

Summary of Guernsey taxation

Briefing Summary: This document summarises certain key aspects of Guernsey taxation law for the calendar years 2025 and 2026.

Service Area: Acquisition and Leveraged Finance, Corporate, Corporate Regulation and Compliance, Private Client, Taxation and Economic Substance Requirements, Trusts and Private Wealth, Estate Planning

Location: Guernsey

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Corporate income tax

Residences

Companies tax resident in Guernsey are subject to income tax on their worldwide income.

A company is tax resident in Guernsey if:

- it is incorporated in Guernsey;
- it is incorporated outside of Guernsey but is “centrally managed and controlled” in Guernsey (control for these purposes is the strategic control and is generally exerted by the directors so the location of board meetings and decision making is key); or
- it is incorporated outside of Guernsey but is directly or indirectly controlled by one or more Guernsey resident individuals (control for these purposes is shareholder control, rather than director control, and generally applies where one or more natural persons are able to secure by means of the holding of shares, being a loan creditor or the possession of voting powers, that the affairs of the company are conducted in accordance with their wishes).

A company incorporated outside of Guernsey that becomes tax resident in Guernsey must notify the Revenue Service of it becoming resident in Guernsey.

A Guernsey tax resident company can be treated as non-resident for a particular year of charge if it is proved to the satisfaction of the Director of the Revenue Service that, in the year of charge:

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- it is tax resident in another territory (“**Territory A**”) under Territory A’s laws;
- it is centrally managed and controlled in Territory A;
- either:
 - the highest rate of corporate income tax or corporation tax in Territory A is at least 10%; or
 - Territory A and Guernsey are both parties to a double tax agreement that treats the company as being resident in Territory A over Guernsey; and
- its tax residence in Territory A is not motivated by the avoidance of Guernsey tax.

Tax rates

A standard rate of 0% applies to most companies that are tax resident in Guernsey. However, income arising from certain activities is taxed at 10% or 20%.

The 10% rate applies to income arising from:

- certain types of banking business;
- custody business (when carried out by an institution or business that carries out certain types of banking business);
- fund administration (in relation to unconnected third parties);
- investment management (in relation to clients that are not funds and are not associated with funds);
- fiduciary business;
- the operation of an investment exchange;
- certain compliance and other related services;
- domestic insurance business;
- insurance management and insurance intermediary businesses;
- the operation of an aviation registry.

The 20% rate applies to income arising from:

- trading activities regulated by the Guernsey Competition and Regulatory Authority, such as telecommunications;
- the importation and/or supply of gas or hydrocarbon oil in Guernsey;
- large retail business carried on in Guernsey where the company has taxable profits arising or accruing from which in any year of charge exceed £500,000;
- the ownership of land and buildings situate in Guernsey;
- the business of the licensed cultivation or processing of the cannabis plant or its use for the licensed production of certain products; and
- the business of the licensed prescribed production of controlled drugs or their licensed prescribed use in any production, processing, activity or other use.

Pillar Two – Domestic Top-up Tax and Multinational Top-up Tax for large MNE Groups

In line with the OECD's Two-Pillar Solution to the global risks posed by base erosion and profit shifting in a digital economy ("**Pillar Two**"), Guernsey introduced important changes to its tax regime with effect from 1 January 2025. From that date, a new Domestic Top-up Tax ("**DTT**") and a new Multinational Top-up Tax ("**MTT**") were added to Guernsey's taxing tool-kit in accordance with the OECD's GloBE Model Rules (the "**Rules**"). The Rules are designed to ensure that large multinational enterprise groups ("**MNE Groups**") pay a minimum level of tax of 15% on the income arising in each jurisdiction in which they operate. For the vast majority of Guernsey-based entities, Pillar Two will not be relevant and the DTT and MTT will have no direct impact for tax raising purposes. The Rules are strictly targeted at MNE Groups with annual revenues of EUR 750 million or more in the Consolidated Financial Statements of the Ultimate Parent Entity ("**UPE**") of the MNE Group in at least two of the four fiscal years immediately preceding the tested year. The Rules do not apply to MNE Groups that have no foreign presence or have less than EUR 750 million in consolidated annual revenues.

