

# **New rules for the provision of information by partnerships to Revenue Jersey**

**Response paper**

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## Background and response rate

1. On 31 January 2022, the then Minister for Treasury and Resources published a [consultation paper](#) seeking feedback on the proposal for new rules for the provision of information by partnerships to Revenue Jersey.
2. The consultation ran from 31 January 2022 to 31 March 2022 and Islanders were invited to submit their response by email.
3. Six respondents submitted substantive comments by email. Of those who responded, one came from an industry association, three came from professional services organisations, one was a corporate entity in the finance industry, and one individual responded in their personal professional capacity. The industry association is a body that represents the views of a number of major finance industry participants and has provided the views of the participating members as a collated response.
4. On behalf of the Minister for Treasury and Resources, Revenue Jersey has considered all the feedback and has provided a summary of the responses below.
5. Further questions or comments relating to the consultation paper, or this response paper can be sent to:

[Tax.Policy@gov.je](mailto:Tax.Policy@gov.je)

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**Question 1: In your experience, is the current tax regime for partnerships giving rise to difficulties and, if so, please outline the nature of these difficulties? What recommendations would you propose to improve the tax filing arrangements for partnerships?**

6. In respect of respondents who provided an explicit response to the question, they confirmed there were not any difficulties with the current arrangement.
7. However, respondents did comment that partnerships often faced confusion as to whether they were required to file a return.
8. Suggested improvements to the tax filing arrangements were to provide greater clarity as to whom is required to file a partnership return.
9. It was also suggested by one respondent that returns should have the option to be filed online and not solely by paper, as is currently required.
10. **Revenue Jersey response:** Revenue Jersey expects law to be introduced in the Draft Finance (2023 Budget) (Jersey) Law 202- and will clarify which partnerships are required to file Combined Notifications. Revenue Jersey is updating its taxpayer portal to accommodate the online filing of the proposed Partnership Combined Notification.

**Question 2: Do you agree that any future partnership tax assessment approach should involve the partners being personally assessed on their taxable income from the partnership, as opposed to a joint assessment (as currently applies to general partnerships)?**

11. Of the four respondents who provided a clear view on the proposal to personally assess partners on their taxable income from the partnership, all four respondents were supportive of the change, subject to the change being implemented in a fair and equitable manner with suitable transitional arrangements.
12. One of the key concerns raised by a number of respondents was that the proposed change could give rise to a mismatch between 'profits earned' and 'profits assessed' for partners of general partnerships (see 'other points raised' at the end of this document).
13. Other responses expressed concern about the administrative burden of an increase in filing if each individual partner was required to file an individual return. This would also include non-Jersey residents.
14. The increased filing would also cause more difficulties in collecting revenue, as suggested by one respondent.
15. **Revenue Jersey response:** Revenue Jersey is taking into consideration the concerns raised about increased reporting requirements. The proposed Partnership Combined

Notification will only ask for basic information that should be readily available to a well-run partnership. Revenue Jersey is also considering easement filing options for foreign resident partners, especially where a partnership has a significant number of non-resident partners. The concern raised in respect of mismatched profits has been discussed between industry representatives and Revenue Jersey as part of wider discussions on the tax treatment of partnerships. Revenue Jersey is confident the concerns raised are not of widespread application and can be resolved on an individual partnership basis.

**Question 3: Do you agree that all partnerships should have the one fixed filing date for the new Combined Notification?**

16. All respondents agreed that the proposed Combined Notifications should be filed by one fixed date.
17. **Revenue Jersey response:** Revenue Jersey will take into consideration the consensus of having one fixed filing date for the proposed Combined Notification.

**Question 4: Do you foresee any challenges with aligning the partnership filing deadline to the corporate income tax return filing deadline?**

18. The four respondents who provided a response to the question were broadly in agreement with aligning the partnership return filing date with the corporate income tax filing date (currently 31 December in the year following the year of assessment).
19. Concerns were raised in regard to timing misalignment between the partnership filing date (31 December) and the individual partner filing date (31 July for partners who are Jersey resident). The problems raised outlined that the proposed change would create a dependency on the partnership to prepare the return more than five months in advance of the partnership filing deadline in order to meet the filing obligations of the individual Jersey resident partner.
20. **Revenue Jersey response:** It is acknowledged that non-corporate partners of a Jersey partnership may be required to file their own Jersey tax return before the partnership files its Combined Notification and this might require partners to submit amended return information if their original return included, say, estimated profit allocation figures. A resolution of this issue would require a fundamental change to the tax compliance timetable, which is beyond the scope of this specific consultation. Nevertheless, for general partnerships, the filing deadline is being extended beyond the current deadline of 31 July.

