

# Tax in Guernsey

## an introduction

As an independent, self-governing jurisdiction, Guernsey has developed its own system of taxation for its residents. The island's tax system is very straightforward and caps the amount of income tax payable by residents. Guernsey does not levy capital gains tax, inheritance or wealth tax, VAT or goods and services tax.

Personal income tax is charged at the flat rate of 20% for individuals, after applying personal allowances and other deductions, with caps available. The basis on which income tax is charged depends on the taxpayer's residence status and whether they are "resident only" or "solely or principally resident" in Guernsey for tax purposes.

Guernsey tax residency categories are based on the number of days an individual spends on the island. 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 and individuals in a civil partnership, are assessed jointly. Double taxation/unilateral relief may also apply to any non-Guernsey source income which has already been subject to taxation elsewhere.

## Definitions

There are a number of categories of residence for Guernsey tax purposes:

### Taxation for those who are "Resident only"

An individual is considered to be "resident only" in Guernsey for tax purposes in a calendar year if he is present in one other jurisdiction for 91 days or more, and:

- he spends 91 days or more (but less than 182) in Guernsey during the year, or
- he spends 35 days or more in Guernsey in that year and, during the four preceding years he spent 365 days or more in Guernsey.

Individuals who are "resident only" are, as an alternative to paying 20% on their worldwide income after relevant personal allowances, able to elect to pay a "standard charge" which is currently set at £40,000. This provides that an individual's liability on non-Guernsey source income is satisfied by payment of the standard charge and the standard charge "franks" the tax liability on up to £200,000 of Guernsey source income.

If Guernsey source income was to exceed £200,000 further tax would be due as appropriate. It should be noted that the same annual charge applies for a married couple as it does for an individual.

### Taxation for those who are "Solely or Principally Resident"

An individual is "solely resident" in Guernsey if they are otherwise "resident only" as detailed above, but they are not also present in one other jurisdiction for the requisite 91 days.





## Definitions (continued)

An individual will be treated as “principally resident” in a calendar year if:

- he spends at least 182 days in Guernsey during the year, or
- he spends at least 91 days in Guernsey during the year and he has spent at least 730 days in Guernsey during the four preceding calendar years, or
- he takes up permanent residence in the island, and is “resident only” as defined, is “solely or principally resident” in the following Year of Charge, having not been resident in the preceding year.

An individual who is “solely” or “principally resident” in Guernsey is liable to Guernsey income tax on their total worldwide income at a flat rate of 20% after personal allowances and deductions. They can however benefit from tax caps.

### Non-Resident

An individual who is neither resident only, nor solely or principally resident will generally be considered to be “non-resident” and is broadly only liable to Guernsey income tax on Guernsey source income such as employment or property income. Passive investment income such as Guernsey bank interest is generally not taxable.

## Double tax treaty and pensions

Under the terms of the Double Tax Treaty with the UK, pensions are only taxable in the taxpayer’s country of residence. Therefore, for individuals moving to Guernsey from the UK, their UK income tax liability will be replaced by a Guernsey income tax liability and the rate of tax will fall from a maximum of 45%, to 20% providing a DT Individual form is submitted to HMRC.

UK pensions are classed for Guernsey tax purposes as non-Guernsey source income and therefore tax capping may apply in certain circumstances.

Furthermore, as it is non-Guernsey source income, Guernsey tax due on UK pension income is satisfied by payment of the Standard Charge for resident only individuals.

In addition, it is possible for Guernsey residents to transfer UK pensions schemes to a Guernsey scheme.

## Tax Capping for Guernsey residents

It is possible to cap exposure to income tax in Guernsey as an alternative to paying a flat rate of 20%, after personal allowances and deductions. The maximum tax liability for any individual who does not have Guernsey source income is £130,000 per annum.

For those who have both Guernsey and non-Guernsey source income (Guernsey bank interest does not count as Guernsey source income) the maximum tax liability is £260,000 per annum, although tax is payable on income arising from Guernsey land or buildings in addition to the Cap amount.



It is also possible to cap the non-Guernsey source income at £130,000 and pay 20% on any Guernsey source income if this is beneficial.

With effect from 1 January 2018, a tax cap of £50,000 per annum has been introduced for individuals for their first four years of residence subject to the conditions listed below.

An individual must:

- be resident in Guernsey
- pay £50,000 or more in document duty for the purchase of an Open Market property purchased on or after 1 January 2018. At the current rates this equates to duty payable on a property purchase of £1.32 million or more (previously £1.5 million)
- make the purchase either 12 months before or after the date of taking up residence in Guernsey.

The £50,000 cap covers the tax due on both overseas and Guernsey income, except for income from Guernsey land and buildings, which remains taxable at 20%, in addition to the tax cap paid.

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.

## A low tax jurisdiction for 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:

- Company Standard Rate – 0%

Applies to every company, unless their activities fall into one of the two corporate groupings overleaf.





## A low tax jurisdiction for Companies (continued)

- Company Intermediate Rate – 10%

The company intermediate rate applies to income from banking business, domestic insurance business, fiduciary business, insurance intermediary business, insurance manager business, administration of controlled investments, provision of custody services, provision of investment management activities, operation of an investment exchange, compliance and other related activities and income from operating an aviation registry.

- Company Higher Rate – 20%

The company higher rate applies to income from trading activities regulated by CICRA, the importation/supply of gas or hydrocarbon oil, large retail business carried on in Guernsey (with a taxable profit of more than £500,000), the ownership of Guernsey land and buildings, property development and exploitation of land (including income from the sale of extracted materials), from the business of the cultivation or use of the cannabis plant and from the prescribed production or prescribed use of controlled drugs.

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

## Important note

Please note that this document is a summary only and has been prepared for information purposes. Locate Guernsey does not provide tax, legal or accounting advice. You should consult your own advisors in relation to your personal situation. Locate Guernsey can put you in contact with Guernsey service providers if you would like more detailed information.

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