

## **CHANNEL ISLANDS**

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Last reviewed: **January 9, 2024**

**Consulate**

Guernsey – Honorary Consular Agency

Honorary Consular Agent: Stefano Renzo Finetti

Goose Hollow, Damouettes Lane, St Peter Port Guernsey GY1 1ZT

<b>CORPORATION TAX</b>	
Resident company	0%, 10%
“Exempted” mutual funds	Annual contribution £ 1,200
Offshore company	0%
Trust	Trustees: 20% income tax, but distributions exempt
<b>WITHHOLDING TAXES</b>	
Dividends	Exempt if income already taxed
Interest and royalties	20%
<b>OTHER TAXES</b>	
Tax on real estate transfer	From 2% to 3%, according to the real estate value
Customs duties	Variable but very low
VAT	Not applied
Estate tax	Not applied
Tax on capital gains	Not applied
<b>INCORPORATION TIME</b>	15 minutes, 2 hours, 24 hours
<b>REGISTRATION COSTS</b>	£100 - £750 + £1,000/2,000 for professional fees
<b>ADVANCE RULINGS</b>	Only in certain cases
<b>EXCHANGE CONTROLS</b>	Not applied
<b>BANK SECRET</b>	Applied
<b>LEGAL SYSTEM</b>	Based on English law, with French law influences
<b>BILATERAL TAX AGREEMENTS</b>	Signed with 13 countries. TIEAs signed with 60 countries

## **1- GENERAL INFORMATION**

The Bailiwick of Guernsey consists of 3 main islands: Guernsey, Alderney and Sark. Guernsey is located in the Bay of St Malo, close to the coast of Normandy and the southern shore of England.

The main town and sea port on Guernsey is St Peter Port, on the east coast. There is a smaller port at St Sampsons. Guernsey has an airport which is about 15 minutes by car from the centre of St Peter Port.

The Channel Islands are not part of the United Kingdom but are self-governing possessions of the British Crown. Guernsey therefore has its own legislative, executive and judicial power.

### **I- Legal system**

Guernsey has its own independent system of law, different from that of both the UK and the other Channel Islands.

The foundation of Guernsey's law is the customary law of Normandy, particularly where matters of real property and succession are concerned.

However, in more recent times, English-derived legislation and concepts have been imported and assimilated into the law of Guernsey.

In judicial decisions, if no clear precedent can be drawn from the laws of Guernsey, the courts will have regard to customary law, the law of England and Wales, French law and, on occasion, to the law of other legal systems.

The Royal Court administers both the civil and criminal law in Guernsey and it is presided over by the Bailiff, who is the effective head of Government on the island,

### **II- Economic policy**

Guernsey boasts political stability, a sound economy, low unemployment, low taxes and a high standard of living.

The economy of Guernsey was traditionally based on agriculture, horticulture, granite quarrying and fishing. Tourism became the major provider for the economy in the mid-twentieth century, bringing with it improvements in communications, hotels, restaurants, shops and other services such as electricity and waste and sewage disposal. The airport on Guernsey dates from the 1930s and the regular air and sea links to the UK are a direct consequence of the development of the tourism sector.

In view of the low taxation rate which is levied on trading profits, and the minimal bureaucracy that exists on the Island, Guernsey does not generally provide any cash incentives to foreign or local investors.

### **III- Financial institutions and bank secrecy**

There are several hundred financial services businesses in Guernsey, employing around 20% of the island's total workforce. More significantly, over 40% of Guernsey's output in 2021 came from financial services activities.

The principal financial and professional services in Guernsey are provided by: banks, other licensed deposit-taking bodies, fund and investment managers, insurance companies, stockbrokers, trust companies, accountants, advocates and solicitors, insurance brokers, captive insurance administrators, various other specialist financial service companies.

As of May 2023, Guernsey had 21 licensed banks.

Day-to-day responsibility for the development and effective supervision of Guernsey's finance business rests with the Guernsey Financial Services Commission (GFSC).

