LTS TAX
Chartered Tax Advisers

Living in Guernsey

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 income 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

and they 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 £40,000. This covers all Guernsey tax due upon that individual's non-Guernsey source income. The standard charge also "franks" tax due on up to £200,000 of Guernsey source income.

If Guernsey source income exceeds £200,000 further tax is due at 20% and no deductions are available on this income.

Solely Resident or Principally 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.

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 £40,000 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 tax cap, available only until 2025, is a maximum of £65,000 tax in any tax year.
- Alderney property tax cap of £60,000 is available for 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 1 January 2025. 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.

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 situate 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.

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