



Thinking Beyond Borders: Management of Extended Business Travelers - Guernsey

July 2023



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Key message

Residents are taxed on their worldwide income less any deductions, such as double tax relief, personal allowance, contributions to personal pensions and mortgage interest. Non-residents are taxed on their Guernsey-sourced income, with certain exceptions. Depending on their circumstances, the tax payable by an individual can be capped at 50,000 Guernsey pounds (GBP), GBP150,000 or GBP300,000. Individuals moving to Guernsey can cap their tax liability to GBP50,000 per annum for their year of arrival and the following 3 years of Guernsey residence, providing certain conditions are met.

1 Key message

Typically, individuals are subject to income tax at a flat rate of 20 percent. There are no taxes on capital gains, inheritance or gifts in Guernsey.

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Income tax

2 Income Tax

2.1 Liability for income tax

The basis of an individual's Guernsey tax liability is determined by their residence status. The criterion is the number of days of presence in Guernsey (at midnight at the end of the day).

2.2 Tax trigger points

Guernsey income is taxed on a receipts-basis. A non-resident individual is only liable to Guernsey tax on income that arises or accrues in Guernsey, with the exception of dividends, royalties, bank interest and non-executive directors' fees.

A person who is resident (but not solely or principally resident) in Guernsey may elect to be assessed on Guernsey-sourced income only (subject to a minimum charge of GBP50,000), with no allowances, reliefs or deductions available. Alternatively, they are liable to Guernsey income tax on their worldwide income with allowances, reliefs and deductions (including double tax relief) available.

An individual who is resident (but not solely or principally resident), who comes to Guernsey wholly or mainly for employment reasons, may elect to be taxed on Guernsey-sourced income plus remittances of non-Guernsey income sources.

A solely or principally resident individual will be taxable on their worldwide income with appropriate allowances, reliefs and deductions (including double tax relief) available. Alternatively, an individual who is solely or principally resident may elect to pay tax in accordance with the tax cap of GBP300,000 on worldwide income, only income arising from land and buildings situated in Guernsey is taxed above this cap.

2.3 Tax rates

Guernsey has a flat tax rate of 20 percent for individuals. The standard rate of income tax on companies is 0 percent, with a rate of 10 percent applicable to certain banking profits, profits of certain domestic insurance, insurance intermediary businesses, insurance manager businesses, fiduciary businesses, fund administration businesses, the provision of custodial services by banks, the provision of investment manager services (except where those service are provided to collective investment vehicles), income from operating an investment exchange and income from compliance and other related activities provided to regulated financial services businesses. A rate of 20 percent applies to businesses regulated by the Office of Utility Regulation, the importation and/or supply of hydrocarbon oil or gas in Guernsey, large retail businesses where they have a taxable profit of more than GBP500,000 and to profits derived from the ownership of land and buildings situated in Guernsey. In the case that a Guernsey company has various income streams, the different sources of income will be taxed at the appropriate rate, resulting in the company having an effective tax rate (between 0 percent and 20 percent).

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Social security

3 Social security

3.1 Liability for social security

Any employee working in Guernsey must register for Guernsey social security. As of 2023, employees are subject to contributions of 7.0 percent subject to an upper earnings limit of GBP14,040 per month. Employer's contributions of 6.8 percent on gross salary, subject to an upper earnings limit of GBP14,040 per month. Reciprocal agreements with some jurisdictions allow an individual on a temporary secondment to continue to pay contributions in their home jurisdiction.

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Compliance obligations

4 Compliance obligations

4.1 Employee compliance obligations

The tax year is a calendar year.

Individuals are required to complete and file an annual personal tax return by 28 February of the second year after the period (e.g., 2022 submissions are due 28 February 2024). Individuals who are not already registered are required to inform the Director of the Revenue Service of their liability to Guernsey tax by 14 July following the year in which any chargeable income arises.

Tax returns must be filed by non-residents who are in receipt of Guernsey-sourced income (except for dividends, royalties, bank interest and non-executive directors' fees).

4.2 Employer reporting and withholding requirements

Tax and social security contributions are withheld from employment income and are separately reported to both departments either monthly or quarterly, depending on the size of the company.

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Immigration

5 Immigration

5.1 Work permit/visa requirements

The Guernsey housing market is divided into open market and local market sections. The open market amounts to approximately 7 percent of the total housing in Guernsey and is around 35 percent more expensive than local market housing. We do not provide immigration advice. If this service is required, please contact us and we shall get in contact with an appropriate individual. We have provided general information; however, these should not be fully relied on.

In order for an individual to commence work in Guernsey they must obtain a work permit from the States of Guernsey. It may also be necessary to apply for a Visa in order to move to Guernsey, Visas are required for individuals from any jurisdiction other than British citizens.

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Other issues

6 Other issues

6.1 Double taxation treaties

Guernsey has double taxation agreements with a number of countries/jurisdictions, providing either exemptions from tax in one jurisdiction or relief from double taxation by way of credit.

6.2 Permanent establishment implications

Companies are resident in Guernsey if they are incorporated in Guernsey or if they are controlled in Guernsey (i.e., the majority shareholders are resident in Guernsey).

With effect from the 1 January 2019, the corporate residence test was extended to include management and control being exercised in Guernsey as a trigger for residence.

A permanent establishment (PE) of a company that is non-resident for Guernsey tax purposes is subject to Guernsey tax on the profits of that PE arising in Guernsey.

Guernsey follows the OECD model articles in relation to determining a permanent establishment.

6.3 Indirect taxes

Guernsey currently has no value-added tax (VAT) or goods and services tax (GST). There are indirect taxes on consumables such as tobacco, alcohol and petrol.

6.4 Transfer pricing

Guernsey has no specific transfer pricing legislation, though it does have general anti-avoidance legislation.

6.5 Local data privacy requirements

Guernsey has data privacy laws.

6.6 Exchange control

Guernsey has no exchange controls.

6.7 Non-deductible costs for assignees

Benefits provided to employees are generally taxable as salary unless specifically exempted. Specifically, exempted benefits include¹:

- the first GBP900 of certain benefits provided in a year
- employer's contributions to an approved pension scheme
- business related entertaining
- actual reasonable expenditure incurred in removal to Guernsey and the setting up of a property in Guernsey by a newly recruited/transferred employee
- the first GBP13,750 of a disturbance allowance paid to such an employee

- provision of temporary accommodation and/or travelling expenses for up to the first 4 months from commencement of employment (subject to a limit of GBP5,000).

6.8 Other

The provision of accommodation to an employee is a taxable benefit in Guernsey. The benefit is calculated as the lower of the open market rental value of the property and 15 percent (for unfurnished accommodation) or 17.5 percent (for furnished accommodation) of the employee's total assessable remunerations. The benefit is calculated differently for the provision of accommodation to hotel and guesthouse employees in that certain rates are applied depending on the role of the employee and the category of hotel/guesthouse.

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Footnotes

¹Further details on benefits are included in an explanatory guide which can be found on the States of Guernsey website - <https://www.gov.gg/CHttpHandler.ashx?id=101678&p=0>

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