

Moving to Guernsey: What you need to know

KPMG in the Crown Dependencies

Making the move

Deciding to relocate is without doubt a massive decision and tax is just one factor to play a part in choosing your next destination. Most of the families we work with are not driven by fiscal matters but by other factors such as standard of living, education, political stability, culture, safety and how these all combine with the tax system to provide an outstanding standard of living.

Guernsey is part of the “Crown Dependencies” and is a self-governing State with a fascinating history, a fusion of Anglo-French culture and a thriving business community.

Made up of several connected Islands its beautiful beaches and outdoor lifestyle appeal to many.

Guernsey’s proximity to the UK and France but independent fiscal policy and island lifestyle mean that many have chosen the Island as their ideal new place of residence, and many continue to weigh-up the merits of doing so today.

Some of the most valued factors contributing to making Guernsey an incredible place to live are highlighted below:

Travel

No long commutes allowing for more productive time in one’s day.

Social

A welcoming community with an abundance of active groups, including sport and the arts.

Safety

Virtually no crime.

Location and Connectivity

Easy connectivity to the UK and a gateway to the rest of Europe, with daily flights and ferry crossings.

Tax Neutrality

There are no wealth taxes, capital gains taxes nor any estate taxes, with a headline 0% corporate income tax rate and 20% personal income tax regime with a tax capping system detailed in the following section.

Guernsey offers a compliant personal and corporate tax regime including Double Tax Agreements with the UK and various other jurisdictions.

Internationally Regulated and Compliant

The Island has adopted the highest international standards around information exchange and transparency.

Professional Services

As an International Finance Centre the Island has a long history of supporting private wealth as well as the infrastructure, personnel, regulation and legal system to support the sector to thrive.



Guernsey Tax Summary

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Tax Residency

An individual is resident in Guernsey for tax purposes if they spend 91 midnights or more in Guernsey in a calendar year.

An individual who spends 182 midnights or more in Guernsey in a particular year is principally resident in Guernsey and, subject to the application of the tax cap, liable to Guernsey income tax on their worldwide income.

An individual who spends more than 91 midnights in Guernsey and does not spend greater than 91 midnights in any other jurisdiction is considered "solely resident" and, subject to the application of the tax cap, liable to Guernsey income tax on their worldwide income for the calendar year.

An individual who spends between 91 and 182 midnights in Guernsey and also spends more than 91 midnights in an alternative jurisdiction is treated as a "resident only" individual. Such an individual is subject to Guernsey tax on their worldwide income unless they elect to pay the standard charge.

In the absence of making a tax cap election the standard position is that an individual who is Guernsey tax resident is subject to Guernsey tax on their worldwide income, less available allowances at 20%.

Tax Elections

New arrival tax cap

An individual who becomes resident in Guernsey and purchases a Guernsey open market property (see housing comments below) triggering a document duty payment of £50,000 (a property purchase of circa £1.4m) now can elect to pay a tax cap on their worldwide income of £60,000 per annum for their year of arrival and 3 subsequent calendar years.

Worldwide and overseas tax cap

A Guernsey tax resident individual with significant overseas income sources can cap their Guernsey tax liability to £160,000 per annum in respect of non-Guernsey source income. Any Guernsey source income will be taxable at 20% up to the overall tax cap of £320,000. Note that Guernsey bank interest is treated as non-Guernsey source income and income from Guernsey property is not protected by the tax cap.

You can qualify for the tax cap, the overseas tax cap or the new arrivals tax cap provided you spend more than 91 midnights in Guernsey in a calendar year. The key difference being that the new arrivals tax cap can only be qualified for if you make a significant house purchase whereas the worldwide and overseas caps apply irrespective of property ownership, indeed you could rent and they would still apply.

The standard charge

If an individual meets the conditions for being resident only they are by default taxed on their worldwide income. However, if beneficial to them they can elect to pay the standard charge of £40,000 per annum, they will not be subject to Guernsey tax on their non-Guernsey source income (including Guernsey bank interest).

The individual will receive no allowances, reliefs or deductions in Guernsey but will only suffer further Guernsey tax to the extent that their Guernsey source income exceeds £200,000 in the calendar year (5 times the standard charge).

