Taxation of international executives: Guernsey

July 2023

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Overview and Introduction

1 Overview and Introduction

In Guernsey, each individual is regarded as a taxable unit. In the case of spouses living together the automatic treatment was to be jointly assessed under a single tax reference number and tax return, however from 2023 independent taxation comes into effect which will require every individual to complete a Guernsey tax return, regardless of whether the individual is single or married.

Individuals principally resident in Guernsey are subject to tax on their worldwide income, subject to a cap of GBP150,000 tax on non-Guernsey source income, plus tax on Guernsey income at 20 percent, or alternatively GBP300,000 tax on worldwide income. Individuals who are resident but not principally resident are subject to tax on their worldwide income unless they elect to pay tax at 20 percent on their Guernsey-source income, subject to a GBP50,000 (minimum) charge. Non-resident individuals are liable to tax on Guernsey-sourced income only, excluding bank interest.

The official currency of Guernsey is the British Pound (GBP).

Herein, the host country/territory refers to the country/territory to which the employee is assigned. The home country/territory refers to the country/territory where the assignee lives when they are not on assignment.

02

Income tax

2 Income Tax

2.1 Tax returns and compliance

When are tax returns due? That is, what is the tax return due date?

The filing deadline for returns is 28 February in the second year following the end of the tax year (e.g. 2022 returns re due 28 February 2024). The tax office has the power to impose late filing penalties on returns outstanding after this date. An individual chargeable to income tax who has not received a return should notify the local tax authority by 14 July in the year following the taxable year.

What is the tax year-end?

31 December.

What are the compliance requirements for tax returns in Guernsey?

An individual who is liable to pay Guernsey tax will be required to submit a Guernsey income tax return, unless they receive a letter from the Guernsey Revenue Service confirming that they are not required to do so. This would generally only apply to individuals who only receive employment income and therefore income is already reported in full to the Revenue Service. In some instances where a departing individual has completed a Leaving Guernsey form the Director of Income Tax will issue a Final Assessment for the year in question without requiring a tax return to be submitted, but only in very simple cases.

Note also that some non-resident individuals will not necessarily be required to complete a tax return, if the Guernsey tax withheld at source from their income is sufficient to cover the tax liability arising in the year.

Residents

Guernsey resident employers and permanent establishments of non-residents employers are required to make withholdings on taxable income paid to their employees. For Guernsey resident employees, the amount of withholding tax is determined by reference to the deductions and personal allowances to which the individual is entitled. Taxable remuneration in-kind is normally subject to withholding. For a non-Guernsey resident, withholding is made at 20 percent, although if duties of the employment are performed wholly outside Guernsey, the tax authorities will usually agree to no withholding being applied (the income in these circumstances is not then regarded as Guernsey-sourced).

Deductions from earnings are made according to a coding notice, which should be obtained for each employee from the Director of Income Tax. If the employer does not hold a coding notice, 20 percent tax should be deducted. Generally, any tax deducted must be paid to the tax office together with associated returns by the 15th of the month following the end of the quarter, i.e. 15 April, 15 July, 15 October, and 15 January.

Penalties apply in respect of non-compliance.

Non-residents

Non-residents usually are not required to file tax returns. In general, sufficient tax will have been withheld from Guernsey-sourced income and no further compliance is required.

However, in the case of employment income of a non-resident where the majority of the duties have been performed outside Guernsey, it will be necessary to file a return in the same way as a principally resident individual, in order to ensure that only the proportion of income earned in respect of duties performed in Guernsey is subjected to Guernsey income tax.

2.2 Tax rates

What are the current income tax rates for residents and non-residents in Guernsey?

Residents and non-residents

There is only one rate of tax for individuals in Guernsey, which is 20 percent.

2.3 Residence rules

For the purposes of taxation, how is an individual defined as a resident of Guernsey?

There are three classes of residence status in Guernsey:

- resident, but not solely or principally resident.
- solely resident and
- principally resident.

An individual will be considered resident if they:

- spends 91 days or more in Guernsey in the year or
- spends 35 days or more in Guernsey in the year having spent 365 days or more in Guernsey over the 4 preceding years.

An individual considered to be resident will further be considered to be solely resident in Guernsey if they do not spend 91 days or more in any other jurisdiction.