In practice, the strong anti-money laundering culture that has developed in all aspects of the financial services industry since the mid-1980s means that all finance-related businesses are required to "know their customers". To ensure that new entities are in keeping with Guernsey's

objectives, provisions in the Companies (Guernsey) Law, 2008 (as amended) (the CGL) provide that an application for the incorporation of a Guernsey company may only be made by a licensed fiduciary, who will require details of the ultimate beneficial owner of the company to be incorporated and is obliged to keep a register of the beneficial ownership of the securities issued in the Guernsey company.

#### IV- Exchange controls

Guernsey has no exchange controls.

Banking business and deposit taking is regulated and licensed under the Banking Supervision (Bailiwick of Guernsey) Law, 1994 (as amended). This legislation is modelled on the United Kingdom's Banking Act 1987.

A range of countries are represented with a concentration of banks having head offices in the UK and Switzerland. Other banks are from Bermuda, Canada, Cyprus, France, Germany, the Netherlands, South Africa and the United States.

Annual fees are on a sliding scale for licensed banks, based on activity level which is defined as net interest income plus fee income.

## 2- GUERNSEY COMPANIES AND TRUSTS

BUSINESS ENTITY	MAIN TRAITS	FORMATION	GOVERNANCE
<i>Company</i>	<p>The Companies (Guernsey) Law, 2008 (as amended) (the CGL) as adopted on 1 July 2008 applies to all Guernsey companies. The CGL provides for the following types of companies:</p> <ul style="list-style-type: none"> <li>• a protected cell company</li> <li>• an incorporated cell company</li> <li>• an incorporated cell of a cell company, and</li> <li>• a company which is none of the above (ie a non-cellular company).</li> </ul> <p>The liability of the members of a Guernsey company may be limited by shares, by guarantee or of unlimited or mixed liability.</p> <p>A Guernsey company must have its registered office on the island, where the registers of shareholders and directors, and minute books must be kept.</p> <p>Every company must keep accounting records which are sufficient to show and explain the company's transactions, which disclose with reasonable accuracy the financial position of the company and which enable the directors to ensure that the company's balance sheet and profit and loss account are prepared in accordance with any relevant enactment currently in force.</p>	<p>Guernsey companies can be incorporated online by a corporate services provider.</p> <p>The incorporation of a Guernsey company can usually be completed in a few days, although it is possible for a Guernsey company to be incorporated in a few hours, subject to the payment of an additional fee and the filing of the correct paperwork with the Registry by the corporate services provider.</p> <p>There is no statutory limit on the amount of the share capital.</p> <p>Stamp duty is not payable on incorporation.</p>	<p>A company is managed by a board of directors, which is responsible for the proper handling of the company's daily affairs in accordance with the articles of incorporation.</p> <p>Minutes of all directors' meetings must be kept.</p> <p>The minimum number of directors which must be appointed to the board is one. Unless required by the articles, directors do not have to be shareholders.</p> <p>Except for the resident agent, none of the directors or officers of the company need be resident in Guernsey. The names and addresses of the directors in office at 1 January each year must be included in the annual return filed with the Registrar.</p>