We often find this to be attractive to Guernsey residents who are internationally mobile and happy to restrict their time on the island to less than 6 months. Care must be taken to ensure that tax residency is not triggered elsewhere.

Pre-arrival profits

Distributions of pre-arrival income made to a new Guernsey resident individual from a company incorporated outside of Guernsey may be exempt from income tax in Guernsey. In order to qualify as exempt the following criteria would need to be met:

- Individual owns more than 1%;
- Distributions comprised of profits accumulated prior to the individual becoming tax resident in Guernsey; and
- Profit is distributed within 2 years of the individual arriving on the island.

Social security

Social security is payable in addition to income tax, but subject to an upper earnings limit of £188,604 (2025 rate). Any income above this amount would not be subject to social security contributions.

There are three groups or 'classes' of person under the Social Security scheme:

- Class 1 – employed persons – 7.0% employers and 7.4% employees;
- Class 2 – self-employed persons – 12.2% contributions;
- Class 3 – non employed persons – above pension age 3.8%, below pension age 11.6%.

Other taxes

Guernsey does not levy tax on capital transactions and does not apply estate or wealth taxes, sales taxes or withholding taxes on payments to non-resident parties.

Other Factors – Moving to Guernsey

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	Guernsey
Healthcare	Reciprocal agreement with the UK, but not part of the NHS. Guernsey has a private health care system with primary care being private, with some secondary healthcare and specialist services being free with a referral from a GP.
Immigration	British passport holders and those who have been granted “indefinite leave to remain in the UK” can move to Guernsey with no immigration applications. For those without the above status, obtaining a visa is more complex following Brexit and consultation with an immigration lawyer is advisable.
Housing	The local market is applicable to Guernsey locals, including established residents in addition to those who are provided with licenses relating to work in Guernsey (roles such as accountants and lawyers). Alternatively, there is the open market which is available to all other individuals looking to obtain properties in Guernsey either through rental or purchase.
Education	Excellent public and private schooling up to aged 18

Proximity to the UK

Whilst you may wish to spend all your time in Guernsey after choosing to make it your home, it is likely that spending time in the UK would also be a consideration.

Whilst the Island is increasingly adding to its direct flight network the UK acts as our gateway to the international community and as a place many of us enjoy visiting for business and leisure.

Often ensuring that you don’t become resident in the UK is fundamental for tax purposes and ensuring you monitor your presence in the UK and take formal advice about your specific circumstances is strongly advised.

