Tax residence in Guernsey

An overview

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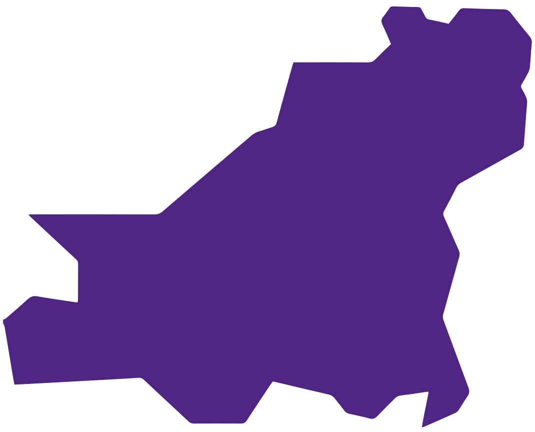

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Guernsey income tax is due by reference to an individual's residence position. For most people, residence is based on the actual days spent in Guernsey during a calendar year. However, Guernsey has two categories of residence plus special tax capping arrangements especially attractive for newcomers to the island.

The income tax rate is 20%. There is no capital gains tax, inheritance tax or VAT.

The island does not yet have separate taxation for couples (this is coming into effect from 1 January 2023), so married people/civil partners are generally taxed jointly unless their residency statuses are different. There can be a form of raising seperate tax assessments, but the tax will remain the same overall. Once separate taxation comes into effect married people/civil partners will be taxed separately. It will still be possible to transfer personal allowances in certain circumstances.

Finally, don't forget that Guernsey Social Security costs also arise, even for non-employed individuals and those above the age of 65. Further details can be provided on request.

The normal tax position of the different residency statuses

Non-resident	Only liable to Guernsey tax on income from property in Guernsey and employment income received in relation to duties carried out in Guernsey.
Resident only	**You can elect to either:** a) be taxed on your worldwide income. Personal allowances are restricted if resident only, apportioned on the basis of time spent on the Island; or b) pay a £40,000 tax charge. This simplifies administration and you do not have to declare worldwide income. Tax will exceed £40,000 if your income from Guernsey sources exceeds £200,000 (up to a maximum tax charge of £260,000, £300,000 from 1 January 2023, see page 2).
Principally resident (also sometimes referred to as Solely resident)	Liable to Guernsey tax on your worldwide income (but see tax cap opportunities below).

Days in Guernsey

In Guernsey, the tax year is the calendar year, and a day is counted for tax purposes if you are here at midnight.

Up to 34 days	Non-resident
35 to 181 days	See below
182 days or more	Principally resident

Please also note the need to take account of the four preceding years under an averaging calculation if you have spent between 35 and 181 days.

- If during the four preceding years you have spent less than 365 days in Guernsey – non-resident, unless you have spent more than 90 days in Guernsey in that year.
- If during the four preceding years you have spent 365 days or more in Guernsey AND you have not spent more than 90 days in any one other place – principally resident.
- If during the four preceding years you have spent 365 days or more in Guernsey AND you have spent more than 90 days in any one other place during the year – resident only.
- If during the four preceding years you have spent 730 days or more in Guernsey AND spent more than 91 days in Guernsey in the current year – principally resident.

In the year of arrival when an individual takes up permanent residence in Guernsey the individual can be considered prinicpally resident even if they do not fulfil the above criteria.

Tax Capping

If you are principally resident, you may elect either to:

a) pay a tax cap of £300,000. Additional tax is due on any Guernsey property income (at 20%).

b) pay a tax cap of £150,000 on overseas income. Additional tax (again at 20%) is due on any Guernsey income.

Once independent taxation comes into effect these tax caps will be payable by each spouse.

The following caps are only available to individuals who have not previously been resident.

c) take advantage of an incentive specifically for new arrivals to the island. A £50,000 p.a tax cap for up to 4 years, if one also spends at least £50,000 in duty when purchasing an open market property (provided that it occurs within 6 months before or after arrival). £50,000 duty is equivalent to a house costing £1.32 million. ** (see below)

d) if become resident in Alderney pay a tax cap of £50,000 on worldwide income, excluding Guernsey/Alderney property income tax at 20% will be due on this.

** The Guernsey Revenue Service have confirmed that anyone who has elected for the Open Market Tax Cap prior to the introduction of independent taxation will have their £50,000 joint liability grandfathered for the full 4 years.

It has been confirmed that the special Alderney tax cap will remain at £50,000 up to and including 2025.

These caps also simplify the annual tax return process.

New arrivals

Personal allowances are proportioned in the year of arrival or departure on a time basis, and if income exceeds a set amount are withdrawn on a graduated basis. From 2019 all allowances, with the exception of £1,000 of pension contributions, are restricted if income exceeds £100,000 (£90,000 from 2023) on a £1 for £5 income basis. Given the limits of these allowances anyone earning more than approximately £160,000 will receive no relief. There are also special rules for new arrivals that facilitate the tax free extraction of profits that arose in companies before coming to Guernsey. We can advise on this further.

Finally, with the UK leaving the EU from January 2021, any EU, EEA or Swiss nationals will become subject to Guernsey's immigration controls in the same way as non EU persons have been. Those from the UK will remain entitled to live here. Again we can provide further details.

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