BUSINESS ENTITY	MAIN TRAITS	FORMATION	GOVERNANCE
<i>Trust</i>	<p>Trusts in Guernsey are governed by the Trusts (Guernsey) Law, 2007 (as amended). There is no requirement for the accounts to be filed and these are therefore not available for public scrutiny.</p> <p>Under the Guernsey trust legislation, the Royal Court of Guernsey has jurisdiction in respect of the following:</p> <ul style="list-style-type: none"> <li>• Guernsey trusts</li> <li>• foreign trusts, including: <ul style="list-style-type: none"> <li>(i) a trustee which is resident in Guernsey</li> <li>(ii) any property which is situated or administered in Guernsey</li> <li>(iii) trusts, the terms of which provide that the Royal Court in Guernsey is to have jurisdiction.</li> </ul> </li> </ul> <p>A trust exists if a person (a “trustee”) holds or has vested in them (or is deemed to hold or have vested in them), property which does not form, or which has ceased to form, part of their estate:</p> <ul style="list-style-type: none"> <li>• for the benefit of another person (“the beneficiary”), whether or not the property has been ascertained or is in existence</li> <li>• for any purpose which is not for the benefit of the trustee alone.</li> </ul> <p>Guernsey trust law also identifies a third party in this definition, known as the “settlor”, ie the person who initially vests the property in the trustee.</p> <p>A Guernsey trust is defined in the law as a trust whose proper law is the law of Guernsey.</p> <p>If the settlor of a trust is resident in Guernsey at the time of incorporation of the trust, the trustees are liable to income tax on all of the trust’s income, unless the settlor is irrevocably excluded from being a beneficiary of the trust arising in Guernsey (other than bank interest).</p>	<p>There is no requirement, nor any facility for, the registration of settlements inter vivos with any public authority. The trust instrument is a private document between the settlor and the trustees. Trusts created in a will are registered together with the will at Guernsey’s Ecclesiastical Court when probate is granted. Any property may be held on trust and a trustee may accept property to be held on trust from any person.</p> <p>There are no limits on the value of cash or other assets which may be settled into a Guernsey trust.</p>	<p>Trustees must execute and administer the trust in accordance with the terms of the trust, and only in the interests of the beneficiaries. They must also keep trust property separate from their own property and from the property of any other trusts. They may only delegate their functions if the terms of the trust so permit. In particular, it is usual for the trust instrument to give the trustees the power to appoint investment advisors or property agents, because often the trustees themselves do not have the professional expertise to provide this function. The degree of delegation of duties will depend to a large extent on the nature of the trust assets and the professional qualifications and training of the trustees. This delegation of duties does not remove from the trustees their overall legal responsibility for the protection and control of the trust assets. The law requires a trustee to keep accurate accounts and records of their trusteeship. There is no statutory requirement for an audit. Some trust instruments may contain a clause requiring an audit. There is no requirement for the accounts to be filed and these are therefore not available for public scrutiny.</p>

The most common forms of legal entities used in Guernsey for commercial operations are:

1. companies
2. partnerships
3. foreign corporations and branches of foreign corporations
4. trusts
5. foundations

The Companies (Guernsey) Law, 2008 (as amended) (the CGL) applies to all Guernsey companies and provides for the following types of companies:

- (1) a protected cell company (PCC)
- (2) an incorporated cell company (ICC)
- (3) an incorporated cell of a cell company, and
- (4) a company which is none of the above (ie a non-cellular company).

The liability of the members of a Guernsey company may be limited by shares, by guarantee or of unlimited or mixed liability.

### **I-Limited liability companies**

Guernsey companies can be incorporated online by a corporate services provider. The incorporation of a Guernsey company can usually be completed in a few days, although it is possible for a Guernsey company to be incorporated in a few hours, subject to the payment of an additional fee and the filing of the correct paperwork with the Registry by the corporate services provider.

The name of the company must end with the words showing the kind of company (with limited liability, limited by guarantee, mixed liability). The name must not be already appearing on the Register and it must not be misleading. A name approved by the Registrar must then be stated in the memorandum of incorporation of the company.

The application for incorporation must be made by the corporate services provider and must include: the memorandum of incorporation, a statement of the proposed first directors and the proposed address of the company's registered office.

A company limited by shares must have share capital – without statutory limits imposed. A company limited by guarantee, an unlimited liability company and mixed liability company may but need not have share capital.

It usually costs between £1,000 and £2,000 to form a Guernsey company. Stamp duty is not payable on incorporation.

Shares may be of different classes (ordinary, preference, etc), with different voting, dividend or other special rights. They may be issued in any currency and of any fixed nominal value. Bearer shares are not allowed.

There are no restrictions as to the nationality or the residence of shareholders. Shares may be held by another company or through nominees.

