

Taxation of Guernsey Funds

Briefing Summary: Taxation in Guernsey is the responsibility of the Director of the Revenue Service in Guernsey and the principal legislation is contained in the Income Tax (Guernsey) Law, 1975 as extensively amended since 1975.

Service Area: Employment Law

Location: Guernsey

Created Date: 25 September 2024

Guernsey does not levy any form of capital gains tax, inheritance tax or value added tax. No stamp or document duty, or transfer tax, is payable in respect of companies, unit trusts or limited partnerships that are collective investment schemes. The income tax position for fund vehicles is detailed below.

Companies

A company incorporated in Guernsey or centrally managed and controlled in Guernsey is treated as tax resident in Guernsey in any year of charge. Guernsey tax resident companies that are also tax resident elsewhere may be able to claim non-Guernsey residence (certain criteria apply). Companies that are authorised or registered funds may apply for exemption from income tax in Guernsey under the Income Tax (Exempt Bodies) (Guernsey) Ordinance, 1989 as amended (the "Exempt Bodies Ordinance"), subject to meeting certain criteria. In the absence of such exemption, companies that are authorised or registered funds are subject to income tax at the company standard rate of 0%.

The Exempt Bodies Ordinance provides that a body is exempt from income tax for any year of charge on its income (other than Guernsey source income excluding bank deposit interest) if it is a body of a description set out in Schedule 1 of the Ordinance, has applied for and been granted exemption and meets the conditions of eligibility set out in Schedule 2 of the Ordinance. Exemption has to be applied for annually and is subject to payment of a fee currently fixed at £1,600. Generally, companies that are authorised or registered funds and any wholly owned subsidiary companies fall within paragraphs 1 and 3 of Schedule 1 and the conditions of eligibility are as follows:

- there must be an agreement in place with an appropriately licenced person resident in Guernsey (who has not been granted exemption) for the provision of administration and secretarial services (and where appropriate, custodian services) for remuneration calculated on an arm's length basis; and

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- there must be no investment in any property situate in Guernsey other than bank deposits or an interest in another exempt bodies or shares in a Guernsey company.

Protected cell companies (“PCC”)

A PCC is a single entity, although it has the ability to created ring-fenced cells of assets. The tax treatment in Guernsey of a PCC reflects the PCC’s status as a single entity whilst at the same time protecting the investors in, and creditors of, one particular cell from the tax liability attributable to the profits of other cells.

For PCCs that are authorised or registered funds, the income tax treatment of companies described above applies equally. Where a PCC that is an authorised or registered fund does not have exempt status, any income tax liability is apportioned between the different cells and the core cell according to their entitlement to profit, although the applicable income tax rate is 0%.

Incorporated cell companies (“ICC”)

An ICC and each of its incorporated cells are separate and distinct legal persons. The tax treatment in Guernsey of an ICC and its incorporated cells reflects the fact that each of the ICC and its incorporated cells are separate entities.

For ICCs and incorporated cells that are authorised or registered funds, the income tax treatment of companies described above equally applies to the ICC and each incorporated cell. Where an ICC or one of its incorporated cells, in each case that is an authorised or registered fund, does not have exempt status the applicable income tax rate is 0%.

Unit trusts

Unit trusts that are authorised or registered funds are taxed in the same manner as companies and the income tax treatment of companies described above equally applies.

Limited partnerships

A limited partnership, whether or not it has elected to have separate legal personality, is transparent for the purposes of Guernsey tax. There is no requirement for the limited partnership as such to make any returns or pay any fees to the Director of the Revenue Service. It is the responsibility of each partner to determine whether he has any liability in Guernsey to tax.

A limited partner who is resident in Guernsey for Guernsey tax purposes is liable to income tax on his share of the profits of the limited partnership whether those profits are generated in Guernsey or elsewhere.

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A limited partner who is an individual and who is not solely or principally resident in Guernsey, or a company which is not resident in Guernsey, is not liable to pay tax in Guernsey on any income derived from a limited partnership's international operations and investments (except to the extent that such limited partner holds their interest in connection with a Guernsey permanent establishment).

Tax information transparency and exchange of information

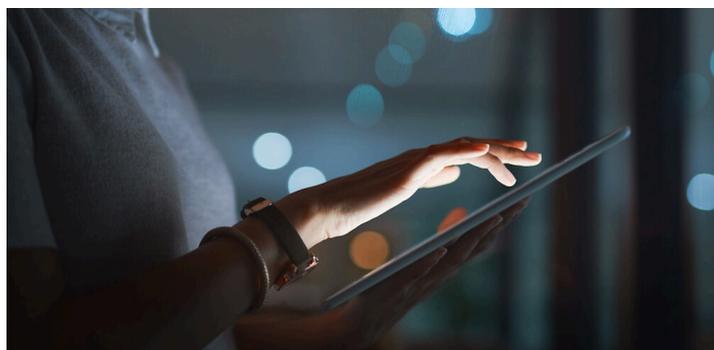
In general, Guernsey authorised or registered funds, whether they are companies, PCCs, ICCs, incorporated cells, unit trusts or limited partnerships, are subject to due diligence and reporting requirements under FATCA and the CRS. Depending on the structure of investments, certain real estate funds can fall outside these due diligence and reporting obligations.

Economic substance

Guernsey 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.

In general, economic substance legislation is not expected to apply to Guernsey funds, but does apply to self-managed funds and can apply to fund managers and certain companies owned by funds. Follow this link for further details on the application of Guernsey's economic substance legislation to funds.

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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