

# Jersey and the Global Minimum Tax – the OECD Pillar Two Rules

## What you need to Know

- Jersey has adopted legislation to implement the OECD Pillar Two rules in 2025.
- The new legislation will result in some entities being subject to a tax in Jersey if they meet prescribed conditions.
- There are exceptions for securitisation entities and investment funds. These should exempt a significant amount of the international financial sector.
- The laws should be kept under review and advice confirming the application should be sought.
- Maples Group is actively engaged with the implementation of this issue in Jersey as well as in other jurisdictions and can provide advice. Our Jersey practice is working closely with our global tax teams, leveraging our existing knowledge on Pillar Two implementation in Ireland, Luxembourg and other jurisdictions, with particular focus on investment funds, financial services and multinationals, to provide a unique perspective on the impact of Pillar Two both in Jersey and globally.

## Background and Overview

The OECD Pillar Two Global Anti-Base Erosion (GloBE) rules were agreed by more than 140 countries in December 2021. The GloBE rules are intended to ensure that large multinational groups pay a minimum effective rate of tax

(ETR) of 15% on income which arises in each of the jurisdictions where they operate.

Jersey's Minister for Treasury & Resources lodged draft legislation containing the GloBE rules in the States Assembly on 14 August 2024. On 22 October 2024, the States Assembly (Jersey's parliament) unanimously adopted the legislation implementing the OECD Pillar Two rules. The new legislation will be effective for fiscal years beginning on or after 1 January 2025.

Having opted to defer the implementation of the GloBE rules until 2025, Jersey is well-positioned to monitor the implementation of Pillar Two in other jurisdictions (such as the UK and EU countries which adopted Pillar Two from 1 January 2024). This has afforded Jersey more time to consider the potential impact on in-scope entities.

The adoption of these rules is a measure which will allow global groups to utilise Jersey based entities without creating additional complexity under the Pillar Two rules. Jersey should be viewed as a jurisdiction which, where necessary under Pillar Two, has an appropriate tax regime in place. In addition, as it has not adopted certain elements of the Pillar Two rules (namely, the Under-Taxed Payments Rule or 'UTPR'), Jersey will not seek to impose tax on the profits of its parent entities, or other low-tax group entities, which it is not a parent entity of.

## In Scope Entities

The GloBE rules, as reflected in Jersey's Pillar Two legislation, have important features for Jersey as an International Finance Centre.

The Pillar Two regime will only apply to members of multinational groups (MNEs) which have consolidated group annual turnover exceeding €750 million. All other businesses that are below the €750 million global annual revenue threshold will see no impact and will remain under Jersey's existing competitive tax regime.

Therefore, as a gating item, all possibly impacted entities should review whether they are consolidated within an MNE which breaches the financial threshold.

### How will the new GloBE Rules work

The GloBE rules will co-exist alongside Jersey's domestic tax rules which remain in place. The new rules create two new taxes.

#### 1) The Income Inclusion Rule (IIR)

The IIR will subject Jersey based ultimate parent entities (UPEs) and / or intermediate parent entities (IPEs) to a top-up tax on their non-Jersey profits, but only under certain limited circumstances. The IIR will apply where the group has low-taxed profits arising in other jurisdictions.

#### 2) The New Multinational Corporate Income Tax (MCIT)

The MCIT applies to Jersey companies and Jersey branches of in-scope MNE groups. It applies a tax rate of 15% on their Jersey profits, from 2025. The MCIT is designed to impose Jersey tax on entities which, absent this, would find that their profits are taxable in another jurisdiction.

The MCIT follows the same tax base calculation as that provided for in the GloBE rules. The tax base that is used for the determination of GloBE income or loss will be the group's consolidated financial accounting position, to which adjustments will be made to calculate the final defined GloBE income.

### Exclusions for Investment Funds

The GloBE rules provide exclusions for certain entities ("Excluded Entities") including certain investment funds and real estate investment trusts that are themselves ultimate parent entities and entities owned by such entities. The Jersey legislation preserves these exclusions by providing that the IIR and MCIT will not apply to

- an investment entity,
- an insurance investment entity, or
- a securitisation entity.

These terms follow their definitions in OECD guidance on GloBE. Accordingly, all investment funds will be excluded from the Jersey GloBE taxes provided the specific entity:

1. is designed to pool assets (which may be financial and non-financial) from a number of investors (some of which are not connected);
2. invests in accordance with a defined investment policy;
3. allows investors to reduce transaction, research, and analytical costs, or to spread risk collectively;
4. is primarily designed to generate investment income or gains, or protection against a particular or general event or outcome;
5. is one in respect of which investors have a right to return from the assets of the fund or income earned on those assets, based on the contributions made by those investors;
6. is, or its management is, subject to a regulatory regime in the jurisdiction in which it is established or managed (including appropriate anti-money laundering and investor protection regulation); and

7. is managed by investment fund management professionals on behalf of the investors.

These provisions should mean that the majority of widely held investment funds are outside scope of the rules. The position may be less clear for "funds of one", however, in cases where feeder funds have a diverse series of owners, the exclusion should still be applied. Further guidance is expected from the Jersey authorities on these cases.

## Securitisation Entities

The Jersey legislation provides an exemption from the MCIT for securitisation entities. This is significant for CLO managers. The exclusion arises on foot of recent [OECD guidance](#) which provided jurisdictions with the option to treat Securitisation Entities as excluded from the scope of the GloBE rules.

What constitutes a Securitisation Entity is a legal test based on the OECD guidance. The entity must satisfy each of the following conditions:

- a. it only carries out activities that facilitate one or more securitisation arrangements;
- b. it grants security over its assets in favour of its creditors (or the creditors of another securitisation entity);
- c. it pays out all cash received from its assets to its creditors (or the creditors of another securitisation entity) on an annual or more frequent basis, other than:
  - i. cash retained to meet an amount of profit required by the documentation of the arrangement, for eventual distribution to equity holders (or equivalent); or
  - ii. cash reasonably required under the terms of the arrangement for any of the following purposes:
    1. to make provision for future payments which are required, or will likely be required, to be

- made by the entity under the terms of the arrangement; or
2. to maintain or enhance the creditworthiness of the entity.

In broad terms a securitisation arrangement means an arrangement which:

- a. is implemented for the purpose of pooling and repackaging a portfolio of assets (or exposures) for unconnected investors in a manner that legally segregates one or more identified pools of assets; and
- b. seeks through contractual agreements to limit the exposure of those investors to the risk of insolvency of an entity.

In many senses, the Jersey adoption of this exclusion is more advanced than in other jurisdictions where there is less certainty regarding the exclusion.

## How Maples Group can help

Maples Group has been engaging with the Government of Jersey and Revenue Jersey regarding the implementation of Pillar Two and the GloBE rules. Additionally, our experienced lawyers have provided input on a number of responses to Pillar Two consultations and feedback statements in several other jurisdictions, demonstrating a truly global perspective on Pillar Two implementation.

Maples Group in Jersey is actively involved in all areas of investment funds, asset management and financial services sectors, and advises Jersey and international clients on legal and regulatory issues. Our existing knowledge on Pillar Two implementation in Ireland, Luxembourg, and other jurisdictions and diverse client base give us a unique perspective on the impact of Pillar Two in both Jersey and globally.

Regulated by the Jersey Financial Services Commission, the Maples Group's Jersey entity formation and corporate services team also provides full fiduciary and administration services to corporate investment holding

companies, limited partnerships and other types of entities.

## Further Information

For further information, please liaise with your usual Maples Group contact or any of the persons listed below.

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