Changes to Guernsey taxation of employee share option schemes

Briefing Summary: Guernsey has implemented significant changes to the taxation of employee share schemes with effect from 1 January 2026. These reforms enhance the current treatment of such schemes by aligning Guernsey more closely with international best practice whilst addressing potential challenges faced by technology companies and startups in the current financial climate.

Service Area: Corporate, Employment, Pensions and Incentives, Trusts and Private Wealth

Location: Guernsey

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Key changes

Deferred taxation point

From 1 January 2026, the taxation point of share-based benefits in kind will move from the grant date to the later vesting or exercise date, subject to a seven year maximum deferral period. This fundamental change removes the current requirement for employees to pay tax before realising economic benefit from their awards.

Valuation methodology

While the taxation point moves to vesting/exercise, the quantum of the taxable benefit remains calculated as at the grant date and continues to be based on the market value of the benefit received. This provides certainty for both employees and employers regarding future tax and social security contribution liabilities.

Accelerated taxation events

The seven year deferral is subject to an accelerated taxation event occurring. Provided the awards are not forfeited upon these events, tax will become immediately due upon:

- Death of the employee
- Retirement
- Termination of employment
- Departure from Guernsey

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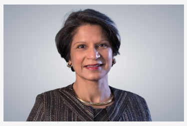

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Context and implications

The change comes as a result of industry consultation led by Guernsey's Committee for Economic Development. The previous regime, which taxed awards at grant despite typical multi-year vesting periods, potentially placed Guernsey at a competitive disadvantage in the current financial climate. While Guernsey's tax treatment, as set out in its Statement of Practice E43, provided limited relief on prior application to the Director of Revenue Service of up to three year deferral on the payment of tax on such awards, this was considered insufficiently flexible for modern compensation structures, particularly in the technology sector and for startup companies.

The new seven year deferral window will be particularly attractive for growing companies and those facing cash flow challenges, where equity compensation may form a substantial portion of remuneration packages. This change in taxation practice positions Guernsey more favourably against competing jurisdictions for attracting international talent and innovative businesses.

Action required

Organisations should review existing share schemes and consider implications for future grants. Statement of Practice E43 was updated on 22 December 2025 to reflect these changes.

The updated Statement of Practice E43 can be accessed through here.

Professional advice should be sought regarding transition arrangements for existing unvested awards.