



An extract from Income Tax (Guernsey) Law, 1975

Section 39E

Effect of tax cap on distributions made from taxed company income

- (1) Notwithstanding any other provision of this Law, when any income of a company has been taxed or is taxable in the company's hands at the company intermediate rate or the company higher rate, and in any year of charge the company distributes or is deemed to have distributed that income to an individual resident in Guernsey, then –
- (a) no credit in respect of that year of charge for tax paid by the company may be allowed to the extent to which it would exceed the income tax liability (as limited by virtue of section 39B and the Sixth Schedule) in respect of that year of charge of the individual to whom the distribution was made or (if different) the individual claiming the credit, the individual receives a distribution from a company consisting of income which –
 - (b) accordingly, no repayment shall be made to that individual in respect of the amount by which, apart from this section, the credit would have exceeded the amount of his income tax liability.
- (2) For the purpose of calculating –
- (a) the amount of credit due to the individual in that year of charge, and
 - (b) the amount (if any) of any repayment of tax due to him in that year of charge,
- there shall be taken into account, before taking into account the amount of the company's distribution or deemed distribution, the amount of any other income of any different class, description or source arising or accruing to the individual in

that year of charge from which tax has been deducted or in respect of which tax has already been paid.