

Guidance as to the information which will be requested in relation to economic substance on the Jersey Corporate Tax return.

1. General

The 2018 return requested details of the relevant activities of companies, the 2019 will require this information and also further information on economic substance<sup>1</sup>. The return will only provide the additional economic substance questions to those entities which are required to complete this part of the return. Essentially this is companies reporting accounting periods starting on or after 1/1/19 and which are tax resident in Jersey. Certain companies will not be required to make an economic substance return these are registered pensions companies, collective investment funds, and ISVs (intermediary service vehicles).

2. Relevant Activities

Companies will have to state which, if any, of the relevant activities they perform. Companies will be able to select more than one activity, if they fall within multiple definitions.

Companies will alternatively have to state they do not conduct any of the relevant activities.

For each relevant activity the company will be required to enter the gross income from the relevant activity. The gross income is all the income in the financial period before any deductions, analogous to the turnover from the activity. This is the income as measured on an accruals basis, not a paid basis.

Where a company confirms it does not meet the definition of any of the relevant activities, or for the relevant activities they do meet there is no gross income in the period, then they will have completed the economic substance section of the return.

3. Directed & Managed Questions

This section relates to the directed and managed in Jersey element of the economic substance test as described in Article 5(3) of the Taxation (Companies- Economic Substance)(Jersey) Law 2019 ( 'the Law' ).

The company will need to confirm it meets a number of statements in relation to each of the areas described in the test, and also to provide a numeric number for those Board meetings in Jersey where there were a quorum of directors physically present.

Quorum for this purpose is interpreted in line with company law, taking into account any additional requirements as described in the Articles of Association of the company itself.

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<sup>1</sup> Please see the Taxation (Companies- Economic Substance)(Jersey) Law 2019, further guidance material is available from Revenue Jersey

#### 4. Identifying the specific Core Income Generating Activities ("CIGA") performed.

For each relevant activity declared the company will be presented with a list of all the CIGA as set out in the Law to declare which are performed as part of its relevant activities. The company must tick all the CIGA which form part of its relevant activities.

In addition there is an 'other' box, which if ticked will open a text box for details to be entered.

For a Holding Company Business, companies will not be required to declare the CIGA as there is only one in the Law.

#### 5. Relevant Activities General Information.

In respect of each relevant activity the company will be required to provide the following general information in respect of this activity;

##### 5.1. Accounting Profits attributable to the relevant activity in the financial period.

For a company where the relevant activities are the whole of its activities this will be the same as entered earlier in the corporate tax return, other companies will need to calculate this figure.

##### 5.2. Number of employees ( or equivalent ) in Jersey.

This is measured in full time equivalents ('FTEs'), and looks at all those in Jersey, whether the company's employees or another entities working on the relevant activities.

##### 5.3. Number of employees with reportable qualifications

Again measured in FTEs this will be a subset of the figure above, the definition of what constitutes reportable qualifications is [published at the end of this guidance](#).

##### 5.4. Premises address in Jersey

These are the address(es) of the premise(s) used in the relevant activity, and can be those of another entity.

##### 5.5. Total gross expenditure in Jersey

This is the total expenditure incurred by the Jersey resident company on the relevant activity less any sums expended by ( attributed to ) any overseas Permanent Establishment of the resident company.

##### 5.6. Total gross expenditure incurred on outsourcers in Jersey.

This is a subset of the total gross expenditure in Jersey, and includes all expenditure on outsourcing providers in the financial period who provided their services in Jersey, the outsourcing includes any activities. If expenditure has been incurred further questions will be required – see Further outsourcing questions.

5.7. Does the company meet the test for substance under Article 5 of the Law in respect of this activity.

The company must declare if, on its own analysis, it has met the economic substance test in respect of this activity.

6. Further outsourcing questions

These questions relate to expenditure on outsourcing providers, and seek to gather further information.

The initial question clarifies if any of the activities outsourced would constitute the outsourcing of one or more CIGA. If the activities outsourced are not a CIGA then this section is complete.

Where one or more CIGA have been outsourced, the company will have to provide for each of these outsourcing providers.

- The name,
- the total expenditure,
- either their TIN or address,
- and confirmation if the figures in the return for employees and premises include this outsourcing providers employees or premises.

7. Further questions for High Risk IP companies

All companies with a relevant activity of IP Holding Company will be required to state if they are a high risk IP company.

Those which confirm this, or where other entries on the return suggest they are a high risk IP company will have to provide details of their ;

- Immediate Parent
- Ultimate Parent, and
- Ultimate Beneficial Owner

The company will then be reminded that they should be attaching additional evidence to rebut the presumption that the economic substance test is failed.

8. End of Information Filing Requirement - This ends the specific economic substance questions – the corporate tax return also has a 'free text' box where additional information can be entered if required, and additional documents can be always be submitted if required.

### 5.3.1 Qualified Employees to be reported in the Tax return ( reportable qualifications )

#### a. The need for qualified employees

When considering, what is an adequate number of employees, this relates to the employees needed to be able to conduct the relevant activities.

Revenue Jersey will expect employees to, collectively, demonstrate appropriate qualifications, experience, competency and a broad, complementary skill set relevant to the activities.

The Corporate Tax Return will initially request the numbers of 'employees in Jersey' but then it will also require the numbers of those employees which are 'employees with reportable qualifications'.

#### b. Requirements for reporting in the Tax return

Solely for reporting in the tax return the numbers of employees who are qualified, the qualifications which can be considered as reportable would be those equivalent to, or higher than what would be Level 5 in the UK (National Qualification Framework) or Level 5 EQF (European Qualification Framework).

In cases of difficulty the UK government and European Union maintain websites to look up most qualifications, (and where necessary there are options to have other countries qualifications assessed against such standards for a fee). This is not a service provided by the Government of Jersey.

As well as being at the appropriate level only those qualifications which are linked, or are clearly transferrable, to the relevant activities should be reported. It is not possible to dictate which qualifications are relevant as this depends on the specific circumstances and activities of the company, but in most cases they would form part of that role's 'job specification'.

#### c. How Revenue Jersey will use this information

Revenue Jersey will only use this figure of employees with reportable qualifications for risk assessment and comparative purposes.

Where Revenue Jersey seeks to question the economic substance of a company, the company will always have the opportunity to justify why the employees are adequate for its specific circumstances.