Shares are freely transferable unless the articles of association provide to the contrary. There is no stamp duty payable on share transfers.

A register of shareholders must be kept at the registered office.

The minimum number of registered shareholders is one. Should the number of shareholders fall below the minimum, the company may be compulsorily wound up.

There is no requirement for the accounts to be filed and these are therefore not available for public scrutiny.

Every company must hold an annual general meeting of its shareholders. General meetings may be held anywhere in the world. Minutes of all meetings must be recorded.

A company is managed by a board of directors, which is responsible for the proper handling of the company's daily affairs in accordance with the articles of incorporation. None of the directors or officers of the company need be resident in Guernsey.

Meetings of directors may take place in Guernsey or outside Guernsey. Care must be taken to ensure that both the composition of the board and the locations chosen for board meetings, if outside the Bailiwick, do not compromise the management and control of the company for fiscal purposes.

A Guernsey company must have its registered office on the island, where the registers of shareholders and directors, and minute books must be kept.

A Guernsey company's accounts for a financial year must be audited, unless the members of the company pass a waiver resolution exempting the company from the requirement to have the accounts audited for a financial year.

### **II- Partnerships**

In 1996 limited partnerships were introduced in Guernsey pursuant to the Limited Partnerships (Guernsey) Law, 1995. A limited partnership consists of one or more general partners who are responsible for the management of the business of the partnership and one or more limited partners.

There are also limited liability partnerships (LLPs) under the Limited Liability Partnerships (Guernsey) Law, 2013. This is a flexible structure with no restrictions on the roles that may be played by its members (partners) or the type of business. There must be a minimum of two members. It is not required to publish accounts or information about its assets or membership. An LLP is not liable to taxation: its members are liable to taxation as individuals in respect of income derived through partnership business.

A written partnership agreement must be entered into in relation to the affairs of the partnership and the conduct of its business.

Certain documents and the required fee must be filed with the Registrar for registration of the limited partnership.

A limited partnership's name must contain the words "Limited Partnership" or "LP". An LLP is incorporated on the date of issue of the certificate of incorporation by the Registrar of LLPs. There are no statutory maximum or minimum capital requirements.

General partners are responsible for the management of the partnership's business and have unlimited liability for the obligations and liabilities of the partnership. Limited partners do not participate in the management of the partnership.

A limited partnership or an LLP must maintain a registered office in Guernsey, but need not have a place of business on the island.

The general partners of a limited partnership are only obliged to appoint an auditor to act in relation to the affairs of the partnership.

There are no accounting or auditing requirements for LLPs other than that members must make relevant accounting information available to other members. A declaration of compliance ("annual validation") must be submitted annually to the Registrar. An LLP that fails to complete a validation becomes liable to being struck off the Register.

The partnership records must be available to all partners. They are not required to be available to the general public.

Limited partnerships or LLPs are dissolved either by agreement of all partners, or by order of the Royal Court or, in the case of limited partnerships only, at the expiry of 30 years from the date of registration.

### **III- Sole traders and joint ventures**

Local residents may carry on business as sole traders. Unincorporated joint ventures are never treated as separate entities and are, in effect, treated as the conduit through which the participators in the venture receive their share of the joint income. Neither of these two entities have any relevance in the context of international tax planning.

### **IV- Trusts**

Trusts in Guernsey are governed by the Trusts (Guernsey) Law, 2007 (as amended). Under the Guernsey trust legislation, the Royal Court of Guernsey has jurisdiction in respect of the following:

- Guernsey trusts
- foreign trusts, including a trustee which is resident in Guernsey, any property which is situated or administered in Guernsey or trusts, the terms of which provide that the Royal Court in Guernsey is to have jurisdiction.

Trustee services were traditionally provided by a wide range of professionals that included accountants and lawyers as well as joint stock and private banks. There are also a number of private trust companies that have been operating in Guernsey for many years. The Fiduciary Law requires all businesses which provide trustee services to register with the GFSC (Guernsey Financial Services Commission), and to conform to certain minimum standards of administration, training and experience.