MNE Groups that are within scope of the Rules calculate their Effective Tax Rate ("**ETR**") in each jurisdiction in which they operate in accordance with the Rules and pay a top-up tax, being the difference between their ETR per jurisdiction and the 15% minimum tax rate set by the OECD.

Where applicable, Guernsey's DTT and MTT operate in tandem but address different parts of the MNE Group's operations. These top-up tax regimes, which are consistent with the Rules, overlay Guernsey's existing domestic tax regime and rely on the existing framework in Guernsey's Income Tax Law for their administration.

Guernsey's Domestic Top-up Tax is designed to ensure that the ETR on Guernsey-sourced profits of in-scope MNE Groups reaches the OECD's minimum tax rate of 15%. In Guernsey, where the standard corporate tax rate is 0% (with 10% and 20% rates for specific activities), in-scope MNE Groups will likely show a local ETR well below 15%. In such cases, a top-up tax is calculated on the "Excess Profit," calculated in accordance with the Rules. Subject to certain "de minimis" exclusions, liability for the top tax is then shared between the in-scope entities in Guernsey of the MNE Group, with the resultant top-up tax collected being paid to Guernsey's Revenue Service.

Guernsey's Multinational Top-up Tax applies when a Guernsey-resident entity is an in-scope UPE of a MNE Group or is the Intermediate Parent Entity ("**IPE**") of the MNE Group, where no entity above the Guernsey IPE in the structure chain is in-scope of the Rules. The MTT is designed to tax profits of the MNE Group's constituent entities calculated in accordance with the OECD's' Income Inclusion Rules ("**IIR**"), where those profits arise in "low-taxed" jurisdictions outside Guernsey. Thus, if a Guernsey-based parent entity of an in-scope MNE Group has a subsidiary in a foreign jurisdiction with, say, a 5% ETR, and that jurisdiction has not implemented a Qualifying DTT of its own, Guernsey will collect the 10% difference as a MTT in Guernsey. If, however, the subsidiary's jurisdiction has implemented its own Qualifying DTT, the amount of top-up tax paid in that foreign jurisdiction is credited against the MTT due in Guernsey, effectively reducing the liability to pay a top-up tax in Guernsey to zero.

By choosing to implement a DTT and a MTT in Guernsey in accordance with the options available under the Rules, Guernsey is able to preserve its taxing rights over income generated within its own jurisdiction, whilst ensuring that members of the MNE Group are not prejudiced by Pillar Two treatment in other jurisdictions in which they operate.

Non-corporate entities

Unit trusts and foundations are treated as companies for Guernsey income tax purposes.

Partnerships, limited partnerships and limited liability partnerships are transparent for Guernsey income tax purposes and so are not taxable entities in Guernsey.

Corporate Tax Returns

Generally, income tax returns must be filed by 30 November following the end of the relevant tax year (a tax year is a calendar year although for companies carrying on a business income tax is computed by reference to the accounting period ending within the relevant tax year). Electronic filing of returns is mandatory. Tax is due in two instalments, by 30 June and 31 December, in relation to a tax year, with a final balancing payment due once the final assessment has been made. Penalties and surcharges can apply to late filing and/or payments.

Under the current timeline, the corporate tax return for the calendar year 2025 should be filed by 30 November 2026.

Collective Investment Schemes

There is an exemption regime available for collective investment schemes, entities beneficially owned by collective investment schemes, entities established for the purpose of certain specified activities relating to a specific collective investment scheme, and entities established for the purposes of undertaking collective investment in which the units are listed on an approved exchange or market.

Exemption has to be applied for annually and is subject to payment of an annual fee currently fixed at £1,600. Certain conditions must also be met. Where exemption is granted the entity is treated as not being resident in Guernsey for tax (but not necessarily substance) purposes and is not liable to Guernsey tax on non-Guernsey source income (which includes for these purposes Guernsey bank deposit interest).

Personal income tax

General

Independent taxation was introduced in Guernsey on 1 January 2023. Every individual is now recognised by law as having responsibility for their own tax affairs, including completing their own tax returns and paying any tax due. From 2023 each individual will have their own tax reference and will be required to complete a personal tax return for the relevant reporting year, regardless of their marital status.

