
# Summary of Guernsey taxation

Service area / Corporate, Trusts and Private Wealth
Location / Guernsey
Date / July 2023

This document summarises certain key aspects of Guernsey taxation law for the calendar year 2023.

## 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:

- 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; and
- 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.

### Non-corporate entities

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

Limited partnerships and limited liability partnerships are transparent for Guernsey income tax purposes and so are not subject to income tax in Guernsey.

### Corporate tax returns

Generally, income tax returns must be submitted by the filing deadline for 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.

The deadline for filing the calendar year 2022 return is 28 February 2024 and for the calendar year 2023 is 28 February 2025.

### 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 £1,200. 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

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 the filing deadline for the relevant tax year. The 2022 Personal Tax Returns must be filed by 29 February 2024. Guernsey introduced independent taxation with effect from 1 January 2023. As a result, each islander will be taxed as an individual and be responsible for his or her own tax affairs. Joint tax returns will no longer be available.

Interim assessments for 2023 will also be issued on an individual basis, with payment of tax due to be made quarterly rather than half-yearly, as in the past. The payment dates will be aligned to those for social security contributions, being:

- 15 April
- 15 July
- 15 October
- 15 January

Whilst independent taxation comes into force in 2023, it is in 2024 that the first completed individual tax returns will need to be filed under the new independent taxation regime.

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 does have discretion by reason of exceptional and compelling events and circumstance 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

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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 who are "resident only" can elect to pay a standard charge of £40,000. 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 (other than Guernsey bank deposit interest). The standard charge paid can be set-off against the tax due on Guernsey-source income. If an election is made to pay the standard charge, the amount of income which is assessable is not reduced by allowances, reliefs or deductions which would otherwise be available if they were taxed on their worldwide income.

### Allowances and deductions

Each individual taxpayer has a personal allowance of £13,025, for the calendar year 2023, which can be transferred between married couples and civil partners so that each married couple and civil partnership can potentially claim personal allowances totalling £26,050 in the calendar year 2023. Pension contributions of up to £35,000 per person are also potentially deductible.

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 for the calendar year 2023 is £3,500 for each individual but interest attributable to the portion of a mortgage which is over £400,000 is not deductible.

The foregoing allowances are reduced in the case of earners of more than £90,000 for the year. For these higher earners, the allowances are reduced by £1 for every £5 over the threshold of £90,000 for the calendar year 2023.

### Tax cap

A Guernsey resident individual can elect for a cap on their income tax liability. An election can be made for a liability cap of £150,000 for 2023 to apply to an individual's on non-Guernsey source income.

If the amount of income from both in and outside Guernsey, or just Guernsey-source income alone is higher, the maximum tax payable is capped at £300,00 for 2023.

However, the tax caps do not apply to income from land and property in Guernsey or income derived from Guernsey pension/ annuity schemes, on which Guernsey tax is due in addition to the cap.

The availability of the tax cap is based on the level of "qualifying" and/or "non-qualifying" income for that year. Where the tax cap applies, personal allowances are not available. The cap is apportioned in the year of arrival in, or departure from, Guernsey.

With the introduction of independent taxation in 2023, an election to apply the tax cap must be made by each individual in respect of his or her income.

New residents to Guernsey who pay £50,000 or more in document duty on the purchase of a property that is on Part A of Guernsey's Open Market register can benefit from a lower tax cap of £50,000 for four years, provided the property is purchased within 12 months, either before or after taking up permanent residence in Guernsey.

## 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. At her discretion, the Director of the Revenue Service in Guernsey can 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.

### CRS

Guernsey is a party to the OECD's Multilateral Competent Authority Agreement regarding the CRS and implemented the CRS into its domestic legislation with effect from 1 January 2016. Under CRS legislation in Guernsey, Guernsey "financial

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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. Legislation has been enacted to put in place the framework for MDR reporting, as and when it becomes operational. MDR requires promoters of avoidance arrangements and service providers to disclose information about the arrangement or structure to the Revenue Service. Such information would include the identity of any user or beneficial owner and 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 in place between Guernsey and that jurisdiction.

## Double tax treaties and tax information exchange agreements

Guernsey has signed 14 full double taxation agreements and over 60 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.

## 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 company (and also certain exempt companies) where and to the extent that it:

- carries on (for its own account or as a partner or member of a partnership) one or more of the following "relevant activities": banking, insurance, fund management, financing and leasing, headquartering, shipping and distribution and service centres;
- is a holding company for Guernsey company law purposes and has as its primary function the acquisition and holding of shares or equitable interests in other companies and which carries on no commercial activity; or has income (arising or accruing to the company directly or in its capacity as a partner or member of a partnership) from intellectual property assets.

Subject to certain exemptions, economic substance requirements were extended to partnerships existing as at 30 June 2021 for account periods commencing on or after 1 January 2022. For new partnerships formed on or after 1 July 2021, economic substance requirements apply for accounting periods commencing on or after 1 July 2021.

As a result of the extension of economic substance requirements to certain partnerships, certain changes to the reporting requirements of partnerships were introduced including:

- a requirement for all partnerships (including foreign partnerships that have their place of effective management in Guernsey and carry on business activities in Guernsey) to register with the Revenue Service by 14 July 2023;
- an annual filing requirement for all partnerships to confirm whether they are required to file economic substance information for that year; and
- mandatory online filing of partnership tax returns.

The economic substance return for partnerships is substantially similar to those for companies that fall within scope. The requirements apply at the level of the partnerships rather than at the level of the individual partners in that partnership. Existing sanctions for in-scope companies failing to comply with economic substance requirements extend to partnrships (with relevant adaptations).

Find out more details about Guernsey's economic substance requirements.

## 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 does levy a social security on employers (6.8%), employees (6.6%), the self-employed (11.6%) and the non-employed (11%, reduced to 3.6% for over the pension age). The annual upper earnings limit is £168,480.

### Consumption tax

Guernsey does not levy any value added, goods and services

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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.

### 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.

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