

## Guernsey funds – special considerations for US managers

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Guernsey, located in the English Channel, is one of the world's largest offshore finance centres, with a thriving funds industry. The value of funds under management and administration in Guernsey is US\$532bn.<sup>1</sup>

Guernsey is an attractive jurisdiction for fund structures due to its tax-neutral environment, flexible structuring options and reputation as a well-established and globally recognised finance centre.

In particular, Guernsey funds offers an effective route to attract UK/EU investors and will suit US managers looking to establish a UK/EU-facing feeder vehicle.

Main features:

- Tax neutrality: 0% corporate tax rate, no VAT, no stamp duty
- Fundraising: ability to access all major capital markets; investor familiarity
- AIFMD: Guernsey is not in the EU therefore the full scope of the AIFMD need not apply. If a US manager doesn't need to market on a pan-European basis, there is no great benefit to an AIFMD passport and a lighter regulatory approach applies under NPPR
- Speed to market: regulated funds can be approved in 24 hours
- Low cost: Guernsey funds typically have lower running costs than onshore equivalents; e.g. a Guernsey structure could save up to €3 million over the life of the fund compared to establishing in Luxembourg
- Political stability: Guernsey determines its own laws and taxes. The judicial system follows English common law principles, ensuring contracts can be enforced

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## Attractive to UK/EU investors

The EU's Alternative Investment Fund Managers Directive ("**AIFMD**") – which regulates the management and marketing of funds in Europe – has no direct application to Guernsey funds, unless the fund is being marketed into the EU. Even then, Guernsey funds can be marketed via individual national private placement regimes ("**NPPR**") which require only partial adherence to provisions of AIFMD – resulting in lower running costs and, consequently, higher investor returns.

Globally, Guernsey funds access markets representing 80% of global wealth. Most investors in Guernsey funds are located in the US, UK, Switzerland, South Africa, Canada, Singapore and the EU.

## An alternative to Luxembourg

Luxembourg funds are another route for raising European capital. However, Guernsey funds offer a more cost-effective and operationally efficient alternative. Recent research shows<sup>2</sup>:

- The administrative costs of establishing a "fully passported" Luxembourg fund and engaging a third party AIFM could easily reach €3 million over the lifetime of a fund, impacting fund and carried interest returns
- Astonishingly, over 97% of "fully passported" EU funds are registered for sale in only three or less EU countries; whereas the timeframes and costs associated with setting up a Guernsey fund and registering it for distribution into a handful of EU countries is significantly less
- Distribution pathways for Guernsey funds via NPPR are tried and tested, and work well

For these reasons, Luxembourg funds tend to be a more costly and administratively complicated option with no unique upside following completion of the distribution phase, particularly for cost-sensitive emerging/new managers.

## Private investment funds

The Guernsey private investment fund ("**PIF**") is the "go to" fund vehicle, particularly for new/emerging managers looking to deploy quickly on a cost-effective basis.

Key features of PIFs are:

- No limit on the number of investors
- No limit on marketing (although PIFs cannot be the subject of an offering to the general public)
- No requirement for a prospectus
- No requirement for an audit
- No requirement for a Guernsey manager

PIFs can be established as limited partnerships, LLPs, companies, cell companies (with incorporated or protected cells) and unit trusts. The one-off registration process is simple and regulatory approval takes 24 hours.

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For further information on PIFs, please visit our website briefing [here](#).

## Tax neutrality and good regulatory standing

Guernsey provides tax neutral environment for funds and fund managers. Funds structured as limited partnerships are tax transparent in Guernsey. Funds structured as companies or unit trusts are exempt from income tax in Guernsey.

Income from the provision of investment management services to collective investment schemes in Guernsey is subject to income tax at 0%. Guernsey does not levy any form of VAT, and so management fees charged or transaction/deal costs incurred by a Guernsey manager do not suffer any tax leakage.

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 limited partnerships that are funds.

For further information on the taxation of Guernsey funds, please visit our website briefing [here](#).

Guernsey's status as a transparent, low-risk and well-regarded jurisdiction was confirmed by the recent highly successful MONEYVAL's assessment of its anti-financial crime measures.<sup>3</sup>

## Carey Olsen

Carey Olsen is the leading legal adviser to Guernsey's investment industry. We advise 83% of the entire Guernsey-domiciled fund market by assets under management and nearly 73% by number of Guernsey-domiciled funds<sup>2</sup>. As you would imagine, we have advised on numerous deal-by-deal vehicles for globally recognised sponsors.

Please feel free to contact us. We would be delighted to share our knowledge and experience in this area.

<sup>1</sup> As at 30 June 2024; 30th annual Monterey Insight Guernsey Fund Report

<sup>2</sup> Corvus Group: Raising European capital: do the benefits of a marketing passport outweigh the cost?

<sup>3</sup> Guernsey achieves successful outcome in MONEYVAL financial crime assessment | Carey Olsen; MONEYVAL is a permanent body of the Council of Europe set up to assess compliance with international standards for counter money laundering and the financing of terrorism against FATF standards

*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*

