

Guernsey's Tax System



One of the main attractions of moving to Guernsey is the island's favourable taxation system. We are a leading, well-regulated and stable jurisdiction and our tax rates are amongst the lowest in Europe

Whilst we would recommend consulting a specialist tax adviser, here we bring you a guide to the most salient points of Guernsey's tax system.

The island has no capital gains, inheritance, wealth or sales taxes and neither does it have VAT. There is a flat standard rate of income tax for Guernsey-resident individuals of 20% with tax capping opportunities for higher earners in certain circumstances.

The Guernsey tax year is the calendar year.

To be resident in the island for tax purposes you need to:

- a. Spend 91 days or more in Guernsey; or
- b. Spend 35 days or more in Guernsey in that year and, during the four preceding years, have spent 365 days or more on the island.

You are **Solely Resident** in any particular year if you:

- a. Are resident in Guernsey in that year; and
- b. Are not resident in any other place in that year, i.e. you do not spend more than 90 days in another particular place.

You are **Principally Resident** in any particular year if you:

- a. Spend 182 days or more in Guernsey in that year; or
- b. Spend 91 days or more in Guernsey in that year and, during the four preceding years, have spent 730 days or more on the island; or
- c. Take up permanent residence in that year, which is considered to be the case if you are resident in Guernsey during the year and are solely or principally resident in Guernsey in the following year.

In calculating days of residence, a person is considered to be resident in a place if they are present at midnight on any day.

Once your residence status has been ascertained, you can identify what taxes you will have to pay, and any choices you can make regarding tax capping.

Resident Only High Net Worth Individuals

Resident Only high net worth individuals (HNWIs) can elect to pay a 'standard charge' of £40,000 tax. This election must be made within two years from the end of the year that it is to relate to, and must be accompanied by a full declaration of Guernsey source income (excluding Guernsey source bank interest).

If you choose to pay this standard charge, you will be taxed only on Guernsey source income received (excluding Guernsey bank interest), without deduction of any personal allowances or tax reliefs, but only to the extent that any liability on Guernsey source income exceeds the standard charge. Any foreign income (and Guernsey bank interest) received is not taxable, even if remitted to Guernsey.

If you choose not to pay the £40,000 standard charge, you must file a Guernsey tax return disclosing worldwide income received in the year and you will be taxed on this, minus all available personal allowances, reliefs and deductions against that income (including, with certain restrictions, relief for overseas taxes paid). A Resident Only individual may also benefit from the tax capping provisions available to Solely or Principally Resident individuals.

Solely or Principally Resident Individuals

If you are either Solely or Principally resident in Guernsey, you will be taxed on your worldwide income. Tax caps for HNWIs are as follows:

Foreign income - £130,000 tax cap

If you are resident in Guernsey you may qualify for an annual tax cap, for which no election is required, of £130,000 tax. This tax cap is applicable to foreign source income only (including Guernsey bank interest). Any Guernsey source income, except bank interest, remains fully liable to tax at 20% in addition to the £130,000.

Worldwide income - £260,000 tax cap

However, if you are resident in Guernsey you may elect to pay a tax cap of £260,000 in respect of both foreign and Guernsey source income totalling more than £1,300,000 (excluding income derived from Guernsey land and property). An election must be made within two years after the end of the year to which it is to apply. Where this election is made, the £130,000 tax cap is not available and a tax payment of £260,000 is made for the year.

*In terms of determining whether a source of income is in Guernsey, this may be traced through any number of companies, trusts, partnerships or agreements or arrangements of any description to the ultimate income source. In you are resident in Guernsey for only part of the year, then either tax cap may be pro-rated by reference to the time spent in Guernsey.

*This cap does not apply to Guernsey property income

Tax Cap for New Residents

In January 2018 the island introduced a temporary tax cap of £50,000 per annum for any new resident (who is solely or principally resident) subject to certain conditions:

- You must have been non-Guernsey resident in the 3 years prior to the year of arrival;
- You must have purchased an Open Market property in Guernsey and, as a result of the purchase, paid document duty of at least £50,000.