Guernsey resident individuals pay income tax at a flat rate of 20%. The personal income tax year is the calendar year and tax returns must generally be filed (either electronically or on paper) by 30 November of the year following the relevant tax year. Tax is due in two instalments, by 30 June and 31 December, in relation to a tax year, with a final balancing payment due once the final assessment has been made. Penalties and surcharges can apply to late filing and/or payments. Taxes on employment income are deducted from salary payments.

There are different classes of residence which effect an individual's tax treatment. Individuals can be:

- "principally resident" - they are in Guernsey for 182 days or more in a tax year, or are in Guernsey for 91 days or more in a tax year and have spent 730 days or more in Guernsey over the four prior tax years;
- "solely resident" - they are in Guernsey for 91 days or more in a tax year, or are in Guernsey for 35 days or more in a tax year and have spent 365 days or more in Guernsey over the four prior tax years, and in either case have not spent 91 days or more in any other jurisdiction in the tax year; or
- "resident only" - they would be treated as solely resident in a tax year, but they have spent 91 days or more in another jurisdiction for that tax year.

The Director of the Revenue Service has discretion by reason of exceptional and compelling events and circumstances to issue guidance as to derogations from or other modification of the provisions that may be applied for by an individual for the purposes of (i) calculating the number of days which the individual is treated as having spent in Guernsey, and (ii) determining whether that individual is resident, solely resident or principally resident in Guernsey.

Individuals who are resident in Guernsey based on the above classes will pay Guernsey tax on their worldwide income, although foreign tax relief is available.

However, individuals that are “resident only” can elect to pay a standard charge of £40,000 (£50,000 from 1 January 2026). Where an individual elects for the standard charge, that individual is exempt from Guernsey income tax on their worldwide income, but would still have to pay tax on any Guernsey-source income.

Allowances and deductions

Generally, each individual taxpayer has a personal allowance of £14,600 (£15,200 from 1 January 2026). However, for those with income over the threshold currently £82,500 (£85,000 from 1 January 2026), personal and other allowances are gradually withdrawn. Married people and those in civil partnerships are able to transfer their unused personal allowance to their spouse/partner. Pension contributions of up to £35,000 per person are deductible. However, for those with income over the threshold currently £82,500 for 2025 (£85,000 for 2026), this tax relief is withdrawn up to the limit of £2,500 in aggregate in respect of pension contributions.

Interest paid on a mortgage on a person’s main residence is also deductible, but restrictions do apply – the maximum amount of yearly interest that is deductible is £3,500 (£7,500 for a married couple or civil partnership, where each spouse or civil partner is a borrower) and interest attributable to a portion of a mortgage over £400,000 is not deductible.

Those with income of more than the threshold currently £82,500 for 2025 (£85,000 for 2026) have the foregoing allowances reduced by £1 for every £5 over the £82,500 for 2025 (£85,000 for 2026). However, as stated, in respect of pension contributions, the withdrawal will not go beyond £2,500 p.a. for each individual.

Tax cap

A Guernsey resident individual can elect for a cap on their income tax liability. Elections can be made for a liability cap of £160,000 to apply for an individual on non-Guernsey source income. The cap can be increased by election to £320,000 for 2025 on income from both in and outside of Guernsey. These caps remain the same for 2026. The tax cap does not cover income from land and property in Guernsey or income derived from Guernsey pension/annuity schemes in respect of triviality payments or lump sums above the tax-free limit. Tax is due on income from these sources in addition to the applicable cap.

New residents to Guernsey who pay £50,000 or more in document duty on the purchase of a property or all of the shares in a company which owns a property that is on Part A of Guernsey’s Open Market register can benefit from a lower tax cap of £60,000 for four years. The cap remains the same for 2026.

Withholding tax

Guernsey does not levy any withholding tax on interest, royalties or service fees.

Dividends paid by Guernsey companies to non-residents are also free of withholding tax.

Guernsey companies paying dividends to Guernsey resident individuals must deduct withholding tax of 20%, although lower rates can apply where and to the extent that the income from which the dividend is paid is taxed at the 10% or 20% rates.

If the company has exempt status it does not need to deduct withholding tax from dividends paid to Guernsey resident individuals although it may be required to report the dividend to the Director of the Revenue Service.

Anti-avoidance

Guernsey does not have specific anti-avoidance rules such as transfer pricing, thin capitalisation or controlled foreign company rules.

