

GSCCA Circular 21

26 September 2022

Independent Taxation – Respecting all Islanders as equal, independent individuals

1. Introduction

Independent Taxation will be introduced in the Islands with effect from 1 January 2023. This means that each islander will be taxed as an individual and be responsible for their own tax affairs.

Unused personal tax allowances will continue to be transferrable between spouses and cohabiting couples with children.

2. What will happen next?

In October new Tax Reference Numbers will be issued to married individuals who were previously attached to their spouse's Tax Reference Number, including where the spouse has elected to be separately assessed. The lead taxpayer will retain their existing Tax Reference Number.

Customers will be asked to check the details held for them and encouraged to set up a MyGov account. They will also be directed to information on Forms of Authority, as no permissions will be carried across to their new Tax Reference Number. The Form of Authority will remain in place for the spouse who was the lead taxpayer, prior to the introduction of Independent Taxation.

In November Coding Notices will be issued in the normal manner using the new Tax Reference Numbers where applicable. Customers will be asked to check these and advise of any changes. This is no different to previous years.

In December Part 2 of the Coding Notices will be issued to employers/pension providers, who will need to ensure that the new Tax Reference Numbers are used in 2023 to ensure ETI is reported and credited to the correct customer account.

Interim assessments for 2023 will also be issued on an individual basis, with payment of tax due to be quarterly rather than half-yearly. The payment dates will be aligned to those for social security contributions, so 15 April, 15 July, 15 October and 15 January.

Whilst independent taxation comes into force in 2023, it won't be until 2024 that customers will need to complete and submit their first individual return.

Please refer to the website www.gov.gg/independent-tax for further details on Independent Taxation.



3. Tax Caps

From 1 January 2023, each spouse will be treated separately and, as such, the tax cap will apply to each individual's income. An election for the tax cap will, if they have sufficient income, need to be made by each spouse individually.

Grandfathering provisions will be put in place for the Open Market and Alderney Tax Caps only. These provisions mean that anyone that has elected for the Open Market or Alderney Tax Cap prior to the introduction of independent taxation (and who is currently jointly assessed), will have their £50,000 joint liability grandfathered for the duration that cap applies. They will then be treated independently.

Please refer to the website www.gov.gg/taxcap for more information and some examples.

4. Standard Charge

From 1 January 2023, each spouse will be treated separately and, as such, an election for the standard charge will need to be made by each spouse individually.

5. Mortgage Interest tax relief for a principal private residence

From 1 January 2023, The Income Tax (Tax Relief on Interest Payments) (Guernsey) Ordinance, 2007 is being amended to remove the ability for a married couple to have double the amount of relief available to an individual.

Each spouse will instead be able to claim up to the level of the mortgage interest relief cap, so long as they are a borrower, with the cap set as follows:

2023 - £2,000

2024 - £1,000

2025 onwards – nil

The mortgage interest restriction of £400,000 still applies on the total amount of money borrowed.

6. Relevant Legislation

The Income Tax (Independent Taxation) (Guernsey) (Amendment) Ordinance 2020 set out the changes to the Income Tax Law required to enable independent taxation to be introduced. Whilst two sections of this Ordinance (relating to the recognition of opposite sex civil partnerships) came into force on 1 January 2021, the remainder of the Ordinance was to come into force on the day appointed by regulation.

The Policy & Resources Committee recently made The Income Tax (Independent Taxation) (Commencement and Transitional Provisions) Regulations, 2022 which switch on the above Ordinance with effect from 1 January 2023.

This legislation is or will shortly be made available at www.guernseylegalresources.gg.



States of Guernsey
Revenue Service

The Income Tax (Guernsey) (Amendment) Ordinance, 2022 will change the instalment dates to quarterly from half-yearly and is due to be debated at the States Meeting on 28 September. This can be found at [States Meeting Information - States of Guernsey \(gov.gg\)](#).

N Forshaw

Director of the Revenue Service