You can claim this cap for the year you take up residence and the three consecutive years. Your property purchase must have taken place either within 12 months prior to, or 12 months after, your first arrival in Guernsey.

Rates of Tax

As previously stated, Guernsey has no inheritance tax, capital gains tax, wealth tax, VAT or goods and services tax.

We have also highlighted the standard charge or tax caps available to Resident Only and Principally Resident individuals.

Outside of these tax caps, income tax on an individual is levied at a flat rate of 20%.

Personal Tax Allowances for 2021 are as follows:

£11,875 per individual

There are also other allowances available to cover certain situations.

High Earners' Personal Allowance Restriction

Your allowances and deductions will be withdrawn gradually at a rate of £1 for every £5 that your income exceeds the upper earnings limit, which is £100,000 in 2021. This limit will be pro-rated in the year of arrival or permanent departure.

Tax Relief on Money Borrowed

If you purchase a property for you and your family to occupy, tax relief on the mortgage is available in Guernsey (up to a certain cap). This is being gradually reduced, but is still significantly more generous than in the UK.

Retirement Annuity Contributions

The maximum contribution to a Guernsey approved scheme is unlimited. However, no allowance is given in respect of any qualifying premiums or contributions if they exceed 100% of the taxable income of the claimant during the year of computation, or £35,000, whichever is less.



Guernsey Social Security

All new arrivals to the island are required to register with the Guernsey Social Security Department, although contributions may not have to be paid until an individual has been on the island for 26 weeks.

Contributions are generally based on annual income figures that are provided by the Income Tax Office, with upper and lower limit thresholds of:

2022 upper earnings limit - £157,404

2022 lower earnings limit - £7,904

If you are over pension age you do not have to pay social insurance contributions but you do have to pay health insurance and long-term care contributions.

Guernsey source land and property income held in a company is included with an individual's personal income to determine total income upon which non-employed persons' contributions are due.

Companies Resident in Guernsey

Resident companies are liable to tax on their worldwide income. Non-resident companies are subject to Guernsey tax on their Guernsey-source income.

Companies pay income tax at the current standard rate of 0% on taxable income.

Income derived from a broad range of financial services is taxable at 10%.

Income derived from the exploitation of property located in Guernsey or received by a publicly regulated utility company is subject to tax at a higher rate of 20%. In addition, income from retail businesses carried on in Guernsey where taxable profits exceed £500,000 and income derived from the importation and/or supply of hydrocarbon oil and gas, plus the cultivation of cannabis are also taxed at 20%.

Some collective investment schemes (CISs) and unit trusts may qualify for exempt status, which will place them completely outside the Guernsey tax regime. For a company to be considered exempt, it is necessary that either the company is beneficially owned outside of Guernsey, or that no Guernsey-resident individual or company has a beneficial interest in the company (with the exception of shareholders, loan creditors, or nominees/trustees).



New Arrival Forms to Complete

Social Security:

- Application for Registration or Contribution Card (form CF1)
- Application to Pay Income-Related Contributions (form CF130)
- Application for a Health Benefit Card

Housing:

- Application for a Declaration of Lawful Residence

Taxation:

- HM Revenue & Customs P85 (Leaving the UK)
- Guernsey Form 1262 (New Arrival)

Other Things to Consider

Driving:

- It is usually possible to exchange your existing driving licence for a Guernsey licence once you are resident on the island. If you are not permanently residing in Guernsey, you may continue to use your overseas licence until you spend the majority of a year living on the island.
- To register a vehicle, you will need a permanent address on the island, where you actually reside. A First Registration Duty will be charged on all new and second-hand vehicles imported, based on vehicle emissions.

Import duty:

- There is no import duty or tax payable on the importation of household effects from anywhere in the world. However, should you import tobacco or wine, then duty may be payable.

Healthcare:

- Guernsey operates a private healthcare system, with a small contribution being made by Social Security for a doctor's appointment (once minimum requirements are met). New residents should consider registering with a local doctor and dentist.





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