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# Jersey

A well-oiled machine.

Interview with Ian Strang, Kate Anderson & Jeffrey Giovannoni, Voisin Law

Jersey has a population of around 100,000 people, of whom approximately 12,000 work in the finance industry. This is an island jurisdiction with financial fund services at the heart of its economy. As such, it is able to draw upon a deep pool of talent, including graduates from UK universities as well as resident professionals with years of experience.

"We have a good talent pool here and a very buoyant financial funds industry. Talent isn't an issue. That said, if you can't find specific talent you are allowed to bring someone to the island. If it's a specific role you need to fill, that's fine," explains Ian Strang, Managing Partner, Voisin Law, a leading Jersey full service law firm.

From an infrastructure perspective, Jersey Telecom embarked on a 'Gigabit Isles' project last year, an ambitious Fibre-to-the-Home ultrafast broadband network, providing local businesses and residents with superior internet connectivity. This project is now close to completion so the majority of businesses and homes should have ultrafast broadband.

"We have high quality IT cable links to the UK and a cabling network that connects to the French electric grid. If the French network were to go down, we have our own electricity generation system, which is very important from a disaster recovery and business continuity perspective for hedge fund managers," says Strang.

The island's financial regulator is the Jersey Financial Services Commission ('JFSC'). Managers need consent from the JFSC to operate their fund businesses and that would depend on the fund structure and who the promoters are, etc.

"If you are thinking of relocating your business Locate Jersey will help you and your lawyers to develop the business plan for submission to the JFSC. It's a reasonably straightforward process. In terms



**Ian Strang, Managing Partner at Voisin Law**



**Kate Anderson, Partner at Voisin Law**



**Jeffrey Giovannoni, Partner at Voisin Law**

of timescale it's around about a six-week application process, the vast majority of which is spent doing background checks and ensuring that adequate capital is in place. The JFSC is friendlier than I understand other regulators to be. You can always pick up the phone to ask questions, so there's a lot of flexibility," explains Kate Anderson, Partner and expert in regulatory matters.

Such is the appeal of Jersey that it has, in recent years, attracted some prestigious hedge fund managers including Brevan Howard and Leda Braga's Systematica Investments.

Jeffrey Giovannoni, Partner, confirms that approximately 31 high net worth individuals and 20 family offices have relocated to Jersey within the last year. "In effect this is a British island with a British culture. It has good schools and offers a great family lifestyle, as well as having excellent communications to the UK and the rest of Europe.

"It is also a stable political environment. Jersey has low personal taxation, capped at 20 per cent, which is very attractive for a high earner. Overall, there are a number of desirable soft functions that make Jersey attractive," says Giovannoni.

Jersey's private schools will tend to give priority to the children of families coming here from the UK and many act as feeders to UK boarding schools. "Alternatively, you can use our excellent local state owned private schools, which are partly state funded and have very high academic standards," adds Giovannoni.

Jersey is a tax-neutral jurisdiction. There is no capital gains tax, capital transfer tax, wealth or inheritance tax payable in relation to the issue or realisation of investments in a Jersey investment fund (unless the fund invests in Jersey property or buildings). "We have a 5 per cent goods and services tax, which applies to all imported goods including food," says Strang.

Jersey-incorporated companies that are controlled and managed on the island are subject to a 'Zero/Ten' regime. All financial companies must pay 10 per cent, while non-financial companies pay zero corporate tax.

A fund, whether established as a company, unit trust or limited partnership, is not generally subject to any local Jersey tax. Jersey resident managers, administrators and custodians are generally liable to Jersey income tax at the rate of 10 per cent.

Hedge fund managers who are thinking of relocating to Jersey can apply to be a Licensed Person, requiring them to pay 20 per cent personal tax. Alternatively, they could choose to come in as a Wealthy Immigrant, in which case they would pay 20 per cent on the first GBP725K and only pay 1 per cent tax on all other income above GBP725K.

### Fund structuring options

Within the regulated fund arena Jersey has a class of funds called 'unclassified funds', within which there are three categories:

- Fully unclassified
- Expert funds
- Listed funds

There are also the unregulated funds of which there is currently one class the Eligible Investor funds where the manager is regulated and not the fund itself.

Jersey has a wide range of fund options but the most popular choice used by hedge fund managers is the Expert fund, which can be regulated in around three days provided a regulated administrator is used.

"The Expert fund comes under the National Private Placement regime at the moment. As a third country, Jersey does not yet have the funds passport in place. We were one of the first non-EU jurisdictions to be approved by ESMA and then Brexit got in the way. The Jersey Private Fund is another class of lightly regulated fund which is allowed to make up to 50 offers," says Anderson. Each investor must qualify in a Jersey Private Fund as either a "professional investor" or an "eligible investor" as per the JFSC's JPF Guide; the minimum investment is GBP250K.

From an AIFMD perspective, how Jersey will be treated as a third country will very much depend on what the UK's



Brexit deal looks like. Presently, the first wave of third countries to have received ESMA's imprimatur – Jersey, Guernsey, the United States, Hong Kong, Singapore and Switzerland – can be regarded as benign.

"If you add the UK, however, it stops being benign," says Anderson. "Suddenly, if the UK doesn't have a trade deal and it comes under this regime, it may end up changing (the dynamic). The best situation for us would be that the UK has a trade deal of some sort under which it is not a Third Country."

In terms of legal vehicle, Jersey-domiciled funds will typically be structured as companies or limited partnerships; the latter include separate limited partnerships and incorporated limited partnerships, which have subtle tax treatments.

"We are just about to improve our Limited Partnership law to make it a bit more fund friendly. The UK changed its law 12 months ago to match Jersey but we want to make ours even better," adds Anderson.

In respect to directors, a Jersey-based fund manager will need to have six eyes sat in Jersey. That doesn't mean they have to be local to Jersey. If three principals are brought over to relocate to Jersey and set up home that would satisfy the oversight requirements of the JFSC.

"What you do have to show, however, is that the business will benefit the community," emphasises Strang. Bringing three principals over and then outsourcing everything back to the UK would be hard to show what benefit it would bring to Jersey, compared to combining UK relocated staff with a number of locally hired professionals.

In summary, Jersey is a well-regulated jurisdiction with many of the advantages of being in London, without the rush hour commute and endless traffic congestion.

It is a much more friendly tax regime to high earners and, arguably, a friendlier regulator.

"If you come and meet the regulator and the different service providers operating here, you will quickly discover that it is a well-oiled machine. Relocating to Jersey is not at all onerous. It is home to high quality service providers which provide City-quality advice. Everyone works together to make sure it is a smooth process," concludes Giovannoni. ■