

**C57 INVESTMENT MANAGEMENT SERVICES (sections 2(2), 66A, 122 and the Fourth Schedule)**

**Introduction**

With effect from 1 January 2018, the company intermediate income tax rate (the “10% rate”) was extended to include the activity of investment management services where those services are provided to individual clients (whether that is to a natural person, partnership, trustee or company).

Income from the provision of investment management services to collective investment schemes (as defined) continues to be subject to the company standard income tax rate (the “0% rate”).

For income tax purposes, “collective investment scheme” means a scheme whose purpose is to enable investor(s) to participate in, or receive profits or income arising from, the acquisition, holding, management or disposal of property, even where that property only consists of a single asset, as a collective investment scheme for these purposes.

The term also covers vehicles that enable management, acquisition and funding of, or that enable the holding of carried interest in, such schemes as part of the collective investment scheme for these purposes.

Investment management services mean the provision, by a person licensed to carry on controlled investment business within the meaning of the Protection of Investors (Bailiwick of Guernsey) Law, 1987 (“POI Law”), services comprising the restricted activity of management in relation to an investment or in relation to assets underlying an investment. Management, is given the meaning set out of Paragraph 5, Schedule 2 of the POI Law, being exercising any managerial function in relation to an investment or in relation to the assets underlying an investment.

Any company having more than one class of income chargeable to income tax at more than one rate will compute its tax liability accordingly. Please refer to Statement of Practice C47 for further guidance on the principles to be applied in the tax computation where this applies.

**Further explanation**

**Investment Management individual client services**

As set out above, the extension of the 10% rate only applies to investment management services provided to individual clients. The Director considers that the term individual clients includes all investment management services provided to a natural person, partnership, trustee or company, except where the services are provided to a collective investment scheme.

### Example 1

An investment manager provides investment management services either to a fund that is regulated by the Guernsey Financial Services Commission or the services are provided under The Licensees (Conduct of Business and Notification) (Non Guernsey Schemes) Rules 1994. As the services are provided to a fund that is a collective investment scheme the management fees earned, accrued or received by the investment manager are subject to income tax at 0%.

### Example 2

An investment manager provides investment management services to a company. The management fees earned, accrued or received by the investment manager for the services provided to that company are subject to income tax at 10%. The taxation position for the investment manager would be the same whether the company or its shareholders were resident in Guernsey or a different jurisdiction.

### Example 3

An investment manager provides investment management services in relation to a carried interest structure that is connected to a fund. As the investment management services are provided to the carried interest vehicle, the management fees earned, accrued or received by the investment manager are subject to income tax at 0%.

### Example 4

An investment manager provides discretionary investment management services to an individual living in Guernsey. As part of the services, the investment manager makes an investment in a collective investment scheme on behalf of the individual. Whilst the investment is in a collective investment vehicle, the services are provided to an individual client, therefore the management fees earned, accrued or received by the investment manager are subject to income tax at 10%.

### Example 5

A Guernsey limited partnership (“LP”) is used as a “mandate” vehicle, whereby a number of investors (or just one investor) use the vehicle to invest in a single asset (or multiple assets). The LP is not a collective investment scheme for the purposes of the POI Law. A Guernsey company acts as general partner (“GP”) to the LP and charges a management fee to the LP. The GP is not required to be licensed under the POI law and does not hold a license under the POI Law. Therefore the management fees earned, accrued or received by the GP for their investment management activities are subject to income tax at 0%.

Any company requiring further clarification concerning income streams liable at the 10% rate should contact the Director.

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