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International Tax
Guernsey Highlights 2017

Investment basics:

Currency – Guernsey pound (GGP), in currency union with the UK pound sterling (GBP).

Foreign exchange control – None. Both residents and nonresidents may hold bank accounts in any currency. The import or export of funds in excess of EUR 10,000 must be declared to the authorities.

Accounting principles/financial statements – FRS 102/IFRS/US GAAP. Financial statements must be prepared annually, but there is no strict filing requirement. Financial statements of Guernsey entities generally are not publically available (unless, for example, the entity is a listed fund).

Principal business entities – These are the company limited by shares or guarantee, unlimited company, protected cell company, incorporated cell company, partnership, limited partnership and limited liability partnership.

Corporate taxation:

Residence – A company is resident if it is incorporated in Guernsey or controlled in Guernsey by virtue of shareholding and voting rights.

Basis – Companies are subject to income tax on their worldwide income, although there is no separate corporation tax.

Taxable income – Companies resident in Guernsey are subject to income tax on their worldwide income. A tax exemption regime is available to collective investment vehicles, entities in the beneficial ownership of a collective investment vehicle and entities established for the purpose of certain specified activities relating to a specific collective investment vehicle. An entity with tax-exempt status is not liable to Guernsey tax on non-Guernsey source income (which includes Guernsey bank deposit interest).

Taxation of dividends – See under "Taxable income."

Capital gains – Capital gains are not subject to tax.

Losses – Business or other losses incurred in a year of computation may be set off against other assessable income taxable at the same rate for that year of charge. However, only unrelieved business losses may be carried forward to the following year. Losses brought forward by a company previously taxed at 0% may be relieved against future profits of the same business taxable at a higher rate in that company. Terminal losses arising on the permanent discontinuance of a business may be carried back two years.

Rate – A standard rate of tax of 0% applies to most companies carrying on business in Guernsey. Certain specified activities are taxed at the intermediate rate of 10%, including banking/lending operations, fund administration business, custody business, fiduciary business, domestic insurance business, insurance management and insurance intermediary business. Retail businesses (this excludes wholesale trade) carried on in Guernsey where the company (together with associate companies) has annual taxable profits of more than GBP 500,000; companies that import and/or supply hydrocarbon oil or gas; and activities regulated by the Guernsey Competition and Regulatory Authority are taxable at 20%, and income from ownership of Guernsey real property is taxed at 20%.

Surtax – No

Alternative minimum tax – No

Foreign tax credit – Guernsey has double tax arrangements with 13 jurisdictions (see below), and double tax relief may be available for tax paid in these jurisdictions. If available, relief (other than where full or partial relief from withholding taxes is granted by the treaty partner country) will be the lower of the foreign tax suffered on the foreign income or the Guernsey tax on such income. If no bilateral agreement exists, unilateral relief may be available at the lesser of the other territory's effective rate or 3/4 of the Guernsey effective rate.

Participation exemption – No

Holding company regime – No

Incentives – The 0% standard rate of tax serves as an incentive.

Withholding tax:

Dividends – Guernsey does not levy withholding tax on dividends paid to a nonresident. Companies paying dividends to a Guernsey resident individual must deduct or account for the difference between the tax incurred by the company and the shareholder's individual tax rate (20%) on actual distributions. Exempt companies may pay actual distributions to a Guernsey resident individual on a gross basis, although details may need to be provided to the tax authorities of the recipient and the amounts paid.

Interest – Guernsey does not levy withholding tax on interest.

Royalties – Guernsey does not levy withholding tax on royalties.

Technical service fees – Guernsey does not levy withholding tax on technical service fees.

Branch remittance tax – No

Other taxes on corporations:

Capital duty – No

Payroll tax – No

Real property tax – The tax on real property is based on the unit value of the property. The occupier of property must pay "rates" to the local government at various rates.

Social security – Employers withhold 6.6% of an employee's gross earnings. The upper earnings limit is GBP 138,684.

Stamp duty – Document duty on real property is graduated, depending on the value of the transaction. For domestic dwellings, the rate is 2% on up to GBP 250,000 of the transaction value, 3.25% on the portion of the transaction value between GBP 250,001 and GBP 400,000), 3.5% on the portion of the transaction value between GBP 400,001 and GBP 750,000, 3.75% on the portion of the transaction value between GBP 750,001 and GBP 1 million and 4% on any remaining transaction value (i.e. the portion of the transaction value above GBP 1 million).

Transfer tax – No

Anti-avoidance rules:

Transfer pricing – No, although there are general anti-avoidance provisions and business profits must be computed on ordinary commercial terms.

Thin capitalization – No

Controlled foreign companies – No

Disclosure requirements – No

Other – There is a general anti-avoidance rule to counter avoidance of Guernsey tax. Loans granted to shareholders are subject to a 20% charge on the company (with provisions for the company to claim relief where the loan is repaid).

Special rules counter the use of service companies set up to avoid employment taxes by requiring such companies to operate under the Employees Tax Installment (ETI) Scheme. Guernsey Employment Benefit Trusts (EBTs) have specific provisions to ensure that a charge to income tax cannot be delayed; hence, contributions to an EBT will qualify for a deduction only when the amount is taxed in the hands of the employees of the company.

Compliance for corporations:

Tax year – Calendar year for investment companies, accounting year end for trading companies.

Consolidated returns – Consolidated returns not permitted; however, groups may be regarded as a single entity, such that certain intragroup transactions (including intragroup loans, distributions and rent) are disregarded and it is only when amounts leave the group and pass to the hands of a Guernsey resident individual shareholder that there is a deduction of Guernsey income tax.