A trust exists if a person (a “trustee”) holds or has vested in them property for the benefit of another person (“the beneficiary”).

The law states that a trust may be created by oral declaration, by an instrument in writing (including a will or a codicil to a will), by conduct (ie when parties act in a way which shows that they intend to create a trust), or in any other manner whatsoever.

All new Guernsey trusts can be of unlimited duration. Previously, Guernsey trusts terminated on the expiration of 100 years from the date of its creation unless it was a charitable trust.

It is preferable and more common for a trust to be established under a formal written document known as a “trust instrument”, stating the terms on which the trustees hold the assets, identify the beneficiaries or class of beneficiaries, and set out the circumstances in which they are to benefit.

In the situation of a discretionary trust, the settlor provides the trustees with a so-called “letter of wishes”, which sets out how the settlor wishes the trustees to act. A letter of wishes is not legally binding but, in practice, a professional trustee would be guided by the settlor’s wishes when exercising the trustee’s powers and judgement on trust matters. The appointment of a “protector” (sometimes called an “appointer”) is common in trust instruments. The protector is given certain sanctions or responsibilities by the terms of the trust instrument, to act as a check on the activities of the trustee.

There are no limits on the value of cash or other assets which may be settled into a Guernsey trust. For practical reasons, however, where only a nominal sum of cash is to be settled initially, that amount should be sufficient to cover all costs of preparing and executing the trust instrument and the fees of the trustees for the first year.

A trustee may be a corporate body or an individual. The law requires that any trust shall not have less than 2 trustees, unless the terms of the trust provide otherwise. It is usual for the trust instrument to provide for the retirement of a trustee and the appointment of a new trustee.

The law requires that a beneficiary must be identifiable by name, or ascertainable by reference to a class of persons or by a relationship to another person. The terms of a trust may provide for the addition or exclusion of beneficiaries, and may impose an obligation on the beneficiary as to the conditions of benefit. A settlor or a trustee may also be a beneficiary of the trust.

The law requires a trustee to keep accurate accounts and records of their trusteeship. There is no statutory requirement for an audit.

There are no provisions in the law to prevent a trust which is governed by the law of Guernsey from being managed and controlled elsewhere.

A trust may be “exported” by replacing the Guernsey resident trustees with trustees who are resident in another country, and by changing the proper law of the trust.

There are no requirements for the trust instrument to be entered into a public register because the instrument is a private document.

## **V- Foreign corporations and branches of foreign corporations**

Foreign entities are recognised in Guernsey under the conventions of international law but there is no requirement for a foreign company to register its corporate details or file an annual validation in Guernsey.

An entity incorporated outside Guernsey is only liable to Guernsey income tax on the profits earned in Guernsey by its branch or local establishment.

It should be noted that foreign corporations which are managed and controlled outside the island and do not trade within the island are not liable to either income tax or the flat-rate annual tax on their profits. Companies incorporated in offshore financial centres other than Guernsey may be administered in Guernsey in the same manner as non-resident Guernsey registered companies, thus combining the flexibility of other tax regimes with the stability of Guernsey.

#### **VI- PCC (Protected Cell Companies)**

A PCC is a single legal entity which may create one or more cells by issuing different classes of “cellular” shares to shareholders for the purpose of segregating and protecting the assets attributable to each “cell” and those core assets attributable to the PCC. Each cell of the PCC is not a legal entity separate from the PCC. However, the assets within each cell are only available to the creditors of that particular cell in the event of the winding up of the PCC. Each cell of a PCC must have its own name or distinct designation. The name of the PCC itself must include the words “protected cell company” or “PCC”.

All applications for the incorporation of a PCC must be approved by the GFSC and only certain companies may be incorporated as a PCC, namely: certain collective investment schemes, licensees within the meaning of the Insurance Business (Bailiwick of Guernsey) Law, 2002 and companies whose affairs are administered by a licensed person with a place of business in Guernsey or the company is of any other class or description prescribed by the GFSC.