An individual considered to be resident will further be considered to be principally resident in Guernsey if they:

- spent 182 days or more in Guernsey in that year or
- spent 91 days or more in Guernsey in that year and spent 730 days or more in Guernsey over the 4 preceding years or
- is considered to be resident as defined earlier and in the following year is also considered to be either solely or principally resident as defined above

A day should be counted only if the individual is in Guernsey at midnight at the end of the day in question.

Is there a de minimis number of days rule when it comes to residence start and end date? For example, a taxpayer can't come back to the host country/territory for more than 10 days after their assignment is over and they repatriate.

All midnights spent in Guernsey in the year count as days of residence regardless of the reason.

What if the assignee enters the country/territory before their assignment begins?

All midnights spent in Guernsey in the year count as days of residence regardless of the reason.

2.4 Termination of residence

Are there any tax compliance requirements when leaving Guernsey?

There is a checklist on leaving Guernsey form which is requested but not mandatory.

What if the assignee comes back for a trip after residency has terminated?

All midnights spent in Guernsey in the year count as days of residence regardless of the reason and irrespective of any period spent outside Guernsey after a secondment end. As set out in the residence rules, it is possible to become resident after spending only 35 midnights in Guernsey in a year if, in the previous 4 years, total midnights in Guernsey amounted to 365 or more. A return to Guernsey may negate a potential claim made on the basis that the individual permanently left Guernsey.

Communication between immigration and taxation authorities

Do the immigration authorities in your country/territory provide information to the local taxation authorities regarding when a person enters or leaves your country/territory?

No.

Filing requirements

Yes. An individual who is liable to pay Guernsey tax will be required to submit a Guernsey income tax return, unless they receive a letter from the Guernsey Revenue Service confirming that they are not required to do so. This would generally only apply to individuals who only receive employment income and therefore income is already reported in full to the Revenue Service. In some instances where a departing individual has completed a Leaving Guernsey form the Director of Income Tax will issue a Final Assessment for the year in question without requiring a tax return to be submitted, but only in very simple cases.

Note also that some non-resident individuals will not necessarily be required to complete a tax return, if the Guernsey tax withheld at source from their income is sufficient to cover the tax liability arising in the year.

2.5 Economic employer approach

Do the taxation authorities in your country/territory adopt the economic employer approach to interpreting Article 15 of the Organisation for Economic Co-operation and Development (OECD) treaty? If no, are the taxation authorities in your country/territory considering the adoption of this interpretation of economic employer in the future?

No, Guernsey do not adopt the economic employer approach. Typically, an employee is liable to Guernsey income tax based on income earned in respect of duties performed in Guernsey.

De minimus number of days

Are there a de minimis number of days before the local taxation authorities will apply the economic employer approach? If yes, what is the de minimis number of days?

By concession and in the absence of a double tax treaty, if an individual is seconded to Guernsey for 90 days or less in the year of charge and continues to be remunerated by the overseas employer, then they will not be liable to Guernsey income tax on that income.

However, if a recharge is made by the Guernsey employer, then those costs are not allowable as a tax-deductible expense in the hands of the Guernsey employer.

2.6 Types of taxable compensation

What categories are subject to income tax in general situations?

As a general rule, taxable compensation will include the following:

- income from wages and salaries
- cost-of-living allowances
- accommodation allowance
- car allowance
- unsubstantiated moving expenses
- home leave
- employer provided domestic assistance
- grant of share options (the taxable value normally being the market value of the shares at the date the option is granted less amounts contributed by the employee).

Intra-group statutory directors

Will a non-resident of Guernsey who, as part of their employment within a group company, is also appointed as a statutory director (i.e. member of the Board of Directors in a group company situated in Guernsey) trigger a personal tax liability in Guernsey, even though no separate director's fee/remuneration is paid for their duties as a board member?

No, fees paid by Guernsey companies to non-resident directors are not subject to Guernsey tax.

a) Will the taxation be triggered irrespective of whether or not the board member is physically present at the board meetings in Guernsey?

No, fees paid by Guernsey companies to non-resident directors are not subject to Guernsey tax.

b) Will the answer be different if the cost directly or indirectly is charged to/allocated to the company situated in Peru (i.e. as a general management fee where the duties rendered as a board member is included)?

No, fees paid by Guernsey companies to non-resident directors are not liable to Guernsey tax.

c) In the case that a tax liability is triggered, how will the taxable income be determined?

N/A

2.7 Tax-exempt income

Are there any areas of income that are exempt from taxation in Guernsey? If so, please provide a general definition of these areas.

