LTS TAX
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Guernsey Budget 2019

Details of the 2019 Guernsey Budget were released on 9th October. This will be heard and decided by the States on 6th November. It is fair to say it is a detailed budget by Guernsey standards and full of measures designed to collect more taxes from the higher earners and businesses in Guernsey. Some of the measures are as follows:

Personal taxation

To withdraw personal and other allowances by £1 for every £5 that the income exceeds £100k. This is a lower threshold than the current £142k.

To increase the maximum tax caps from the current £110k and £220k, to £130k and £260k respectively but to clarify that income from land and buildings will not be excluded from the tax cap when the income is derived from an exempt company.

To introduce amendments to the “open market” tax cap regulations allowing this to apply to Guernsey residents and also extending the time limit to purchase a property from 6 months to 12 months. This is a practical step to allow individuals sufficient time to purchase a property.

To make it clear that mortgage relief will not be allowable if the loan is for a principal residence and is made available from a trust.

To amend legislation in order that relief for underlying tax is available to members receiving a distribution from a company as long as the company is incorporated in Guernsey or controlled in Guernsey. We believe control will take the income tax definition and as such shareholder control should be sufficient. This is retrospective to November 2015 and thus will return the status quo to the position pre November 2015 for Guernsey residents receiving distributions from Guernsey companies that are majority owned in Guernsey.

Personal tax allowances will increase from £10,500 to £11,000 and there will be a similar percentage increase to other allowances such as Dependant Relative and Charge of Children allowance.

Pensions

The tax free limit on lump sums from pensions will be £198k for 2019.

In future contributions will not be permitted for tax relief unless they are cash payments actually made by the member, as such in specie contributions will not be permitted for tax relief purposes.

The triviality provisions will be amended to permit members over 50 with a scheme of a value less than £50k to close down the scheme. Furthermore if a member has scheme funds of £100k or less and can demonstrate a minimum retirement income of £20k, these schemes may also be closed down. The payment from the pension will be taxed at 20% less the normal tax free lump sums.

To introduce a 10% charge on pension transfers to the UK unless the member is resident in the UK or has not been Guernsey resident at any time.

To introduce an explicit exemption from tax for end of service/ gratuity schemes where the beneficiaries are non-Guernsey resident and there is no Guernsey source income as defined within the scheme.

Company taxation

The 10% rate will be extended to companies with income from compliance services and also with income from operating an investment exchange under the POI law.

Amendments will be introduced to ensure that a company that is not Guernsey resident by virtue of a tax treaty will also not be treated as Guernsey tax resident for domestic purposes. This may ease the administrative burden as these companies may have no, or reduced, filing requirements in Guernsey. More details to follow.

Economic substance will be a hot topic for the next year or so, as although no concerns have been raised internationally regarding Guernsey's tax transparency and compliance with the recent "Base Erosion Profit Shifting" measures, Guernsey along with other low tax jurisdictions have been asked to ensure that we are not facilitating "offshore arrangements" that do not reflect real economic substance. It is therefore proposed that the tax legislation will be amended to allow Regulations to be introduced locally to ensure companies carrying out relevant activities meet certain "substance requirements". More details to follow.

Property

The cost of applying for a bond is being reduced to 0% in an effort to make it easier to re-finance and move providers. This is being paid for by a general increase in document duty of 0.25% for purchases up to £400,000 and 0.5% thereafter.

In addition a new rate of document duty is being introduced at 5.5% of any value that exceeds £2million.

There will be a new higher TRP band that increases the rate for accountancy services and non-regulated financial services to the same level as regulated businesses.

Francis Snoding, Managing Director

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These notes are provided for information purposes only and are not to be taken as advice. Should you require any further information please contact an LTS Tax Adviser.

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