#### **VII – ICC (*Incorporated Cell Companies*)**

An ICC is a single legal entity. An ICC differs from a PCC in that the cells of an ICC are separately incorporated and registered and are separate legal entities in their own right. An incorporated cell is not a subsidiary of the ICC and cannot be a member of the ICC, even though they have the same registered address and board of directors as the ICC.

The ICC must submit an annual validation in respect of each incorporated cell and the same applies in respect of the preparation of the incorporated cell’s accounts.

The cells within an ICC are able to enter into binding transactions with each other, the ICC and third parties.

#### **VIII- Foundations**

A foundation is a distinct legal entity registered under the Foundations (Guernsey) Law, 2012. Once registered, a foundation is deemed to be resident and domiciled in Guernsey. Foundations may be established for private, commercial or charitable purposes, provided those purposes are lawful and include the management of the foundation’s assets. Foundations are created by a Guernsey fiduciary executing a Charter signed by the founder with the Registrar of Foundations and administered by councillors. A guardian is required if the foundation is created for a purpose without beneficiaries. A resident agent is required if neither the councillor, nor the guardian, is a Guernsey fiduciary.

### **3- TAXATION SYSTEM**

#### **I- Resident entities and individuals**

A company is treated as resident if it is centrally managed or controlled in Guernsey or is incorporated in Guernsey.

A company is not treated as resident merely because it has a registered office in Guernsey where only administrative business is carried on to comply with the law.

The Guernsey tax year runs from 1 January to 31 December.

The standard rate of income tax in respect of companies is 0%. In respect of individuals resident in Guernsey the tax rate on income is 20%.

The following are liable to tax at the rate of 10%:

- banks in respect of certain types of income derived from banking business
- regulated fiduciary companies
- insurance intermediaries
- insurance companies conducting domestic business

- insurance company managers and controlled investment administrators
- custody businesses
- investment managers providing services to individual clients
- regulated operators of an investment exchange
- companies performing certain compliance activities for regulated financial services businesses
- companies operating aircraft registries.

The following are subject to tax at a rate of 20%:

- regulated utility companies
- companies importing and/or supplying hydrocarbon oil or gas
- retail companies (as defined) when their annual taxable income exceeds £500,000
- companies deriving income from the ownership of land and buildings in Guernsey
- companies deriving income from the licensed cultivation or use of cannabis plants
- companies deriving income from the prescribed production or prescribed use of controlled drugs.

Companies with income arising in Guernsey - other than bank deposit account interest - have to file a tax return. The tax assessed is normally due and payable in 2 instalments by 30 June and 31 December in the year of assessment.

A tax on real property (TRP) is imposed on both renters and purchasers of property on Guernsey, and is based on the use and size of the property among other factors. The tax on housing ranges from £1.94 to £3.72 per square metre. On office space the tax is £54.30 per square metre for utility providers, £50.65 per square metre for non-regulated financial services businesses, regulated finance industries, accountancy services and legal services, and £43.90 per square metre for other office accommodation. Considerably lower rates apply to other commercial buildings. Land is exempt.

## **II- Other taxes**

There are no taxes on wealth or capital, or on inheritance or gifts. Neither are there any sales or value added taxes. There is no capital gains tax. Excise and import duties are at comparatively low levels.

There is no stamp duty payable upon the transfer of shares and securities, cheques or other legal documents.

Legal conveyances of immovable property attract a document duty ranging from 2.25% to 5.5% of the value of the transaction.

Increased rates apply for immovable property that is not a principal private residence.

Remuneration paid to overseas employees who perform no part of their duties on the island does not attract personal income tax but may still be allowable as a business deduction on the part of the Guernsey resident company.