**Question 5: Do you agree that a consistent approach is desirable across all types of partnerships? If not, what distinctions should be made?**

21. Respondents agreed that a consistent approach would be most appropriate.
22. The misalignment between the partnership filing deadline and the individual partner filing deadline was also raised in response to this question.
23. **Revenue Jersey response:** It is acknowledged and agreed that a consistent approach is adopted for all partnerships. The proposed Combined Notification will help ensure that a consistent approach is taken.

**Question 6: Do you foresee any challenges with the requirement to file online?**

24. Respondents did not foresee any challenges with filing online but did highlight that registering the partnerships on the online portal would constitute the most significant challenge.
25. The need to communicate the logistical challenge of registering partnerships early was emphasised, as was the expectation that Revenue Jersey would work with the Jersey Financial Services Commission to identify partnerships.
26. The ability to upload XML files, as with company tax returns, was requested.
27. **Revenue Jersey response:** Revenue Jersey will ensure that XML files can be uploaded to reduce the administrative burden. Planned communications will ensure that all those affected by the changes are kept informed as early as possible.

**Question 7: Are you, or a person you represent, one of those to whom this would represent a difficulty?**

28. Respondents were not affected by the requirement to file online.

**Question 8: What additional information would you consider should be included in the partnership tax statement?**

29. Respondents highlighted the need for clear reporting in respect of non-residents.
30. A number of additional questions were also suggested.
31. **Revenue Jersey response:** All suggested questions have been considered. Revenue Jersey is committed to ensuring there is a clear reporting process for non-resident partners. Information will be required only in respect of non-Jersey resident partners where

that non-resident partner has a source of income or profit that would give rise to a Jersey income tax liability.

**Question 9: Do you foresee any challenges with the format of the proposed partnership tax statement? If so, please provide details of the problems identified.**

32. It was suggested that a format similar to the current corporate return may be appropriate.
33. As with earlier questions, the need for clear processes in respect of non-residents partnerships or partners was emphasised.
34. **Revenue Jersey response:** Engagement with stakeholders is underway to best inform the format of the Combined Notification, including consideration of the reporting requirements for non-resident partnerships or partners. A separate workshop was held in June 2022 with over 20 stakeholders to discuss the format of the Combined Notification. A demonstration of the draft Combined Notification will also be shared with a small group of tax agents and industry representatives in October 2022.

**Question 10: Do you have any comments on this approach to dealing with the tax compliance of partnerships?**

35. Respondents indicated they would expect a 'light touch' approach to penalties during the first year of operation, accompanied by clear guidance.
36. A broader review as to whether the filing deadline should be linked to accounting periods was also proposed.
37. **Revenue Jersey response:** Revenue Jersey commits to providing clear guidance on the obligations of partnerships and their partners. The appeal regime will be available to partnerships and their partners in line with the Revenue Laws that govern appeal processes. There is no planned review to align filing deadlines to accounting periods at this moment in time.

**Other points raised – one submission**

- Currently, the income of a partner is deemed to be the share to which he or she is entitled in profits during the year of assessment and not with reference to the accounting date.
- From an income tax perspective, as a first principle, it is each partner that is to be assessable on their agreed share of the pooled partnership profits.
- Article 74 of the Income Tax (Jersey) Law 1961 is an administrative easement that overrides the above-mentioned first principles by allowing Revenue Jersey to issue one assessment for profits against the partnership rather than issuing multiple assessments against each partner. Nonetheless, in reality that partnership income tax liability is due and

payable by the partners on a joint and several basis and it is for the partners to agree amongst themselves how the liability is divided and paid. The move to a Combined Notification will remove the joint assessment and partners will be assessed on their agreed share of the pooled partnership profits, as agreed by the partnership.

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