



Guernsey to update economic substance legislation

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The Guernsey Revenue Service has announced further amendments to Guernsey's economic substance legislation to bring "self-managed" funds in scope of economic substance requirements.

Under these new amendments, a company that is a fund will be treated as a self-managed fund if it does not have an external fund manager. Where a company that is a self-managed fund either is tax resident in Guernsey or has exempt status, it will become subject to economic substance requirements in Guernsey as if it was carrying on the relevant activity of "fund management", even though it will not be receiving any management fees.

This extension of substance requirements to self-managed funds was originally announced in the updated guidance on economic substance requirements that was published on 22 November 2019 (for further details on this guidance see our briefing [here](#)), although the amendments will take effect from 1 October 2020 and so will not be retroactive.

Self-managed funds will need to ensure that from 1 October 2020 they comply with economic substance requirements in Guernsey, which include requirements as to location and frequency of board meetings, location of "core income generating activities" and adequate personnel, premises and expenses. Guernsey funds are required to appoint a Guernsey-based fund administrator, and this administrator can help with satisfying these requirements. Further details on Guernsey's economic substance requirements as they apply to the funds industry can be found [here](#).

The new amendments will also update economic substance legislation to make it clear that funds (other than self-managed funds) are out of scope of economic substance requirements. This has always been the case under published guidance and it is helpful to have this now in the legislation.

Carey Olsen is equipped to advise on the implications of the legislation to your structures. Members of our taxation and substance team advise clients across all sectors on various local tax matters, including tax residence, economic substance requirements, income tax, FATCA, the OECD's Common Reporting Standard and tax disputes.

To help businesses ensure compliance with economic substance requirements, our team conducts substance audits on existing structures, procedures and documents to help identify any issues both in terms of an initial audit of compliance and on an ongoing basis.

For advice on the application of economic substance requirements to any specific circumstances and how the guidance could apply, please contact a member of our taxation and substance team.

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