Filing requirements – The tax return must be submitted by 30 November in the year following the end of the tax year. Tax is due in two installments (by 30 June and 31 December) in respect of a year of charge, with a final balancing payment due once the final assessment has been made. Electronic filing for company tax returns is mandatory. Guernsey-resident companies file quarterly or monthly returns in respect of the ETI scheme.

Penalties – Where tax is not paid by the settlement date, a surcharge of 5% of the amount overdue is imposed, with an additional 5% surcharge added at six-month intervals on the outstanding tax and on any previous surcharge or additional surcharge imposed, until the tax is fully paid. Penalties apply for failure to submit company tax returns by the surcharge date of 15 January following the tax year (up to GBP 300, plus GBP 50 per day during the failure to comply).

Rulings – No

Personal taxation:

Basis – Solely and principally resident individuals are liable to tax on their worldwide income. The first GBP 50 (GBP 100 for a married couple) of bank interest will be exempt from income tax

Resident-only individuals are taxable on their worldwide income, or they may elect to pay an annual "standard charge" of GBP 30,000, plus tax on Guernsey-source income (excluding bank interest), with the proviso that the standard charge is available for offset against the tax liability arising on Guernsey-source income.

Nonresident individuals are taxable only on Guernsey-source income (other than bank interest, which is exempt for nonresidents by way of an extra-statutory concession), and distributions from Guernsey resident companies.

Residence – Residence is based on the number of days spent on the island. The primary test of residence is whether an individual spends 91 days or more in Guernsey in the year of charge. If the individual spends 91 days or more in Guernsey and does not spend more than 91 days in a year of charge in another jurisdiction, he/she will be deemed to be solely resident in Guernsey. An individual who spends 182 days or more in Guernsey will be classed as principally resident. In Guernsey, an individual is treated as present on the island if he/she is present at midnight at the end of the day.

Filing status – A married couple (or, with effect from 1 January 2017, members of a civil partnership entered in before 1 January 2017) living together may opt for joint or separate assessment.

Taxable income – Individuals deemed solely or principally resident are taxable on their worldwide income. For employment income, the assessment to tax is on the full emoluments (salary, fees, wages and benefits in kind).

Capital gains – Capital gains are not subject to tax.

Deductions and allowances – Personal allowances are available to the taxpayer and his/her spouse/civil partner). Personal allowance is set to GBP 10,000 for a single person and GBP 20,000 for a married couple or civil partner as from 1 January 2017. However, the personal allowance is withdrawn by GBP 1 for every GBP 3 of income over GBP 138,684 in 2017. Further allowances are subject to certain restrictions.

Deductions include pension contributions, up to a maximum of GBP 50,000 per individual; and interest paid on a mortgage on an individual's main residence, up to GBP 11,000 for an individual or GBP 22,000 for a married couple, subject to a GBP 400,000 cap on the amount of the loan (it is expected this relief will continue to be reduced, phasing out entirely as from 2025). Interest paid to acquire an interest in a business or shares in a trading company is deductible, as are certain deductions from an individual's salary if they relate to employment.

There is an annual tax cap for high net worth individuals. The tax cap on non-Guernsey-source income is GBP 110,000. There is an option to cap the total tax liability arising from worldwide income at GBP 220,000, such that the Guernsey resident pays no more than a maximum of GBP 220,000 of tax in Guernsey each year. Due to the extension of the cap to Guernsey-source income, specific anti-avoidance provisions are included. There also are exclusions which mean that income from Guernsey land and property is not covered by the tax cap.

From 1 January 2016, a GBP 50,000 income tax cap applies to residents of Alderney.

Rates – Guernsey resident shareholders are liable to tax at 20%. Tax on salaries is deducted at source.

Other taxes on individuals:

Capital duty – No

Stamp duty – No

Capital acquisitions tax – No

Real property tax – The tax on real property is based on the unit value of the property. The occupier of property must pay "rates" to the local government at various rates.

Inheritance/estate tax – No

Net wealth/net worth tax – No

Social security – Employees pay 6.6% on their gross earnings. Self-employed persons pay 11.0% on gross earnings. Unemployed persons pay 10.4% (under 65) and 3.4% (over 65). The upper earnings limit for all classes of social security is GBP 138,684

Compliance for individuals:

Tax year – Calendar year

Filing and payment – The tax return must be submitted by 30 November following the end of the tax year. Tax is due in respect of a year of charge in two installments: by 30 June and 31 December of the year of charge, with a final balancing payment once the final assessment has been made. Employees are subject to deduction of tax from wages and salaries under the ETI Scheme.

Certain individuals who receive only employment or pension income and/or bank interest may be exempt from the filing requirement.

Penalties – A late filing penalty may be levied if the tax return is not submitted by 15 January following the year after the relevant tax year.

In addition, a 5% surcharge is imposed on amounts overdue, with an additional 5% surcharge added at six-month intervals on the outstanding tax and any previous surcharge or additional surcharge imposed, until the debt is fully paid.

Value added tax:

Taxable transactions – Guernsey does not have a VAT or sales tax system.

Rates – N/A

Registration – N/A

Filing and payment – N/A

Source of tax law: Income Tax (Guernsey) Law 1975, as amended; Statements of Practice

Tax treaties: Guernsey has 13 double tax arrangements that cover corporate and personal taxation (Cyprus, Hong Kong, Isle of Man, Jersey, Liechtenstein, Luxembourg, Malta, Mauritius, Monaco, Qatar, Seychelles, Singapore and the UK) and 12 arrangements that cover only personal taxation (Australia, Denmark, Faroe Islands, Finland, Greenland, Iceland, Ireland, Japan, New Zealand, Norway, Poland and Sweden).

Tax authorities: Income Tax Office

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