

**GSCCA Circular 4
12 December 2016**

**Income Tax measures within 2017 Budget (Billet XXVI of 2016)
and other changes effective from 1 January 2017**

Withdrawal of personal allowances for high earners

With effect from 1 January 2017, personal allowances will be withdrawn at a ratio of £1 for every £3 that a person's income exceeds the threshold. Initially this threshold has been set at the upper earnings limit on Social Security contributions which is £138,684 for 2017.

The table below has been produced to show the effect of this proposal on a single individual under the age of 64:

Income	Allowances withdrawn	Allowance received
£138,684	Nil	£10,000
£140,000	£ 438	£ 9,562
£150,000	£ 3,772	£ 6,228
£160,000	£ 7,105	£ 2,895
£168,684	£10,000	Nil

The threshold will be pro-rated in the year of arrival and permanent departure.

It is anticipated that this change will impact approximately 1,150 individuals, which is currently less than 3% of the islands' population. Those individuals likely to be impacted have been identified and received a letter advising them of this change with their 2017 coding notice or they will receive one with their interim assessment for 2017 when issued next May.

Our website and FAQs will be updated to provide examples, which will explain how the changes will affect those of our customers affected in different scenarios. We will also be updating the website on a regular basis throughout 2017 to ensure answers to common queries raised throughout the year can be found easily.

Income tax on distributions

The States resolved to exempt from charge to Guernsey tax, distributions from the accumulated profits of a company which is not incorporated in Guernsey, and which has not carried on business in Guernsey whether through a permanent establishment or otherwise, nor used to hold Guernsey investments (other than bank deposits), which arose prior to the date the beneficial member of that company becomes resident in Guernsey, where:

- a) the individual has a beneficial interest in the company of 1% or more; and
- b) the distribution is made by the end of the second full year of charge since the individual became resident.

Legislation is required to give effect to this decision, which is currently being prepared.

Other budget changes

Other budget changes will see the closure to new claimants of the Dependent Relative Allowance (in the case of a child receiving higher education) with effect from 1 January 2018 and the increase in Benefit in Kind charges by 3% per annum, compounded for 2017, 2018 and 2019 as shown in the table below:

Benefit in Kind Charges	2016	2017	2018	2019
Cars:				
Limited private use only	£1,150	£1,185	£1,220	£1,255
Cost less than £10,000	£3,450	£3,555	£3,660	£3,770
Cost £10,000 - £19,999	£5,750	£5,925	£6,105	£6,290
Where the cost is £20,000 or more, the taxable benefit is 35% of the cost, per annum.				
3,4 and 5 star hotel / guesthouse accommodation for proprietary directors, proprietary employees and their dependants:				
Single Person	£2,180	£2,245	£2,310	£2,380
Married Person	£3,645	£3,755	£3,870	£3,985
Children up to age 1 *	-	-	-	-
Children between 1-4 years *	£345	£355	£365	£375
Children between 5-16 years *	£980	£1,010	£1,040	£1,070
Children age 17+ and still in formal education *	£1,440	£1,485	£1,530	£1,575
1 and 2 star hotel / guesthouse accommodation for proprietary directors, proprietary employees and their dependants:				
Single Person	£1,895	£1,950	£2,010	£2,070
Married Person	£3,170	£3,265	£3,365	£3,465
Children up to age 1 *	-	-	-	-
Children between 1-4 years *	£345	£355	£365	£375
Children between 5-16 years *	£850	£875	£900	£925
Children age 17+ and still in formal education *	£1,260	£1,300	£1,340	£1,380
Employed managers (other than proprietary managers) and other employees:				
Accommodation (per week)	£20	£25	£25	£25
Food (per week)	£20	£25	£25	£25

*At 31 December in the relevant year.

Civil partnerships and same sex marriages

From 1 January 2017, couples in a same sex marriage or civil partnership will be assessed jointly (unless a request is made for separate assessment) and will be entitled to a Married Persons Allowance. The responsibility for dealing with the tax affairs of the couple will be with the eldest partner.

For more information please refer to the FAQs on our website at www.gov.gg/taxationfaq.

Filing deadline for corporate service provider returns

In the case of Certificate 2 or 3 company returns filed using the corporate service provider composite return facility, there will be a filing extension to the end of February 2017, recognising the additional information that needs to be submitted on the year of charge 2015 return.

The Income Tax (Guernsey) (Amendment) Ordinance, 2016

The Income Tax (Guernsey) (Amendment) Ordinance, 2016 will be effective from 1 January 2017, putting into effect amendments to the Income Tax Law proposed in Billet XX of November 2015 and resolved by the States on 10th December 2015.

The main legislative changes are summarised below (with more detail in the original States report):

- The removal of the need to appeal against an interim (estimated) assessment. Customers will still be able to request a suspension of part or the whole of the tax charged. More information on this change will be circulated in 2017.
- Reinstatement of section 62AC (repealed in 2013 with the deemed distribution regime).
- Clarifying that where the Director issues an additional assessment, an appeal against it may only relate to the additional aspects of the assessment.

The website and forms will be updated to reflect these changes in early 2017.

N Forshaw

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