

**TREASURY & RESOURCES DEPARTMENT****REVISION OF THE DOUBLE TAXATION ARRANGEMENT  
WITH THE UNITED KINGDOM**

The Chief Minister  
Policy Council  
Sir Charles Frossard House  
La Charroterie  
St Peter Port

1<sup>st</sup> December 2015

Dear Sir

**1. Executive Summary**

- 1.1 This report proposes that the States declare, by Resolution, that an amendment made to the Double Taxation Arrangement (“DTA”) entered into with the United Kingdom, by Exchange of Letters, should have effect, with the consequence that the amended DTA shall also have effect in relation to income tax, notwithstanding anything contained in the Income Tax (Guernsey) Law, 1975, as amended (“the Income Tax Law”).

**2. Report**

- 2.1. The principal purpose of a DTA is for two governments to agree procedures for the prevention of double taxation – that is, taxation under the laws of both territories in respect of the same income.
- 2.2. The DTA with the United Kingdom came into force in 1952. The definitions of “United Kingdom” and “Guernsey”, contained in the DTA, have remained unchanged.
- 2.3. The United Kingdom has proposed a comprehensive renegotiation of the DTA, commencing in 2016. In the interim, however, also at the request of the United Kingdom, the definitions of “United Kingdom” and “Guernsey” for the purposes of the DTA have been updated to those currently used by both jurisdictions in other international tax agreements.
- 2.4. The amendment to the DTA has been reached by an Exchange of Letters, by the United Kingdom on 22<sup>nd</sup> September 2015 and by Guernsey on 7<sup>th</sup> October 2015. A copy of the Exchange of Letters is appended to this report.

2.5. Section 172(1) of the Income Tax Law provides:

“If the States by Resolution declare that arrangements specified in the Resolution have been made with the government of any other territory with a view to affording relief from double taxation in relation to income tax and any tax of a similar character imposed by the laws of that territory, and that it is expedient that those arrangements should have effect, the arrangements shall have effect in relation to income tax notwithstanding anything in any enactment.”

### **3. Recommendations**

The amendment to the DTA made with the United Kingdom, by Exchange of Letters, is appended to this report. That DTA was made with a view to affording relief from double taxation. The Treasury and Resources Department therefore recommends that the States should declare that the DTA, as now amended, should have effect in relation to income tax in accordance with section 172(1) of the Income Tax Law.

Yours faithfully

G A St Pier  
Minister

J Kuttelwascher  
Deputy Minister

A H Adam  
R A Perrot  
A Spruce

Mr J Hollis  
(Non-States Member)

**ARRANGEMENT BETWEEN HER MAJESTY’S GOVERNMENT AND THE  
THE STATES OF GUERNSEY AMENDING THE 1952 ARRANGEMENT  
BETWEEN THE TWO GOVERNMENTS FOR THE AVOIDANCE OF  
DOUBLE TAXATION AND THE PREVENTION OF FISCAL EVASION  
WITH RESPECT TO TAXES ON INCOME AS AMENDED BY THE 1994  
AND 1990 ARRANGEMENTS BETWEEN THE TWO GOVERNMENTS**

Her Majesty’s Government and the States of Guernsey,

Desiring to strengthen their economic relationship and to improve the operation of the existing arrangements between the two governments for the avoidance of double taxation and the prevention of fiscal evasion, have agreed as follows:

1. In this Arrangement the term “1952 Arrangement” means that Arrangement as amended by the 1994 and 2009 Arrangements.

2. To substitute for the existing definition of the United Kingdom at paragraph 2(1)(a) of the 1952 Arrangement:

the term “United Kingdom” means Great Britain and Northern Ireland but, when used in a geographical sense, means the territory and territorial sea of Great Britain and Northern Ireland and the areas beyond that territorial sea over which Great Britain and Northern Ireland exercise sovereign rights or jurisdiction in accordance with their domestic law and international law;

3. To substitute for the existing definition of Guernsey at paragraph 2(1)(b) of the Guernsey Arrangement:

the term “Guernsey” means the States of Guernsey and, when used in a geographical sense, means the islands of Guernsey, Alderney and Herm, and the territorial sea adjacent thereto, in accordance with international law, save that any reference to the law of Guernsey is to the law of the island of Guernsey as it applies there and in the islands of Alderney and Herm;

4. Each of the United Kingdom of Great Britain and Northern Ireland and the States of Guernsey shall notify the other of the completion of the procedures required by its law for the bringing into force of this Arrangement. This Arrangement shall enter into force on the date of the later of these notifications and shall thereupon have effect:

- a) in the United Kingdom:

- i) in respect of income tax, for any year of assessment beginning on or after 6<sup>th</sup> April next following the date on which this Arrangement enters into force;
- ii) in respect of corporation tax, for any financial year beginning on or after 1<sup>st</sup> April next following the date on which this Arrangement enters into force;

- b) in Guernsey, in respect of Guernsey tax, for any year of charge beginning on or after 1<sup>st</sup> January next following the date on which this Arrangement enters into force.

**(N.B. The Policy Council supports the proposals in this Policy Letter and confirms that it complies with the Principles of Good Governance as defined in Billet d'État IV of 2011.)**

The States are asked to decide:-

XX.- Whether, after consideration of the Policy Letter dated 1<sup>st</sup> December, 2015, of the Treasury and Resources Department, they are of the opinion to declare that the Double Taxation Arrangement, entered into with the United Kingdom, by Exchange of Letters as now amended, should have effect in relation to income tax in accordance with section 172(1) of the Income Tax Law.