Dividends paid from pre-1 January 2008 profits are deemed to have borne income tax at 20% and are not subject to further Guernsey tax. Dividends paid to Guernsey residents from post-1 January 2008 profits are distributions subject to deduction of 20% income tax. Dividends paid to non-residents are not subject to deduction of income tax. Bank interest payable to Guernsey residents is subject to the standard rate of 20%. The first £50 per year (£100 for married couples, including couples in a civil partnership) is exempt from income tax. Deposit interest from Guernsey banks payable to non-residents, including exempt status companies, is exempt from local income tax by concession. The same rules apply as for royalties.

Under EU Directive 2014/107 on administrative cooperation in the field of direct taxation (effective from 1 January 2016 to 31 December 2020), Guernsey automatically exchanged information on interest and other forms of income with other EU tax authorities. The UK left

the EU on 31 January 2020, and EU law ceased to apply in the UK and Guernsey on 1 January 2021.

Rents from Bailiwick properties are taxed at 20% for companies and individuals, regardless of residence. Any tenant or local agent acting for a non-resident landlord is required to deduct income tax from any remittances of rent to such a landlord.

The tax treaty between Guernsey and the United Kingdom does not provide for any reduction in the withholding tax rates.

### **III- Tax incentives**

In order to encourage immigration of wealthy individuals, there is a total cap of £300,000 on an individual's personal income tax liability (£150,000 in respect of foreign-source income and £150,000 in respect of Guernsey-source income).

Tax depreciation, called "annual allowances", is allowed as a deduction from the taxable profits of a resident company in place of its book depreciation.

An allowance of 20% is given on the reducing balance of a company's machinery and plant, with varying rates for other capital assets, excluding intangibles (eg goodwill), investments and land.

### **IV- Advance rulings and anti-avoidance**

In practice, it is often necessary to seek the agreement of the Director of the Revenue Service before embarking on a certain transaction.

The anti-avoidance provisions that are in existence are aimed primarily at Guernsey residents.

If the Director is of the opinion that the main purpose, or one of the main purposes, of a transaction is the avoidance, or reduction, of the liability of any person to income tax, the Director may make such assessment or additional assessment as the Director considers appropriate to counteract the avoidance of tax.

### **V- Resident trusts**

If a Guernsey trust does not meet the conditions for a non-resident trust (ie it has Guernsey source income, other than bank deposit interest), the trustees must make a return to the Director of the Revenue Service.

The trustees of a resident trust will be liable for income tax at the standard rate but may make distributions to beneficiaries free of tax. As such distributions are paid out net of income tax, the beneficiaries are deemed to have received the distributions net of income tax.

### **VI- Foreign income**

Foreign source income of a Guernsey company is taxed on an arising basis.

Relief for foreign taxation on income arising to a Guernsey company is granted under tax treaties, and unilateral relief.

The foreign tax is treated as an expense and deducted from the gross foreign source income so that only the net amount of the income receivable is chargeable to Guernsey income tax.

## **4- OFFSHORE COMPANIES**

### **I- General information**

The expression "offshore companies" relates to Guernsey incorporated companies, beneficially owned by non-residents of Guernsey, which do not trade in or have a permanent establishment in the islands and which are managed and controlled outside Guernsey.

Offshore companies are limited liability companies and are subject to Guernsey law and practice relating to such companies. For example, offshore companies must file an annual return of share capital and pay the annual validation.

The administration of offshore companies can be carried out in Guernsey by a registered fiduciary and bank accounts may be maintained in the island. By concession, interest earned by offshore companies on bank deposit accounts held on the island will not be subject to Guernsey income tax.

There are no minimum capitalisation requirements.

Companies may appoint Guernsey resident directors and hold their board meetings in Guernsey. By appointing a majority of Guernsey resident directors to its board, a company may be able to demonstrate that management and control is being exercised in Guernsey and avoid being regarded as resident in some other territory with a less favourable tax regime.

Exempt company status, where a company paid a fee so as not to be subject to Guernsey income tax, has been abolished for all companies except collective investment schemes. For collective investment schemes, the fee for exempt company status is £1,200 in 2023.

