

# Tax in Guernsey – an introduction



As a self-governing jurisdiction, Guernsey has developed its own system of taxation for its residents. In comparison to many other jurisdictions, **Guernsey's tax system is straightforward, caps the amount of income tax payable by residents and has no inheritance, estate or gifts taxes, no wealth tax, no taxes on capital gains and no VAT or sales taxes.**

Income tax is charged on individuals at the flat rate of 20% and the tax caps mean that the maximum annual tax liability for an individual "solely or principally resident" in Guernsey who has only non-Guernsey source income is currently £110,000 and £220,000 for such an individual who has both Guernsey and non-Guernsey source income (with the exception of income from Guernsey property).

**From 2018, newly arrived tax residents can benefit from a lower tax cap of £50,000 for their first four years living in Guernsey**, subject to certain conditions.

The basis on which income tax is charged depends on the taxpayers' residence status for tax purposes and whether they are "resident only" or "solely or principally resident" in Guernsey. Broadly, individuals will be "resident only" in Guernsey if they spend more than 91 days but fewer than 182 days in Guernsey in a tax year and "solely or principally resident" in Guernsey if either they spend 182 days or more in Guernsey or are resident in Guernsey and not resident anywhere else in a tax year.

The number of days is based on the same principle as the UK midnight test, where individuals are considered to have spent a day in Guernsey if they are on-island at the end of the day (midnight). As such, days of arrival are counted but days of departure are ignored.

The Guernsey tax year is the calendar year and, unless separate assessments are requested, married couples are assessed jointly. Double taxation/unilateral relief may also apply to any non-Guernsey source income has already been subject to taxation elsewhere.

## Taxation where "resident only"

Individuals who are "resident only" are subject to income tax in Guernsey on their worldwide income after relevant personal allowances and deductions at the rate of 20%. **They can elect to pay the standard charge, which is £30,000** which covers any tax due on their overseas income and can be offset against any tax due on any local Guernsey income.

## Taxation where "solely or principally resident"

Individuals who are "solely or principally resident" are likewise subject to income tax in Guernsey on their worldwide income after relevant personal allowances and deductions at the rate of 20%. They can however benefit from tax caps.

### (i) **Foreign income tax cap – £110,000**

**The taxation of non-Guernsey source income of an individual or married couple "solely or principally resident" in Guernsey is capped at £110,000.** No election is required and any Guernsey source income will be subject to tax at 20% (e.g. employment income or dividends from a local trading company but not Guernsey bank interest which is considered as non-Guernsey source for tax purposes).

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- (ii) **Worldwide income tax cap – £220,000**  
Where an individual or married couple has significant Guernsey source income as well as non-Guernsey income, **an election can, if beneficial, be made to pay £220,000 in any tax year.** The cap does not include any income received from Guernsey property.
- (iii) **New Residents tax cap – £50,000**  
**The taxation of the worldwide income of an individual who is newly tax resident in Guernsey is capped at £50,000 in the year of arrival and in the subsequent three years** provided they have purchased an Open Market property and paid £50,000 or more in document duty (ie has purchased an open market property worth £1.5 million or more at current rates).

The foreign and worldwide tax caps are not limited in duration and are applicable no matter how many years the individual has been solely or principally resident in Guernsey.

**New tax residents in Guernsey are also entitled to an income tax exemption on profits taken out of off-island companies,** provided those profits arose before the individual became tax resident in Guernsey. This exemption is valid until the end of the second full year of charge since the individual became resident in the Island.

## A low tax jurisdiction – Companies

There are three rates of tax on companies in Guernsey, with the majority of companies paying the standard rate of 0%. The three rates are:

- (i) **Company Standard Rate – 0%**  
Every company, unless their activities fall into one of the two corporate groupings below.
- (ii) **Company Intermediate Rate – 10%**  
This covers corporate income from banking, fiduciary and insurance business; administration of controlled investments and the provision of custody services and investment management activities to individual clients.
- (iii) **Company Higher Rate – 20%**  
This covers corporate income derived from a regulated utility, oil or gas importers or suppliers, large retail businesses where the company has a taxable profit of more than £500,000, and from land and buildings situated in Guernsey.

Note that Investment fund vehicles (companies, partnerships, unit trusts) may apply for exemption from tax in respect of income from sources outside Guernsey.

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