



COLLAS CRILL PARTNER DILMUN LEACH LOOKS AT RECENT LEGAL TECHNOLOGY TRENDS IN JERSEY

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A key trend that we have seen recently in the legal world is the number of new technology businesses setting up in Jersey. As one of the world's leading financial centres with a well respected regulator and legal system, a wealth of expertise and a modern and flexible companies law, Jersey is the ideal jurisdiction to start a technology business. Here are some reasons why.

Companies law

Jersey's companies law has its foundations in English companies law, meaning that not only is it robust and well-respected, it will also be familiar to investors around the world. Despite the similarities, Jersey offers a degree of flexibility not always afforded by English law.

For example, Jersey company law has flexible mechanisms for returning capital to investors, ensuring that investors are taxed on lower capital rates instead of income rates, provided that a look-forward cash flow solvency test is met. Similarly, assuming the company is solvent, a Jersey company can make a distribution to shareholders from any source other than nominal capital or capital redemption reserve. This repatriation of income to investors usually gives rise to a dividend tax treatment (so the lower divided tax rates apply compared to higher income rates).

Sandbox

As well as investing in some of the highest speed internet globally, Jersey has implemented innovative regulations to help fledgling technology businesses develop.

Legislation was passed in 2015 requiring virtual currency exchangers to register with the Jersey Financial Services Commission and implement certain AML/CFT procedures.

However, in recognition of the importance of giving start-up technology businesses the freedom to experiment and develop their business models, services and products without being constrained by burdensome regulation, the law also created a "regulatory sandbox" which exempts virtual currency exchangers with a turnover of less than £150,000 from most of the provisions of the law.

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ICOs

The States of Jersey has also announced that new guidelines will be published with detailed guidance on launching an ICO, giving technology businesses new options for raising capital and cementing Jersey's reputation as a tech hub.

New vehicles

Future legal developments on the horizon that will provide new flexible options for tech start-ups include:

- An update to the Jersey limited partnership law where further "safe harbours" will be introduced for limited partners to play a more active role in the limited partnership without losing their limited liability status
- New limited liability partnership (**LLP**) law, where an LLP can now be used as an instrument structure, or a new tech joint venture business for example, and there are more flexible arrangements for returning capital to members
- A new limited liability company (**LLC**), similar to that used in the US, where members have limited liability and can manage their affairs as they wish under the LLC agreement

All this, combined with a business friendly tax regime, a favourable time-zone and easy access to London and the European markets makes Jersey an attractive place for cutting edge technology businesses to establish themselves.

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