The following categories of income are exempt from tax:

- substantiated moving expenses
- contributions to group medical insurance schemes
- up to 13,750 Guernsey pound (GBP) of a disturbance allowance
- the first chargeable GBP900 of benefits in kind (other than motor vehicles/accommodation/cash equivalents/shares)
- employer’s contributions to an approved occupational pension scheme or to an approved retirement annuity trust.

Substantiated moving expenses

Payment by an employer of actual reasonable expenditure incurred in relation to an employee newly recruited or transferred to Guernsey, from a place outside Guernsey, in their removal and re-establishment including expenditure incurred in respect of:

- removal to Guernsey of household furniture and effects including motor vehicles
- storage of household furniture and effects including motor vehicles for up to 12 months
- estate agents' fees, legal fees, taxes, and duties incurred in respect of the purchase of a dwelling in Guernsey and the disposal of a dwelling outside Guernsey which the employee owned and occupied immediately prior to their move to Guernsey.

This also applies to similar expenditure incurred on leaving Guernsey.

Contributions to medical insurance and life assurance schemes

Payment by an employer of premiums in respect of group medical insurance cover does not constitute a benefit-in-kind; individual arrangements are not exempted, and critical illness cover is also not an exempt benefit.

Payment by an employer of premiums for group or individual medical or life assurance premiums specifically in respect of business travel is also an exempt benefit.

Disturbance allowance

The first GBP13,750 of a disturbance allowance is not taxable and does not need to be substantiated by actual expenditure in respect of the relocation.

Benefits in kind

The first GBP900 of total chargeable benefits in kind is exempt from tax; benefits in respect of accommodation and motor vehicles do not form part of the GBP900 exemption.

2.8 Expatriate concessions

Are there any concessions made for expatriates in Guernsey?

No concessions apply in Guernsey.

2.9 Salary earned from working abroad

Is salary earned from working abroad taxed in Guernsey? If so, how?

Individuals resident and principally resident in Guernsey are taxed on worldwide income and hence any foreign earnings are taxable in Guernsey. Individuals who are resident but not solely or principally resident in Guernsey are subject to tax on their worldwide income unless they elect to pay tax at 20 percent on their Guernsey-source income, subject to a GBP50,000 (minimum) charge.

Non-Guernsey resident individuals and individuals who are resident but not solely or principally resident who come to Guernsey for the purposes of employment will not be subject to tax on non-Guernsey sourced income as long as it is not remitted to Guernsey.

2.10 Taxation of investment income and capital gains

Are investment income and capital gains taxed in Guernsey? If so, how?

Individuals resident and either solely or principally resident in Guernsey are taxable on their worldwide investment income, subject to an overall cap on non-Guernsey source income of GBP150,000, plus tax on Guernsey-source income at 20 percent, or alternatively a tax charge on worldwide income of GBP300,000.

Capital gains tax does not apply in Guernsey.

Dividends, interest, and rental income

Individuals resident and principally resident in Guernsey are taxable on dividends and interest in the year in which the income is paid, though the first GBP50 of bank interest received in a year (regardless of where the account is held) is exempt from tax.

Rental income is taxable in the year in which it is accrued.

Guernsey property rental income is taxable net of certain statutory percentage deductions for repairs and actual deduction of some other expenses, dependent on the use and lease terms of the property.

Rental income from non-Guernsey property is generally taxable net of all related expenditure.

Gains from stock option exercises

Where shares are acquired on behalf of, or are allocated to, participating employees, or an option is granted enabling employees to acquire shares at a discount, the taxation position is as follows.

- A taxable event occurs when the shares are acquired, or the option is granted.
- The amount taxable is the market value on the date of the allocation or grant, less any amounts contributed by the employee.
- Any further gains are not taxable unless the employee is considered to be trading in shares.
- In the event that the option is never exercised, the assessment is reduced accordingly.

In certain cases, it is possible by concession for the point at which tax is payable to be deferred to the date of vesting, subject to certain terms being met; in such cases the vesting period must not exceed 3 years and the prior approval of the Director of Income Tax must be sought.

Residency status	Taxable at:		
	Grant	Vest	Exercise
Resident	Y	N	N
Non-resident	Y	N	N
Solely or Principally resident	Y	N	N

Foreign exchange gains and losses

Such gains are capital in nature and are therefore generally not taxable in Guernsey.

Principal residence gains and losses

Capital gains are not taxable.

Losses on sale of property are not tax relievable in any way, unless the loss is made as part of a property development trade.

