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## Understanding International Savings Plans (ISPs)

10 frequently asked questions about ISPs.

### Introduction

This brief guide is designed to provide the answers to the fundamental questions about Jersey's International Saving Plans (ISPs). Jersey introduced ISPs on 1st January 2019, after an amendment to the Income Tax Jersey (Jersey) Law 1961, to allow Jersey to provide these popular plans for the first time. Terry Northcott Associate Director of Corporate Services answers ten of the frequently asked questions about ISPs.

#### Q1. What is an ISP?

Put simply. It is a plan that can be put in place in Jersey by international employers to help their employees save for retirement and/or other life events.

#### Q2. So, it's like a pension?

In a way, but the key difference is that a Jersey ISP provides a much more flexible framework for employers and employees than an ordinary pension can offer.

#### Q3. So how is the ISP more flexible than a pension?

With a pension, there are usually strict rules around when an employee can take benefits, and this generally can't take place until an employee has reached retirement age. With a Jersey ISP, the employer can provide a plan that allows its employees to take benefits much earlier.

#### Q4. Why is there a need for ISPs?

International employment practices and retirement needs have changed dramatically over the last ten or twenty years. Employees are now much more internationally mobile and are likely to work for several employers over the course of their working life or for one employer in several jurisdictions. To attract and retain employees, employers need to be able to provide savings plans that are as flexible as the roles they offer.

#### Q5. How flexible is an ISP?

Very. Jersey law does not dictate the benefits that can be offered under an ISP. This means that employers can

design their ISPs to meet the needs of their staff and can even allow for one ISP to provide different classes of staff different benefits. For example, the ISP can enable employees to benefit upon leaving employment, or upon any number of other 'life events' such as redundancy, ill health, divorce or purchasing a property. Different benefits can be offered to different classes of employee, such as international employees and locally resident employees.

#### Q6. Is this a good idea to have such flexibility?

The idea of having one long-term pension arranged by your employer to provide for you in retirement is looking increasingly outdated, but the need to put in place a long-term savings plan is unlikely ever to go away. However, the reality of the modern world is that employees now desire and demand greater control over their benefits and their retirement planning. This is precisely what a Jersey ISP offers. That said, as well as being a stand-alone solution, an ISP can easily run in conjunction with traditional pension plans or any other employee incentive plans.

#### Q7. What are the key requirements of an ISP?

An ISP must:

- have the sole objective of providing benefit to employees outside of Jersey;
- be established by way of a Jersey irrevocable trust;
- have at least one trustee regulated by the Jersey Financial Services Commission;
- not be a plan that would fall under the Jersey pensions legislation.

## Q8. How are ISPs taxed?

One of the key attractions of the Jersey ISP is that it is officially tax-approved by the Tax Office in Jersey. What this means in practice is that an ISP is a tax-neutral structure in Jersey. Income and gains held by a non-Jersey resident within an ISP will not be taxable in Jersey and the distributions made out to employees will also not be taxable in Jersey. However, the trustees will be required to make regular submissions to the Tax Office in Jersey, ensuring a comforting degree of regulatory oversight to which the trustee must submit.

## Q9. Why Jersey for ISPs?

Primarily because we are good at this stuff! Employers must look to establish their plans in politically stable jurisdictions that have the capability and experience to manage them for the long term. Jersey has been administering trust-based savings plans for decades. Over this time our trust law and our legal and regulatory framework have developed into the internationally respected system that you see today. The ISP seeks to build on this pedigree, and it is for this reason that

all ISPs must have a Jersey-law trust and a Jersey trustee who will oversee and be regulated by the Jersey Financial Services Commission. In this way, the good governance of the ISP can easily be ensured.

## Q10. What can an ISP be used for?

- Providing retirement benefits to ex-pat employees employed in jurisdictions that do not provide adequate benefit to non-nationals.
- Allowing employers in the GCC region to provide for End of Service Gratuity benefits off-balance sheet, meaning that employees' benefits are protected from creditor and insolvency risks.
- Incentivising employees – for example, by way of using the ISP to help employees acquire shares in their employer.
- Retaining employees – for example, employers can 'match' contributions into the ISP up to an agreed percentage and can design the ISP so that the employee can not access these contributions until they have reached a certain agreed length of service.

If you would like to know more about ISPs or about Fiduchi, please contact one of our team below.

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