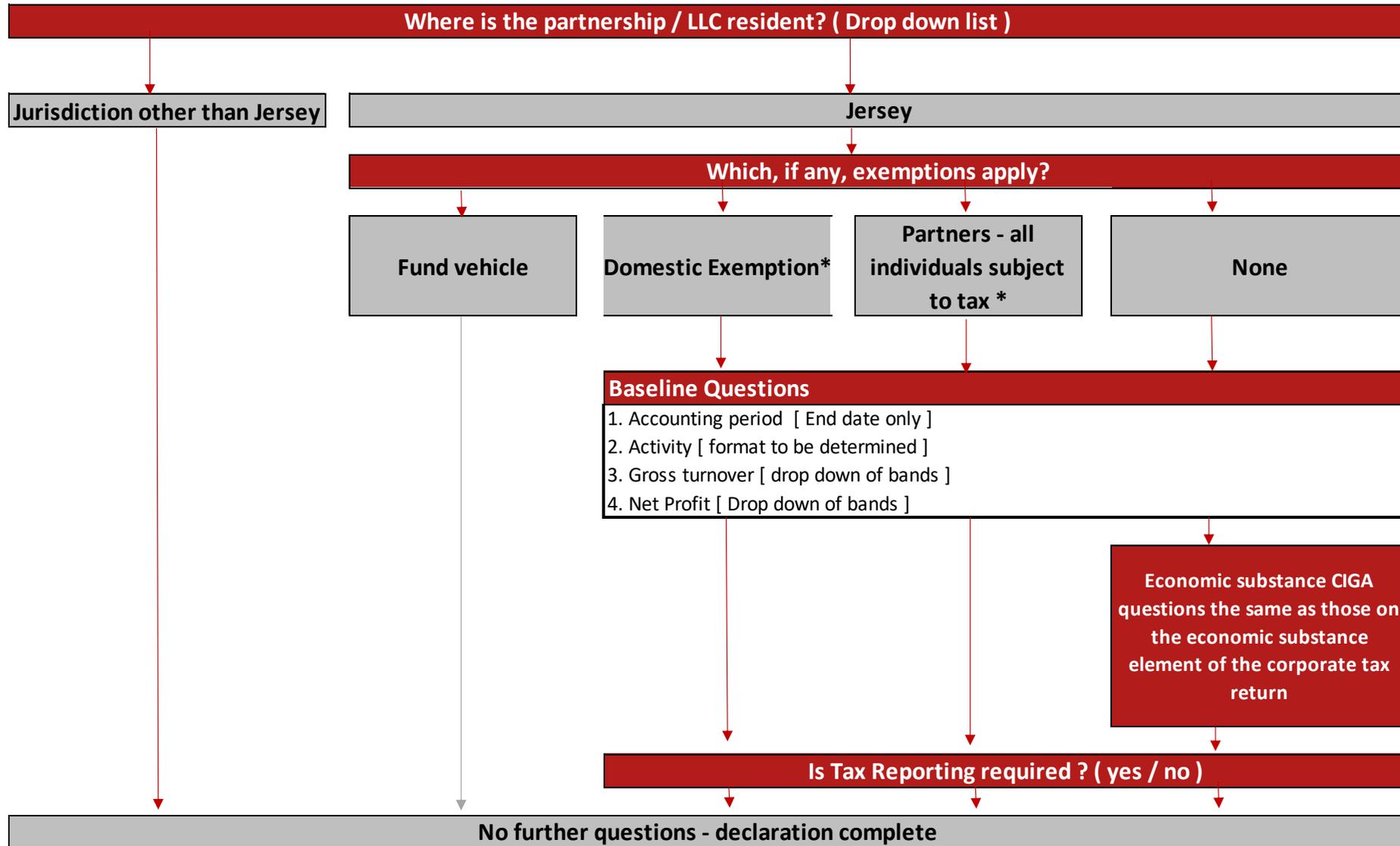
**Jersey**

**JE2 3RR**

**Appendix I - Partnerships: Summary of current and proposed administrative requirements**

Type of Partnership	Description/definition?	Current tax position	The challenges with the existing position	New Economic Substance obligations	Proposed tax administration requirement for all partnerships
General Partnerships	Trades or professions carried on by two or more persons jointly.	The partnership is required to provide Revenue Jersey with an annual partnership statement and a joint partnership assessment, separate from the partners' income tax assessments.	The annual partnership statement and joint partnership assessment can create difficulties in finalising assessments, especially where partners join and leave the partnership, and/or there are changes in a partner's personal circumstances that are reflected in the partnership assessment	The Economic Substance Law, which was passed in June 2021, presents partnerships with new obligations. For General Partnerships there are a number of relevant exclusions, for example, for partnerships comprising solely individuals subject to Jersey income tax.	All partnerships will be required to submit a Combined Notification. Within the Combined Notification, partnerships will be required to disclose information pertinent to the compliance requirements for economic substance. Partnerships will be required to declare whether they are in
Limited Partnerships ('LPs')	Partnerships where one or more partners have limited liability, and one or more partners have unlimited liability. These can be formed under the Limited Partnership (Jersey) Law 1994, or under the legislation of another jurisdiction.	The partnership submits returns when a notice has been issued by the Comptroller. The Comptroller will usually only issue a notice when a Jersey tax impact of the partnership has been identified.	In practice, this places a significant burden on Revenue Jersey's understanding of each partnership before a notice is issued. Revenue Jersey is reluctant to issue notices, but at the same time also needs some information so as to be able to administer tax compliance	The Economic Substance Law, which was passed in June 2021, presents partnerships with new obligations. For LPs, SLPs, ILPs and LLPs there are a number of relevant exclusions -- for example, for funds and domestic partnerships.	scope for economic substance and if so, whether they meet the economic substance test. If a partnership is required to file a partnership tax statement, they will disclose information regarding the partnerships trade, profits, the profit split between partners and the taxable profits of each partner.
Separate limited partnerships ('SLPs')	Partnerships formed under the Separate Limited Partnership (Jersey) Law 2011.	If the Comptroller issues the relevant notice, a partnership statement is then required to be provided to Revenue Jersey.			
Incorporated Limited Partnerships ('ILPs')	Partnerships formed under the Incorporated Limited Partnership (Jersey) Law 2011.				
Limited Liability Partnerships ('LLPs')	Partnerships formed under the Limited Liability Partnership (Jersey) Law 2017.	Each partner is responsible for declaring any profits taxable on them in their own tax returns, regardless of whether the partnership has been issued with a notice or not.			Partners will declare their own share of taxable partnership income

Appendix II – Combined Notification for Partnerships (and Jersey incorporated LLCs)



\* Not clear if these options will apply for LLCs

For those partnerships who state they need to report information for tax purposes - the electronic tax return opens up for them to report information on those taxable partners, their partnership income, relevant allowances, and taxable profits

**Tax Reporting Questions**

**Partnership Level**

**Total Turnover**

£

**Profits**

£

**Capital Allowances claimed**

£

**Taxable Profits**

£

**Have you attached the financial statements ?**

Y/N

( attachment not mandatory)

**Partner specific information**

**Partners/Memibers Name**

Text

**Partners/Memibers TIN**

10 digit

**Taxable Profit Share**

£