However, Guernsey does have a broad general anti-avoidance provision which targets transactions where the effect of the transaction or series of transactions is the avoidance, reduction or deferral of a tax liability. The Director of the Revenue Service in Guernsey has discretion to make such adjustments to the tax liability to counteract the effects of any perceived avoidance, reduction or deferral of the tax liability.

Foreign Account Tax Compliance

FATCA

Guernsey is party to an intergovernmental agreement with the US regarding FATCA and implemented FATCA due diligence and reporting obligations in June 2014. Under FATCA legislation in Guernsey, Guernsey "financial institutions" are obliged to carry out due diligence on account holders and report on accounts held by persons who are, or are entities that are controlled by one or more natural persons who are, residents or citizens of the United States, unless a relevant exemption applies.

Guernsey was also a party to an intergovernmental agreement with the United Kingdom in relation to the United Kingdom's own version of FATCA, which was also implemented in June 2014.

However, the United Kingdom's version of FATCA has now been superseded by the adoption by Guernsey (alongside numerous jurisdictions) of the much broader global Common Reporting Standard ("**CRS**").

Inheritance tax

Guernsey does not levy an inheritance tax. There are registration fees and ad valorem duty for a Guernsey Grant of Representation where the deceased dies leaving assets in Guernsey which require presentation of such a Grant.

CRS

Guernsey is a party to the OECD's Multilateral Competent Authority Agreement under which information is exchanged with other participating jurisdictions for the purpose of the CRS as implemented in Guernsey with effect from 1 January 2016. Under CRS legislation in Guernsey, Guernsey "financial institutions" are obliged to carry out due diligence on account holders and report on accounts held by persons who are, or are entities that are controlled by one or more natural persons who are, residents of jurisdictions that have adopted the CRS, unless a relevant exemption applies.

Mandatory Disclosure Rules ("MDR")

Guernsey, along with the other Crown Dependencies, has committed to introduce MDR for CRS avoidance arrangements and opaque offshore structures. MDR is not yet operational in Guernsey. It will require promoters of avoidance arrangements and service providers to disclose information on the arrangement or structure to the Revenue Service. Such information would include the identity of any user or beneficial owner, which information would then be exchanged with the tax authorities of the jurisdiction in which the users and/or beneficial owners are resident, provided that there is a relevant information exchange agreement.

Double tax treaties and tax information exchange agreements

Guernsey has signed 17 full double taxation agreements and over 61 tax information exchange agreements. Guernsey is also a party to the OECD's Multilateral Convention on Mutual Administrative Assistance in Tax Matters.

Base erosion and profit shifting

Guernsey is committed to adopting the BEPS minimum standards. Guernsey has implemented country-by-country reporting in respect of accounting periods commencing on or after 1 January 2016 and has also adopted the spontaneous exchange of tax rulings with other jurisdictions. On 7 June 2017, Guernsey along with over 60 other jurisdictions, signed the OECD's Multilateral Instrument to implement tax treaty-related measures to combat BEPS and treaty abuse.

More recently, along with over 140 jurisdictions which had signalled a similar commitment, with effect from 1 January 2025 Guernsey introduced into its domestic law the OECD's GloBE Model Rules. These Rules implement the OECD's Pillar Two solution for addressing perceived BEPS risks arising from the digitalisation of the economy.

Overlaying the domestic tax regime, a new domestic top-up tax and new multinational top-up tax were introduced in Guernsey to apply to large MNE Groups with annual consolidated revenues of EUR 750 million or more. These top up taxes do not apply to MNE Groups that have no foreign presence or have less than EUR 750 million in consolidated revenues. In practice, the top-up taxes are anticipated to apply in very limited circumstances to Guernsey-based members of MNE Groups, that are already aware of their potential to be in-scope of Pillar Two, due to existing country-by-country reporting requirements, which share the same consolidated revenue threshold of EUR 750 million.

For more on Pillar Two in Guernsey see [Pillar Two in Guernsey](#).

Economic substance

Guernsey has introduced economic substance legislation for accounting periods commencing on or after 1 January 2019. The legislation was introduced to meet a commitment made to the EU Council to address concerns that Guernsey's 0% corporate income tax rate could facilitate offshore structures aimed at attracting profits which do not reflect real economic substance.

