



Getting you there.



Taxing Issues - Guernsey is open for business as new “tax capping” legislation is passed

It is true that Guernsey residents enjoy a great quality of life as the Island is a fantastic place to live. It provides excellent education, health and sports facilities and for a small community we have produced an enviable array of world class sports stars. These factors alone are generally sufficient to attract the attention of potential new residents who may then visit to view the diverse collection of properties available to buy, either in village communities, on cliff tops or next to the beach. Another consideration is the tax advantages of a move to Guernsey. Although this may not be the main attraction, forward planning is advisable in advance of any move.

Tax legislation and practice is constantly evolving as each and every jurisdiction attempts to balance the books and collect enough revenue to meet annual expenditure. However, each jurisdiction has to balance revenue collection against remaining competitive and attractive to new business and potential residents.

Guernsey is no different and in recent times it has managed with some success to generate sufficient tax revenue to balance the books. However, as other jurisdictions modify their legislation in an attempt to entice business and generate more income for themselves, Guernsey cannot be complacent. In this connection, proposals for new legislation have recently been passed in the States (the Government of Guernsey) that is forward thinking and confirms that “Guernsey is open for business, please come and talk to us”.

In general terms, Guernsey residents are subject to Guernsey income tax at 20% on worldwide income - there is no capital gains tax, no VAT and no inheritance or wealth tax. Guernsey companies are subject to a standard rate of 0%, but there are exceptions for banks (10%), utilities, or companies that invest in or develop Guernsey property (20%).

There has always been a category of residence known as “resident only” for individuals who do not spend all of their time in Guernsey (less than six months), and spend at least 90 days in a second home elsewhere in the world. This category still exists, but has been affected by the new proposals. The actual legislation is not yet available, but the following is a summary of how it is believed the proposals will work.

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Individuals who are “resident only” will be able to elect to pay a fixed annual tax of £25,000 as long as they have no Guernsey employment income and no other Guernsey source income in excess of £125,000. The £25,000 tax payment is intended to allow for unlimited remittances of other income to Guernsey and should simplify the process of preparing and filing annual income tax returns.

If an individual does not fit into the “resident only” category as they are more permanent residents of Guernsey, they would be classed as “solely or principally resident” and subject to Guernsey income tax at 20% on their worldwide income. However, one of the other new proposals passed is a new lower tax cap which should be available to individuals that are either solely or principally resident and have significant income.

Broadly, it is expected that an election may be made to cap the annual tax liability on an individual’s non-Guernsey source income at £100,000. The same level will also apply for a married couple. This is therefore cost effective if their joint non-Guernsey source income is at least £500,000.

Should an individual (or married couple) have Guernsey source income in addition to non-Guernsey source income, they can either pay tax at 20% on this income, or, if it is significant enough, they may also elect to cap the tax on Guernsey source income at £100,000 per annum. If significant income is received from both Guernsey and non-Guernsey sources, it should be possible to cap the total tax liability to £200,000 in certain circumstances.

There are many more options that could be of interest to you, but the only way we can advise you is to listen and understand your circumstances and requirements. If you would like to talk to us, we would like to listen. At Fortis Reads Private Clients Limited we would be pleased to assist you with any of your UK or Guernsey taxation issues. We would also be pleased to assist you with international tax issues or structuring requirements.

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