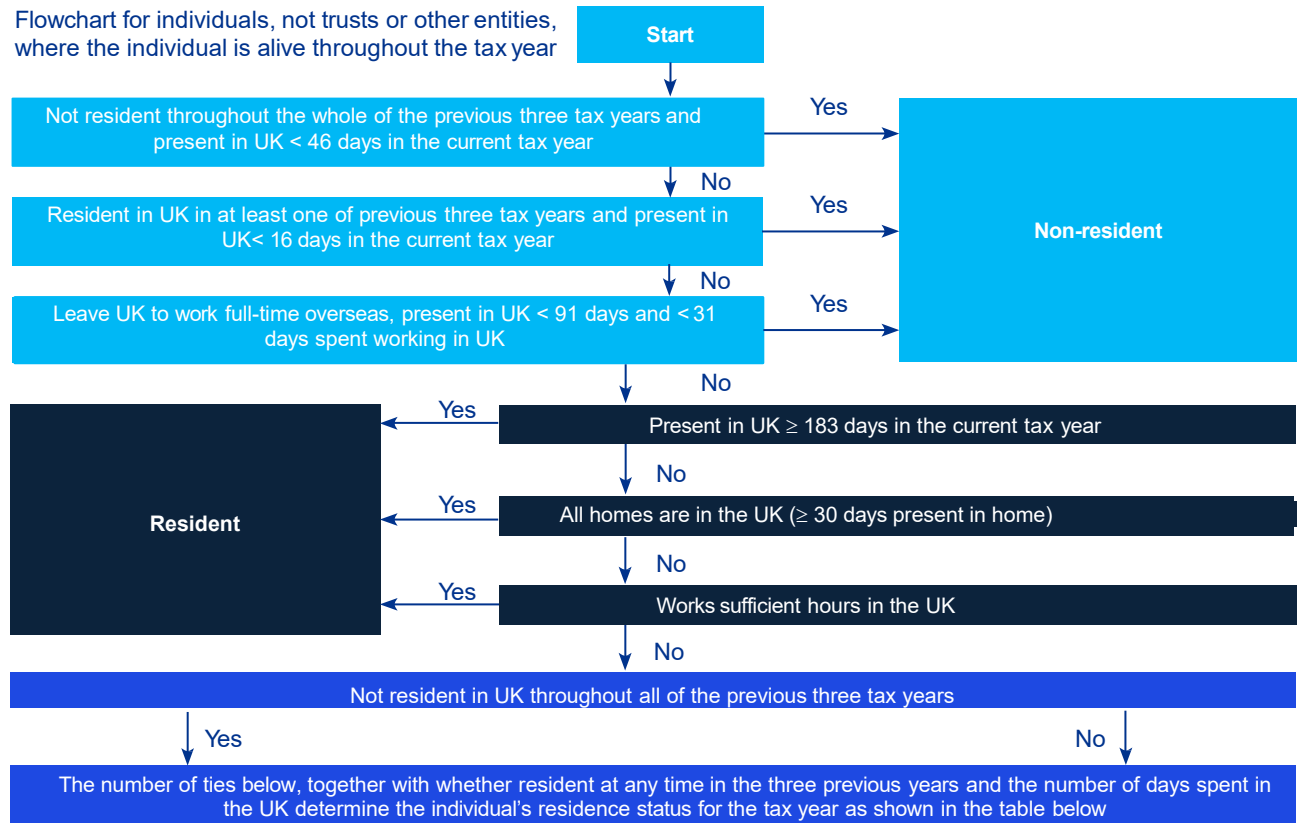
The UK tax authorities determine an individual’s UK tax residence status by applying the rules as set out in the UK Statutory Residence Test. The flowchart on the following page is intended to summarise how these rules apply, however the legislation comprises over 60 pages of rules and definitions and as such, formal advice should be sought to ensure that you fully understand your UK tax position. It should also be noted that the Island has a comprehensive Double Tax Agreement with the UK.



Statutory Residence Test Flowchart

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Flowchart for individuals, not trusts or other entities, where the individual is alive throughout the tax year



Inbound	
UK Resident Family	
Substantive UK Employment ≥ 40 UK days in tax year	
Accessible UK Accommodation stayed in ≥ 1 night	
Present ≥ 91 days in either of previous two tax years	
Total ties	

Outbound	
UK Resident Family	
Substantive UK Employment ≥ 40 UK days in tax year	
Accessible UK Accommodation stayed in ≥ 1 night	
Present ≥ 91 days in either of previous two tax years	
Present in UK ≥ any other single country	
Total ties	

Number of days in the UK in a tax year	When non resident throughout the three prior tax years				When resident at any time in the three prior tax years				
	1 or No UK ties	2 UK ties	3 UK ties	4+ UK ties	No UK ties	1 UK tie	2 UK ties	3 UK ties	4+ UK ties
Fewer than 16 days	NR	NR	NR	NR	NR	NR	NR	NR	NR
16 to 45 days	NR	NR	NR	NR	NR	NR	NR	NR	R
46 to 90 days	NR	NR	NR	R	NR	NR	NR	R	R
91 to 120 days	NR	NR	R	R	NR	NR	R	R	R
121 to 182 days	NR	R	R	R	NR	R	R	R	R
183 days plus	R	R	R	R	R	R	R	R	R

This flowchart is intended to summarise how the Statutory Residence Test determines residence status in the UK. However the legislation comprises over 60 pages of rules and definitions. HMRC have also issued a further 92 pages of guidance. Accordingly the information contained herein is of a general nature, and is not intended to address the circumstances of any particular individual. Although we endeavour to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

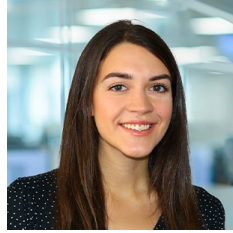


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