Economic substance requirements apply to a Guernsey tax resident entity where and to the extent that it:

- carries on one or more of the following "relevant activities": banking, insurance, fund management (this does not include companies/partnerships that are Collective Investment Vehicles, unless they are a self-managed fund), financing and leasing, headquartering, shipping and distribution and service centres;
- is a holding entity for Guernsey company law purposes and has as its primary function the acquisition and holding of shares or equitable interests in other entities and which carries on no commercial activity; or
- has income from intellectual property assets.

Other taxes

Stamp duty/transfer taxes

Transfers of Guernsey real property attract a document duty. Transfers of interests in certain unlisted entities (other than collective investment schemes) that have a direct/ indirect interest in Guernsey real property also attract a document duty (certain exemptions apply).

Apart from the above document duty, there are no other stamp or transfer taxes in Guernsey.

Social security

Guernsey levies a social security charge. The applicable rates for 2025 are 7.0% for employers, 7.4% for employees, 12.2% for the self-employed and 11.6% for the non-employed (reduced to 3.8% for those over pension age). The annual upper earnings limit is £188,604 for 2025.

The applicable rates for 2026 are 7.1% for employers, 7.5% for employees, 12.4% for the self-employed and 11.8% for the non-employed (reduced to 3.8% for those over pension age). The annual upper earnings limit is £196,560 for 2026.

Secondary Pensions

The phased introduction of secondary pensions came into effect in Guernsey from 1 July 2024. The policy behind the introduction is to support working age people to save for their retirement. All employees must be automatically enrolled into a secondary pension scheme unless they opt out. For those who opt out, employers are required to re-enrol them every three years, with the option for the employee to opt out each time. Employers may defer enrolment for a period of up to three months, in order to cater for probationary periods and also ease management of different employee start dates. There are minimum levels of contributions that need to be paid by both employers and employees, based on the same definition of earnings as social security contributions. From 1 January 2026 employers are required to contribute 1%. The employer may also choose to contribute the employee's share of 1.5%. Employers will be required to submit quarterly secondary pension returns to Revenue Service, which has responsibility for monitoring compliance with the secondary pension legislation.

Consumption tax

Guernsey does not levy any value added, goods and services or consumption taxes.

Capital gains tax

Guernsey does not levy a tax on capital gains.

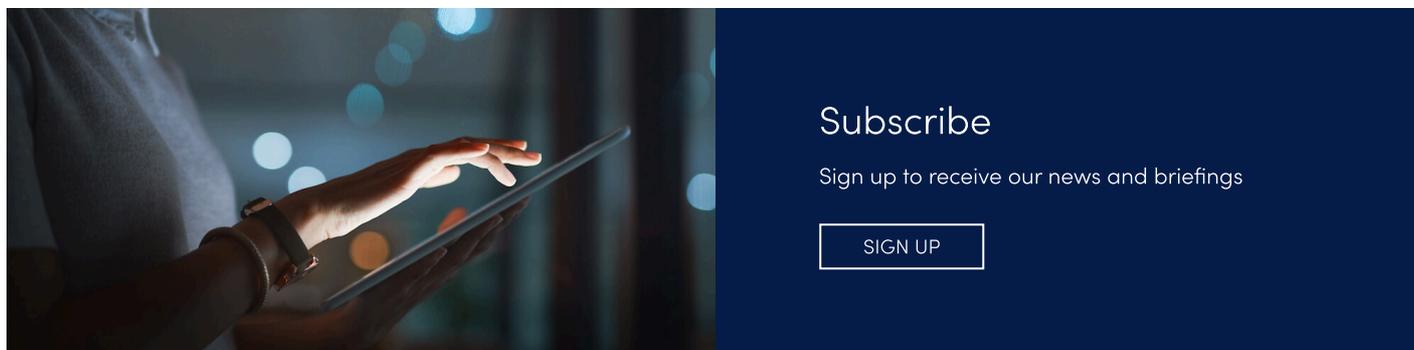
Net wealth/net worth taxes

Guernsey does not levy a net wealth/net worth tax.

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Please note that this briefing is intended to provide a very general overview of the matters to which it relates. It is not intended as legal advice and should not be relied on as such. © Carey Olsen (Guernsey) LLP 2026



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