

Investing in Guernsey

Briefing Summary: Guernsey is one of the world's largest offshore finance centres with a thriving funds industry.

Service Area: Investment Funds

Sector: Investment and Wealth Management

Location: Guernsey

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The benefits of Guernsey as a fund domicile

Guernsey is one of the world's largest offshore finance centres with a thriving funds industry. Guernsey's experience in private equity dates back to the early 1980s when the private equity industry was in its infancy, since then Guernsey has grown to become a leading jurisdiction for the formation and administration of private equity funds. Guernsey is also the domicile of choice for non-UK London Stock Exchange listed entities, making it the most popular jurisdiction after the UK for listed fund structures.

At the end of Q2 2021, there were over 1,400 investment funds and sub-funds under management and administration in Guernsey with a total net asset value of US\$533 billion.

Regulatory, political and legal regime

Guernsey has a robust and internationally respected system of financial regulation designed primarily for the protection of investors, and the Guernsey regulator has developed excellent regulatory cooperation with its EU counterparts.

Guernsey is politically and fiscally autonomous, with a stable political and legal structure.

Geography and international appeal

Guernsey is an English-speaking Crown Dependency and forms part of the British Isles, although it is independent of the UK. Located in the English Channel, Guernsey is in the same time zone as the UK and has strong links with the UK government and the UK funds industry.

Key Contacts



Annette Alexander
PARTNER, GUERNSEY
+44 (0)1481 732067

[EMAIL ANNETTE](#)



Christopher Anderson
PARTNER, GUERNSEY
+44 (0)1481 741537

[EMAIL CHRISTOPHER](#)



Andrew Boyce
PARTNER, GUERNSEY
+44 (0)1481 732078

[EMAIL ANDREW](#)



Tom Carey
PARTNER, GUERNSEY
+44 (0)1481 741559

[EMAIL TOM](#)



David Crosland
PARTNER, GUERNSEY
+44 (0)1481 741556

[EMAIL DAVID](#)



Tony Lane
PARTNER, GUERNSEY
+44 (0)1481 732086

[EMAIL TONY](#)

OFFSHORE LAW SPECIALISTS

BERMUDA BRITISH VIRGIN ISLANDS CAYMAN ISLANDS GUERNSEY JERSEY

CAPE TOWN HONG KONG SAR LONDON SINGAPORE

[careyolsen.com](https://www.careyolsen.com)

Guernsey funds are promoted or sponsored in more than 55 jurisdictions globally and are well known to the market worldwide. Guernsey is an established fund domicile for investors from all key global markets (including North America, the UK, Asia, the Middle East, South Africa, Switzerland and continental Europe).

Guernsey Funds and the AIFMD

Guernsey is neither a member nor an associate member of the EU and is classified as a third country. Guernsey is therefore not required to comply with EU directives such as the Alternative Investment Fund Managers Directive ("**AIFMD**"), however it has passed equivalent legislation in certain areas to facilitate access to EU markets.

In 2016, the European Securities and Markets Authority ("**ESMA**") confirmed its positive and unqualified assessment of Guernsey and advised the EU Commission, Parliament and Council to grant Guernsey a 'third country' passport. Guernsey funds are eligible to be marketed into the EU and EEA in accordance with the provisions of the AIFMD through national private placement regimes and (once available) the third country passporting regime. Fund managers marketing Guernsey funds into the EU may choose to opt in to some or all of the AIFMD. Equally, a fund manager marketing a Guernsey fund may choose not to adhere to the AIFMD to avoid certain requirements that they consider to be burdensome and costly.

Guernsey funds raise significant amounts of capital from EU based investors by utilising national private placement regimes which typically require only partial adherence to the provisions of the AIFMD, resulting in lower running costs and higher investor returns.

Taxation

Guernsey provides a tax neutral environment for funds and fund managers.

Funds structured as Guernsey limited partnerships are tax transparent. Funds structured as companies or unit trusts may apply for an annual exemption from income tax, subject to meeting certain criteria (and in the absence of an exemption, such entities are subject to income tax at the rate of 0%). Collective investment vehicles can also benefit from income tax exemptions.

Guernsey does not levy any form of capital gains tax or inheritance tax. No stamp or document duty, or transfer tax, is payable in respect of companies, unit trusts or funds structured as limited partnerships.

Key Contacts



Ben Morgan
PARTNER, GUERNSEY
+44 (0)1481 741557

[EMAIL BEN](#)

In 2017, the EU Code of Conduct Group on Business Taxation for the EU Economic and Financial Affairs Council ("**COCG**") confirmed Guernsey to be a cooperative jurisdiction which complied with the general principles of "fair taxation" and has raised no concerns regarding Guernsey's standards of transparency or implementation of measures to counter base erosion and profit shifting ("**BEPS**"). Given Guernsey's approach of applying a 0% corporate tax rate, the COCG requested that Guernsey take further steps to ensure that its tax system did not facilitate offshore structures aimed at attracting profits which do not reflect real economic substance. In response, Guernsey adopted economic substance legislation in 2018 and was consequently excluded from the EU's list of non-cooperative tax jurisdictions that was published in December 2017 and further updated during 2018.

The EU's list of cooperative jurisdictions

The aim of the EU list of non-cooperative jurisdictions is to promote valuable change within taxation, through legislation and practices. As published by The Council of the European Union on 4 October 2022, Guernsey is noted as cooperating with the EU and has no pending commitments.

The recognition of Guernsey as a cooperative jurisdiction by the EU alludes to the importance that Guernsey places on tax transparency, fair taxation, and anti-BEPS measures. It acknowledges that Guernsey is upholding the Organisation for Economic Co-operation and Development (the "**OECD**") and Global Forum international standards of transparency and information exchange alongside complying with the EU's Code of Conduct on Corporate Taxation.

International Cooperation

Guernsey adheres to the highest standards of international tax and regulatory principles and is committed to ensuring that this continues. Guernsey has given its full support for the transparency principles central to the current G20, OECD and EU tax initiatives and is working as part of the wider international community in the development and effective implementation of internationally agreed standards, including those set by the Financial Action Task Force ("**FATF**") and the OECD.

Guernsey has been assessed as being amongst the best quality financial centres in the world when measured against the rigorous international standards for preventing money laundering and terrorist financing set by the FATF. Guernsey was assessed by the Council of Europe Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism ("**Moneyval**") in 2016 and was found to have the highest standard of any jurisdiction so far assessed. Moneyval found that Guernsey has in place a range of measures to facilitate various forms of international cooperation and plays host to competent authorities and financial institutions that are highly efficient, knowledgeable and aware of their obligations. Guernsey boasts a wealth of highly qualified professionals and professional service providers, as well as experienced independent non-executive directors who provide guidance and oversight to funds and ensure that the highest standards of corporate governance are observed.

In July 2022, the OECD's Inclusive Framework on BEPS approved Guernsey's clean bill of health given by the Forum on Harmful Tax Practices ("**FHTP**") in April 2022. The FHTP reviewed the substantial activities factor for 12 "no or only nominal" tax jurisdictions and out of those jurisdictions assessed, Guernsey was one of only four jurisdictions where no issues were identified, and no remedial actions required.

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