Capital losses

Capital losses are not tax relievable in Guernsey.

Personal use items

Personal use of employer's assets is treated as a benefit in kind, unless special rates apply to the asset, the assessable value is 20 percent of the market value of the asset at the start of the year, the benefit is prorated in the case of partial availability in the year.

Gifts

Gifts are not taxable in Guernsey.

2.11 Additional capital gains tax (CGT) issues and exceptions

Are there additional capital gains tax (CGT) issues in Guernsey? If so, please discuss?

There is no capital gains tax in Guernsey.

2.12 General deductions from income

What are the general deductions from income allowed in Guernsey?

It is possible to deduct the following from the taxable income of Guernsey residents:

- business-related expenses
- certain interest payments
- approved pension contributions
- certain charitable contributions

Additionally, resident taxpayers are entitled to a personal allowance to reflect their individual circumstances, as follows.

	2022	2023
	GBP	GBP
Single person	12,175	13,025

Personal allowances are for an individual, however they can be transferred between spouses if unutilized.

As of the calendar year 2019, allowances and withdrawable deductions will be withdrawn for at a rate of GBP1 for every GBP5 that an individual's income exceeds GBP90,000.

However, where the individual has made pension contributions during the year, they will still be eligible for a taxable deduction of the contribution made to a Retirement Annuity Allowances or Superannuation up to a limit of GBP1,000.

2.13 Tax reimbursement methods

What are the tax reimbursement methods generally used by employers in Guernsey?

Generally, employers increase the employee's pay if they effectively intend to pay the tax liability for an employee. Excluding the tax reducing effects of any personal allowances to which the employee may be entitled, any salary payment made by the employer should be grossed-up 100/80 before being paid to the employee.

2.14 Calculation of estimates/prepayments/withholding

How are estimates/prepayments/withholding of tax handled in Guernsey? For example, Pay-As-You-Earn (PAYE), Pay-As-You-Go (PAYG), and so on.

Guernsey income tax and Guernsey social security are administered by separate departments and operated under separate legislation.

However, withholding of these payments is completed through the same scheme, the Employees Tax Instalment Scheme (ETI). A coding notice is issued by the Revenue Service for each registered individual working in Guernsey. A copy of the coding notice is sent automatically to the employer and employee before the start of the tax year, based on the most recent information available to the income tax department.

The coding notice details a tax-free monthly and weekly numerical allowance comprised of personal and other allowances. Tax is deducted at 20 percent of gross pay less this allowance.

In respect of social security contributions, the social security deductions are automatically calculated within the system at 6.8% of the taxable income on the employer and 7.0% on the employee, subject to the upper and lower earnings limits.

Pay-as-you-go (PAYG) withholding

Withholding of income tax and social security is made from an employee's salary on a weekly or monthly basis dependent on the method of pay.

PAYG instalments

Accumulated monthly payments and summary reports are remitted to the income tax and social security departments by 15th of the month following the end of the calendar quarter. Employers with 80 or more Guernsey-based staff are required to pay in monthly installments. When are estimates/prepayments/withholding of tax due in Guernsey? For example, monthly, annually, both, and so on.

In respect of payments made to non-residents (excluding payments under the ETI scheme), withholding tax should be deducted at the time the payment is made. Remittance of the tax withheld should be made shortly after, although there is no specific remittance deadline.

In respect of assessments estimated in advance, the tax due for the year is payable in four equal instalments on 15 May, 15 July, 15 October and 15 January. Balancing payments on final assessments are due 30 days after the date of the assessment.

2.15 Relief for foreign taxes

Is there any Relief for Foreign Taxes in Guernsey? For example, a foreign tax credit (FTC) system, double taxation treaties, and so on?

Guernsey has double tax agreements with a number of jurisdictions. The UK and Jersey agreements provide for double tax credits, whereas other more recent arrangements focus on taxing rights in a single jurisdiction. Where no double tax arrangements exist with a jurisdiction, a credit is available at the lower of three quarters of the effective rate of Guernsey income tax and the foreign tax suffered.

2.16 General tax credits

What are the general tax credits that may be claimed in Guernsey? Please list below.

While Guernsey has no tax credits system in name, the following can be claimed against the taxpayer's assessable income.

