# Practice Note | Assignment of income

Revenue Jersey is aware of tax planning schemes whereby a taxpayer seeks to assign their right to income to another party connected to the taxpayer but retains the beneficial interest in the underlying asset. The taxpayer then claims they are not subject to income tax in respect of the income that has been assigned to the other party.

The most common example is the assignment of rights to dividends to another party whilst the taxpayer retains a beneficial interest in the shares themselves.

Revenue Jersey does not accept such schemes are effective for Jersey income tax purposes and is of the view that the taxpayer remains assessable to the income in question in some or all of the following circumstances:

- The assignment is revocable by the taxpayer;
- The directors/ managers/ custodians etc. of the underlying asset are not party to the income assignment agreement;
- The taxpayer receives the income into an account in their own name before it is passed to the account of the other party; and/or
- The constitutional documents of the underlying asset do not specifically allow the income attributable to that asset to be paid to someone who is not the legal and /or beneficial owner of the asset. Revenue Jersey will use the general anti-avoidance provision (Article 134A of Income Tax (Jersey) Law 1961) if it considers constitutional documents have been amended from the 'model' articles to include this provision without a valid commercial rationale.

**Next steps**

Revenue Jersey will very often be unaware that a taxpayer has entered into a scheme such as the one described above because they maintain there is no income to declare. Revenue Jersey does not accept this is a valid filing position and invites taxpayers who have entered into income assignment schemes to write to us at jerseytaxrulings@gov.je, providing details of the scheme, the income they have assigned to other parties and an explanation of why the taxpayer considers the scheme is effective.

Revenue Jersey will then either confirm the treatment or, if considered appropriate, raise assessments in respect of that income. The taxpayer has the usual rights of appeal against any such assessment(s) raised.

For submissions made up to 30 September 2023 in respect of years of assessment 2021 and prior, Revenue Jersey will treat the submission as if it is a voluntary disclosure for the purposes of calculating the civil penalties or pecuniary settlement (further to Article 137 of the Income Tax Law as at 31 December 2019) that may be due.

If Revenue Jersey becomes aware of a taxpayer taking advantage of such arrangements after the end of 2023, penalties with no voluntary disclosure mitigation will apply (but mitigation for cooperation may still be available).

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