

2020 Jersey Budget and Business Brief Update

30 April 2020

Jersey's 2020 Budget was contained in the first ever Government Plan for Jersey published by Ministers. The purpose of the Government Plan includes bringing together the Government's proposals for both income generation and spending, which is intended to lead to improved and more transparent decision making. No separate 2020 Budget Statement was published.

The key highlights of the Budget 2020 measures and some reminders of changes already in place for this year are set out below:

Personal Tax

Exemption thresholds

- The single person exemption threshold has increased from £15,400 to £15,900 and the married couple/civil partnership threshold has increased from £24,800 to £25,550, whilst the second earner's allowance has moved from £6,000 to £6,250.

Personal tax return filing deadline

- The personal tax deadline remains 31 May for those persons without an agent who are filing a paper return. Those persons without an agent who file their return online have the filing deadline extended until 31 July.
- The penalty for filing your personal tax return late has increased from £250 to £300, or the amount equal to your tax if your assessment is less than £300. In addition, if the return is not filed by 3 months after the deadline a penalty of £50 will be applied for each month that the return remains undelivered up to a maximum of £450.

Personal tax payment dates

- The payment deadlines for those persons making Payment on Account payments has been changed from the last Friday in April to 31 May.
- The surcharge deadline has also been changed from the 'last Friday after the first Monday in December' to 30 November.

Increase in default effective rate

- Following an increase in the Long-Term Care (LTC) rate from 1% to 2%, the default effective rate has increased from 21% to 22%. The effective rate ceilings have also been increased to 27% (one year's arrears), 32% (2 years' arrears) and 37% (3+ years' arrears).

Business Tax Changes

Companies becoming Jersey resident

- All bodies corporate that either become Jersey resident or gain a Jersey source of income must now notify the Comptroller within 6 months of this event arising.

Payments on account

- In 2020, all companies liable to pay income tax will be required to make a payment on account towards the company's 2019 liability. The amount to be paid on account must be estimated by the company. Large companies (those with a tax liability exceeding £500,000 for each of the previous two years of assessment) must make their 2019 payment on account by 31 March 2020 and other companies must pay by 31 May 2020.
- The surcharge deadline for companies has changed from the 'first Friday after the first Monday in December' for all companies to 30 September for large companies and 30 November for other companies.

Company tax filing penalties

- The company tax return filing deadline remains the same date as before, 31 December. However, the penalty for filing company tax returns late has increased from £250 to £300. In addition, if the return is not filed by 3 months after the deadline a penalty of £100 will be applied for each month that the return remains undelivered up to a maximum of 9 months.

Benefit in Kind returns

- Benefit in Kind (BIK) returns are now required to be filed each year by 31 January, following the year to which the benefit relates. Late filing penalties will not apply in 2020 (for the 2019 Year of Assessment).

Social Security Contributions

- Employer Class 1 social security contributions and Class 2 contributions have been increased from 2% to 2.5% for earnings between the standard earnings limit of £53,000 up to the new upper earnings limit of £250,000.

Other Changes

Goods and Services Tax

- Jersey applies a de-minimis threshold to the importation of goods. If you import goods to Jersey below the de minimis then no GST is payable. This threshold is to be reduced from £240 to £135 from 1 July 2020. This is a potential first step to match future global standards to abolish de-minimis thresholds.

On-going Work

Personal tax review

The Government of Jersey is planning to change Jersey's personal tax system, including efforts to equal taxation rights for married couples and couples in civil partnerships. In particular, there is a desire to address the historic imbalance that currently exists in the tax treatment of married women and people in same sex relationships. Proposals were lodged on 22 November 2019, which are to be reviewed by a scrutiny panel. The panel will then publish a comments paper, including any findings and recommendations for the Government.

Current year payment basis

There is concern that many taxpayers who are on a prior year payment basis are unaware that they may have a latent tax liability that will need to be paid at some point in the future. The Government of Jersey therefore considers it preferable for taxpayers to pay their tax on a current year basis. However, to prevent issues caused by triggering the latent tax liability on moving taxpayers on to a current payment basis, the Government is considering the options to achieve this.

Taxation of profits from cannabis

Under the current rules any potential future corporate profits arising from the cultivation of cannabis in the Island would be subject to tax at 0%, this being the general rate of corporate income tax in Jersey. Consideration is being given to changing the rules so that profits arising from such activities are subject to a positive rate of corporate income tax.

Consultation regarding stamp duty on "enveloped properties"

Under the current rules neither stamp duty nor land transaction tax is due where ownership of Jersey commercial real estate is transferred by way of a share transfer. As a result, there is a tax incentive to hold Jersey commercial estate within a company (said to be "enveloped" within the company). A consultation has been launched describing some outline proposals on ways of removing the tax incentive and requesting comments/feedback.

Next Steps

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