UK QAHCs – Asset holding made simple through Guernsey companies

Service area / Corporate

Legal jurisdictions / Guernsey

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The UK is launching the Qualifying Asset Holding Company (QAHC) regime from April 2022. The regime seeks to copy the successful asset holding structures adopted by fund managers in jurisdictions like Luxembourg. Fund managers who use Guernsey entities to hold their assets will still be able to take advantage of this regime as a Guernsey incorporated company is suitable as a UK QAHC where it elects to be UK tax resident. Separately, the UK is considering the introduction of a corporate re-domiciliation/migration framework to encourage non-UK companies to relocate to the UK and take advantage of its competitive corporate tax system. Guernsey welcomes this move as it has a well-established regime for migrating companies in and out of its jurisdiction, including from Luxembourg.

This note summarises

- The main advantages of a Guernsey company
- Migrations and re-domiciling tax residence of a Guernsey company

Advantages of a Guernsey Company

The Companies (Guernsey) Law, 2008 as amended (the "**Companies Law**") offers a range of corporate vehicles providing a flexible framework that enables capital structures to be tailored to the specific needs of fund managers and investors. These corporate vehicles include protected cell companies and incorporated cell companies.

Further, the Companies Law permits a UK company to pay a dividend or other distribution out of any account or reserve, provided the company passes a solvency test. This makes it easier to do share buy backs and means that cash does not become trapped in the asset holding structure. The main advantage of this from a UK tax perspective is that any gains resulting from a share buy back in a Guernsey company would give rise to offshore source gains as opposed to the pro-rated regime for UK incorporated companies.

It is also worth noting that there is no Guernsey stamp tax on the transfer or sale of shares in a Guernsey company and this allows for more cost effective exit planning for investments. For more information please see our Briefing Note on Payments of dividends and distributions by a Guernsey company.

Migrations and re-domiciling tax residence of a Guernsey company

Migrations can broadly be achieved in two ways: the migration of a company's corporate registration, and the migration of a company's tax residence.

The process of migrating a company's registration to Guernsey is typically straightforward where permitted under the home jurisdiction's company law. Certain filings need to be made in the respective outbound jurisdiction and Guernsey to ensure that the company is de-registered in the outbound jurisdiction at the same time that it becomes registered in Guernsey. For more information please see our Briefing Note on Migrations.

Guernsey's rules on corporate tax residence changed at the beginning of 2019 clarifying the position in relation to tax for a Guernsey company migrating its tax residence out of

Guernsey. The impact of the changes limits the circumstances when companies are regarded as dual resident.

For more information please see our Briefing note – Changes to Guernsey's corporate tax residence rules.

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