LTS TAX

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Living in Guernsey

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Guernsey is independent and self-governing, renowned for being a safe place to live with beautiful beaches, scenery and cliff walks.

For many it is surprisingly easy to become resident in Guernsey. Individuals with a British passport have an automatic right of abode and can buy and live in any of the many fantastic properties available on the "open market". Individuals other than British passport holders can also obtain a right to live here and occupy open market accommodation via an entrepreneur visa depending on circumstances. Generally, individuals who can obtain "leave to enter" the UK can also reside in Guernsey on making an application to do so.

As well as Guernsey being an attractive place to live, the tax system is also relatively benign compared to many other jurisdictions.

Guernsey has no capital gains tax, inheritance or wealth tax, VAT or gift taxes. The tax year is the calendar year. There is a flat rate of tax of 20% for individuals and companies are subject to a standard rate of 0%.

Companies are subject to an intermediate rate of corporate tax of 10% for income derived from various sources including banking, fiduciary, fund administration and insurance business. A higher rate of 20% applies for income derived from a regulated utility, from land and buildings situated in Guernsey or certain trading activities.

The Bailiwick of Guernsey includes our sister Islands of Alderney and Herm. Guernsey tax law extends to both islands.

Tax residency

Guernsey tax residence is based on the number of days an individual spends in the Island in the tax year. A "day" is treated as being spent in Guernsey if an individual is in the Island at midnight. There are a number of categories of residence for Guernsey tax purposes:

Resident Only

An individual is regarded as "resident only" in Guernsey for tax purposes in a calendar year, if they:

(a) spend 91 days or more in Guernsey during the year, or

(b) spend 35 days or more in Guernsey in the year and, during the four preceding years, spent 365 days or more in Guernsey.

Individuals are also required to spend 91 days or more in a second jurisdiction during the year.

Individuals who are resident only are, as an alternative to paying 20% tax on their worldwide income, able to elect to pay a "standard charge", currently set at £50,000. This covers all Guernsey tax due upon that individual's non-Guernsey source income. The standard charge also "franks" tax due on up to £250,000 of Guernsey source income.

If Guernsey source income exceeds £250,000 further tax is due at 20% and no deductions are available on this income.

Solely Resident

An individual is solely resident in Guernsey if they are "resident only" as above, but do not spend more than 91 nights in a second jurisdiction during the year.

Principally Resident

An individual is "principally resident" in a calendar year if:

(a) they spend at least 182 days in Guernsey during the year, or

(b) they spend at least 91 days in Guernsey during the year and, during the four preceding calendar years, have spent at least 730 days in Guernsey, or

(c) take up permanent residence in Guernsey (meaning they are resident only in the year under review and solely or principally resident in the next year and not resident in Guernsey in the immediately 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%, unless tax capping applies.

Non-Resident

A non-resident is broadly only liable to Guernsey income tax on Guernsey source income such as employment or property income. Passive investment income is generally not taxable.

Tax Capping for Guernsey Residents

Depending on the individuals Guernsey tax residence classification, described above, a Guernsey resident may cap their annual tax liability, viz;

- Open Market Cap of £60,000. Available for up to the first four years of Guernsey residence. Requires the purchase of an open market property within 12 months before or after taking up permanent residence. The purchase must generate minimum document duty or anti-avoidance duty of £50,000 (property cost of £1.4m). From 1 January 2024, where an individual pays at least £50,000 document duty (under the document duty anti-avoidance provisions) to purchase the entire share capital of a company that holds the open market property, they may claim the open market tax cap.
- Foreign income tax cap of £160,000. This is for non-Guernsey source income only. Guernsey source income remains subject to 20% tax. Guernsey bank interest is not considered Guernsey source.
- Annual tax cap of £320,000. A global cap utilised by individuals with substantial Guernsey source income.
- The "Standard Charge". This is currently £50,000 per annum and is available by election in place of worldwide income disclosure, for those who are broadly, "part-time" tax resident on the Island.
- Alderney property tax cap of £60,000 is available from 2025 onward, the requirement being payment of a minimum £50,000 document duty, share transfer duty or leasehold duty on the purchase of an Alderney

residential property after January 2025, with a property cost of circa £900k. The individual must take up permanent residence in Alderney either 12 months before or after purchase. The cap is available for the first year of permanent residence and the following three years.

- Guernsey (including Alderney) source property income and withdrawals from Guernsey pensions, are taxable in addition to the above tax caps.

Guernsey Social Security

All residents and new arrivals to the island are required to register for Guernsey income tax and social security.

Social security contributions are based on the individual's annual taxable income. This information is usually provided to the Guernsey Revenue Service by the individual on their annual tax return.

