



“Business is good, but we’re looking for more”, says Neil Dorey.

Getting you there.



In previous articles we have examined the attraction of various aspects of Guernsey’s fiscal regime. At the time of writing this article we are awaiting sight of draft legislation to give effect to the Island’s “zero-ten” tax strategy which is due to start in 2008. It is widely expected that such legislation, in draft form, will be going to the States in March/April.

There can be no doubt that when the time comes for the Island’s Government to consider the zero-ten legislation, it will do so in the knowledge that these will be some of the most fundamental changes in the Island’s history.

At the heart of the zero-ten strategy will be sweeping changes to core elements of the Island’s corporate tax system. The broad effect of these changes will be to effectively remove, or otherwise defer, a significant proportion of corporate profits earned in the Island from a charge to tax. But, contrary to common misconception, the new corporate tax strategy is not designed to satisfy the demands of existing finance business - the intention of the proposals which are soon to manifest themselves in tangible legislation, is more far-reaching.

It is anticipated that the main corporate tax strategy, and the supplementary fiscal changes that go with it, will play a key role in maintaining a strong economy and stimulating growth, not only in the finance sector but also in other industries for the Island’s future prosperity. Other key elements of the overall tax package are designed to make Guernsey attractive – not only to financial services businesses, but to business generally as well as to individuals. A planned capping of the tax liabilities of wealthy individuals is something that my colleague Simon Graham wrote about at length in a previous edition of this magazine. An appropriate tax capping system, when coupled with the proposed corporate tax changes (which

are likely to include fiscal advantages for recycling business profits to generate business growth) should provide real incentives for wealthy individuals and entrepreneurs to locate themselves in Guernsey and to set up businesses here.

Of course, the catalyst for change was one of international political pressure – the Island had little choice but to modify and modernise its tax system. But in formulating its tax strategy, Guernsey is also recognising that it can no longer rely on historically low rates of tax to encourage inward investment and fiscal migration to the Island. The current income tax rate of 20% and the absence, in particular, of any form of capital gains tax is still attractive in an international context. But the advantages that Guernsey has had over “onshore” jurisdictions (most notably the United Kingdom) have been gradually eroded in recent years, as many other countries have lowered their own tax rates.

By raising (or should that be lowering?) the bar still further, Guernsey is hoping to ensure a continuing flow of inward investment and to re-invigorate the economic migration of high net worth individuals and entrepreneurs to the Island.

In short, business is good but we’re looking for more!

If you would like to discuss the contents of this article further, please contact Neil or the Fortis Reads director with whom you normally deal.

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