However, most Guernsey companies are now subject to 0% corporate income tax. As long as the beneficial ownership of the company is non-resident, distributions from the company are taxed at 0% as well.

Non-resident companies incorporated in other offshore financial centres can be administered on Guernsey without being subject to local income tax, provided they are controlled outside the island.

## **II- Offshore finance companies**

Among the methods by which a Guernsey company can assist in the financing of operations of a multinational group of companies are:

- the provision of captive insurance
- the employment of expatriate personnel and associated payroll functions
- the establishment of a trust to provide pension, superannuation and provident funds for overseas and expatriate personnel.

## **III- Offshore licensing companies**

A Guernsey registered company may be used to hold patents, copyright, trademarks, etc, for exploitation worldwide. Guernsey substantially overhauled its intellectual property (IP) regime between 2005 and 2010, and is now recognised as an IP centre of excellence.

## **IV- Offshore trading companies**

The benefits to be derived from using Guernsey incorporated companies are set out in the “General Information” section.

As part of its special protocol with the EU, Guernsey was obliged to impose the EU's Common External Tariff on all imports from outside the EU

However, the UK left the EU on 31 January 2020, and EU law ceased to apply in the UK and Guernsey on 1 January 2021.

## **V- Offshore administration companies**

There are no statutory restrictions on the establishment of an administration company in Guernsey.

The size and scope of the necessary support services required will dictate the feasibility and cost-effectiveness of centralising the administration of a multinational group in Guernsey.

## **VI- Offshore shipping companies**

Guernsey companies are used to own and charter ships and yachts, but no other special tax concessions apply.

Guernsey has its own Register of Shipping.

## **VII- Offshore trusts**

A Guernsey trust is a totally private arrangement backed by long established common law concepts and the island's statute law and, if established for the benefit of non-resident individuals, is free of local income tax.

Guernsey trusts are extremely popular as a tax planning vehicle to manage and protect private assets, to accumulate income and to realise gains which, in other countries, would be subject to income, wealth, capital or gift taxes, etc.

When considering the incorporation of a Guernsey trust, it is essential to consider the potential tax implications on the settlor and beneficiaries in their respective countries of residence.

## **5- BILATERAL TAX AGREEMENTS**

Guernsey has concluded tax treaties with a number of countries which specify the withholding tax rates that apply. Non-treaty withholding tax rates apply when they are lower than the rate specified in the treaty. The following rates of Guernsey withholding tax apply to non-resident entities.

	<i>Dividends</i>	<i>Interest</i>	<i>Royalties</i>
	<i>%</i>	<i>%</i>	<i>%</i>
<i>Non-treaty countries</i>	0	0	0
<i>Treaty countries</i>			
Cyprus	0	0	0
Estonia	0	0	0
Hong Kong	0	0	0
Isle of Man	0	0	0
Jersey	0	0	0
Liechtenstein	0	0	0
Luxembourg	0	0	0
Malta	0	0	0
Mauritius	0	0	0
Monaco	0	0	0
Qatar	0	0	0
Seychelles	0	0	0
Singapore	0	0	0
United Kingdom	0	0	0

In recent years, Guernsey has entered into a series of TIEAs with various countries. Agreements have been signed with: Argentina, Australia, Austria, Bahamas, Belgium, Bermuda, Botswana, Brazil, British Virgin Islands, Bulgaria, Canada, Cayman Islands, Chile, China, Costa Rica, Czech Republic, Denmark, Faroe Islands, Finland, France, Germany, Gibraltar, Greece, Greenland, Hungary, Iceland, India, Indonesia, Ireland, Italy, Japan, Latvia, Lesotho, Lithuania, Macau, Mauritius, Mexico, Monserrat, Netherlands, New Zealand, Norway, Poland, Portugal, Romania, Saint Kitts and Nevis, San Marino, Seychelles, Slovakia, Slovenia, South Africa, South Korea, Spain, Swaziland, Sweden, Switzerland, Turkey, Turks & Caicos Islands, United Kingdom, United States and Uruguay.