- Charge of children allowance - where claimant is single and is not cohabiting and is in receipt of family allowance (a tax-free payment from the Guernsey social security department) - an allowance of GBP8,850 as of 1 January 2023.
- Retirement annuity allowance - where the claimant makes a contribution to an approved retirement annuity scheme, contributions paid are deductible for tax purposes up to a limit of GBP35,000

Mortgage interest relief – The relief is capped to a maximum of GBP3,500 per individual, i.e. this amount is doubled if the property is jointly owned. This relief is also subject to a restriction on mortgages above £400,000.

03

Special considerations for short term assignments

3 Special considerations for short-term assignments

For the purposes of this publication, a short-term assignment is defined as an assignment that lasts for less than 1 year.

3.1 Residency rules

Are there special residence considerations for short-term assignments?

The terms of Guernsey's various double tax agreements may apply to individuals on short- term assignments from the other contracting state, which allows for certain exemptions from Guernsey tax in certain circumstances.

In any other case, the normal taxation rules apply as above.

3.2 Payroll considerations

Are there special payroll considerations for short-term assignments?

The Employees Tax Instalment (ETI) scheme must be operated on the employee's wages if the employing company is exercising functions in Guernsey, otherwise the ETI scheme does not apply.

The employee may be exempt from making Guernsey social security contributions due to a totalization or similar agreement in the home jurisdiction.

3.3 Taxable income

What income will be taxed during short-term assignments?

If the assignment is short enough that the employee remains non-resident for Guernsey tax purposes, then they will be taxable on Guernsey-sourced income only. In the case of employment income, the element deemed to have its source in Guernsey is that which relates to their duties performed in Guernsey.

If the employee is deemed resident but not solely or principally resident and the sole or main reason for being in Guernsey is employment, then the tax liability will be based on Guernsey sourced income plus any remittances to Guernsey of non-Guernsey sourced income arising in the year. In the case of employment income, the element deemed to have its source in Guernsey is that which relates to their duties performed in Guernsey (so long as the majority of the duties are performed outside Guernsey).

3.4 Additional considerations

Are there any additional considerations that should be considered before initiating a short- term assignment in Guernsey?

The main considerations are detailed elsewhere in this text.

04

Other taxes and levies

4 Other taxes and levies

Additional tax information is based the Income Tax (Guernsey) Law, 1975 and summarized by KPMG, the Channel Islands member of KPMG International.

4.1 Social security tax

Are there social security/social insurance taxes in Guernsey? If so, what are the rates for employers and employees?

Employer and employee

Type of insurance	Paid by employer	Paid by employee	Total
Social insurance	6.8%	7.0%	13.8%
Total	**6.8%**	**7.0%**	**13.8%**

In general, all employees working in Guernsey must be registered for Guernsey social insurance and the employer must make the corresponding contributions for social insurance.

For 2023, the employer has to pay 6.8 percent of salary on monthly earnings of up to GBP14,040 and the employee has to pay 7.0 percent of salary on monthly earnings up to GBP14,040.

4.2 Gift, wealth, estate, and/or inheritance tax

Is there any gift, wealth, estate, and/or inheritance taxes in Guernsey?

These do not apply in Guernsey.

4.3 Real estate tax

Are there real estate taxes in Guernsey?

Prior to 28 January 2009, dwellings profits tax applied to the gains on disposal of residential property. Thereafter, the tax was suspended.

Conveyances of realty are subject to document duty of between 2.25 percent and 5.5 percent:

- 2.25 percent for conveyances under GBP250,000.
- 3.5 percent for conveyances between GBP250,000 and GBP400,000;
- 4 percent for conveyances between GBP400,000 and GBP750,000;
- 4.25 percent for conveyances between GBP750,000 and GBP1,000,000.
- 4.5 percent for conveyances between GBP1,000,000 and GBP2,000,000; and
- 5.5 percent for conveyances over GBP 2,000,000.

4.4 Sales/VAT tax

Are there sales and/or value-added taxes in Guernsey?

There are no such taxes in Guernsey although there are duties on alcohol and tobacco.

4.5 Unemployment tax

Are there unemployment taxes in Guernsey?

No.

4.6 Other taxes

Are there additional taxes in Guernsey that may be relevant to the general assignee? For example, customs tax, excise tax, stamp tax, and so on.

None that are likely to be relevant other than those mentioned earlier.

4.7 Foreign Financial Assets

Is there a requirement to declare/report offshore assets (e.g. foreign financial accounts, securities) to the country/territory's fiscal or banking authorities?

There is no requirement to declare/report offshore assets.

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