

"K category" or "High Net Worth Individuals" Residential Housing Qualifications

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briefing.

The States of Jersey, through the Housing Minister, exercises certain controls over the purchase and occupation of residential property in the Island, principally under the Housing (Jersey) Law 1949 and the Housing (General Provisions) (Jersey) Regulations 1970. For those not born in Jersey or without a considerable period of continuous residency, acquiring property can be difficult. This briefing provides an overview of an alternative route to Housing qualifications, under the provisions of Regulation 1(1)(k).

What is Regulation 1(1)(k)?

Under this regulation the Minister may grant consent to an applicant to purchase a property where he is satisfied that consent can be justified on social and economic grounds. Individuals granted consent under Regulation 1(1)(k) are commonly referred to as "1(1)(k)'s" or "High Net Worth Individuals" or "High Value Residents".

When will the Minister be satisfied that consent can be justified?

Consent is normally issued to wealthy immigrants to the Island where the Minister is satisfied that the applicant will make a significant contribution to the Island's tax revenues were he or she to reside in Jersey.

Each application is considered on its own merits; however applicants are generally required to generate an annual tax contribution of no less than £125,000. Appropriate tax planning advice should be sought prior to applying for residency in the Island.

In determining whether to grant consent the Minister will have regard to the following factors:

- The individual's contribution to the Island's tax revenues.
- The business/social background of the applicant and the potential benefit to the

Island as a result of him or her taking up residence.

- The number of dependants of the applicant and the extent to which those dependants may in time acquire housing rights of their own.
- Any other general benefits which the Island may obtain if the applicant takes up residence.
- Total net worth.
- The possibility of the applicant bringing business to the Island which will generate tax revenues and provide employment.

What information will the Minister require in order to make a decision?

The Minister will expect to see a full curriculum vitae, together with evidence of the applicant's contribution to the community in which the applicant previously resided. In addition, the Minister will wish to see evidence of wealth, usually prepared by an accountant, setting out how such wealth has been achieved and the future intentions of the applicant, references as to the applicant's character and details of the applicant's dependants. A check of the applicant's criminal record will also be undertaken.

What does consent permit?

The consent permits the individual to purchase property which is classified as available to persons qualifying under that Regulation. Such properties will be those that are outside the financial reach of the majority of local residents, typically having a value in excess of £1m.

Should the individual wish to sell and purchase a different property a fresh application must be made to the Minister for consent. However, it is worth noting that an individual gaining 1(1)(k) housing qualifications will obtain Housing qualifications in their own right once 10 years'

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continuous residency in the Island has been completed.

If the individual sells their property and leaves the Island their housing status will be lost.

What is the rate of tax payable?

1(1) K individuals new to the Island are taxed on their Jersey source income at 20%, subject to certain personal allowances. The first £1,000,000 of non-Jersey source income is also taxed at 20%, the next £500,000 is taxed at 10% and non-Jersey source income above the £1.5 million level is taxed at 1%. This regime is due to be simplified during 2011.

Whilst Jersey is a low tax jurisdiction, it is not a tax haven and derives its income principally from income tax, excise and duties. However, there are no taxes levied on capital, capital gains or inheritances, nor are there any death duties (save for the payment of stamp duty in relation to grants of probate, letters of administration and registration of wills of immovable property). However, Goods and Services Tax (G.S.T) (similar to UK V.A.T.) is payable at a new increased rate of 5% with effect from 1 June 2011.

What is the position in relation to the family?

The Housing consent that will be issued, permitting the individual to purchase a home, will also enable his or her family to reside with them. In addition, the children acquire the right to lease or purchase in their own name once they are of age and have been ordinarily resident in the Island for an aggregate period of at least ten years. This period must commence before their twentieth birthday. Periods spent away from the Island, whilst engaged in full time education, whether at boarding school or university, also count toward the ten year period.

Where can I find out more?

For detailed advice concerning qualifying under Regulation 1(1)(k) and the occupation and purchase of 1(1)(k) property please contact the Property Team at Mourant Ozannes.

In addition, we would recommend that potential 1(1)(k) applicants seek professional tax and accountancy advice before submitting an application.

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