As contributions (and tax) are collected quarterly in the year by the Guernsey Revenue Service, estimated social security contribution and income tax assessments are issued early in the calendar year. These assessments are then amended to actual income figures once known to the Revenue Service.

Annual upper and lower social security contribution income thresholds are as follows (with no contribution on income above or below the respective threshold being required).

- 2026 Upper earnings limit £196,560
- 2026 lower earnings limit £9,984

Guernsey has three individual classifications for Social Security purposes.

Employed persons

Broadly, an employee is subject to a 7.5% contribution and their employer a 7.1% contribution on the employees' gross earnings (subject to the upper and lower earnings limits as above).

For an employed person dividend income received from the employer company (or company connected to their employer) is treated as earnings and subject to contributions.

Self-employed persons

A self-employed individual is subject to a 12.4% contribution based on their net profit for the year, as calculated for tax purposes (again subject to the upper and lower earnings limits above).

Non-employed persons

Rates for individuals under pension age

All non-employed individuals with income above £24,960 have an allowance of £11,122 deducted from their annual income when calculating assessable income for contribution purposes. Those with income below £24,960 are not subject to contribution. The rate of contribution is 11.8% for those under pension age. The maximum contribution payable in 2026 is £420.80 per week, (£21,881.60 per year).

Rates for individuals over pensionable age

Non employed individuals aged over 65 are required to pay contributions for health insurance and long-term care at the rate of 3.8%. The 2026 maximum rates being £135.51 per week, (£7,046.52 per year).

Incentives for Relocators

A new resident to the Island may benefit from the tax caps mentioned above. In addition, they may on meeting specific conditions, receive distributions from a non-Guernsey registered company free of all Guernsey tax to the extent that the profits distributed by the company were made prior to the individual becoming resident.

Furthermore, if a UK resident company is shareholder controlled in Guernsey, future profits made by the company, post the individual taking up residence in Guernsey, may well be subject to double tax relief in Guernsey in respect of UK tax paid by the company, meaning little, if any, tax is payable in Guernsey.

UK Inheritance and Capital Gains Tax

A Guernsey resident individual (who is not UK resident), may, in most cases, be able to dispose of shares in UK companies without being subject to UK capital gains tax. (There are expectations generally relating to the UK property).

If the individual is also not a "long-term resident" of the UK, (broadly if they have not been UK resident in at least 10 out of the previous 20 tax years) then for UK Inheritance Tax purposes, only assets situated in the UK would usually be subject to UK Inheritance Tax.

Double Tax Treaties

Guernsey has entered into several full and partial double taxation treaties and information exchange agreements with overseas jurisdictions.

The Guernsey/UK double tax treaty now broadly follows the OECD Model treaty. Certain articles of the new UK/Guernsey treaty are particularly helpful for a Guernsey resident in respect of certain UK income sources, as follows;

Pensions

Under the treaty pension income is only taxable in the individuals' place of tax residence. This means that for a Guernsey resident UK tax is not chargeable upon UK source pensions (there are very few exceptions).

As the income source is that of the UK, a Guernsey resident may be able to utilise the foreign income tax cap or the open market tax cap or, if they are resident only, the standard charge against UK source pension income. This often means the effective rate is significantly less than the Guernsey standard rate of 20%.

In addition, in certain instances a Guernsey resident may be able to take a flexible drawdown of an entire UK pension fund. The drawdown would usually follow the principal outlined above in that Guernsey has sole taxing rights with applicable tax caps.

UK Dividend and Interest Income

UK source dividend income and interest arising to a Guernsey resident individual is now treaty exempt for UK tax purposes, even in the non-UK resident part of a split UK tax year. This may be relevant to those who previously filed a UK tax return on the excluded income basis as the treaty exemption should not reduce the available UK personal allowance.

Guernsey Housing Stock

Guernsey maintains strict controls on the occupation of its housing stock. These controls exist to protect and provide sufficient properties for residents, and, to this end, Guernsey properties are categorised either as:

Local Market

In most cases, local market properties can only be occupied by locals, or non-locals who have been granted a residential permit, usually linked to essential employment.

Open Market

Guernsey has approximately 1,700 open market properties that are usually at a price premium in comparison to a local market property. A purchaser of an open market property should inform Population Management of their intended occupation to receive the appropriate right of abode.

Helpful extras

Driving Licence

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 be able to continue to use your overseas licence until you spend the majority of a year living on the island.

If you have relocated you have 12 months to exchange your UK licence for a Guernsey licence.

Registration of cars

To register a vehicle, you will need a permanent address on the island, where you actually reside. First Registration Duty will be charged on all new and second hand vehicles imported, based on vehicle emissions.

A new resident is required to register their car within 2 weeks of permanent arrival.

Importing Household effects

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 (for example, a wine cellar), then duty may be payable.

Register with Doctors and Dentists

Guernsey operates a private health care 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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