



Guernsey Income Tax

The Guernsey income tax year is the same as the calendar year, 1st January to 31st December.

The rates of tax and a summary of the personal and other allowances to which you may be entitled can be found at <http://www.gov.gg/tax> under “Rates and allowances”.

Residence for the purposes of income tax

In order to calculate the Guernsey income tax you are liable for, it is necessary to consider your residential status.

For the purposes of Guernsey income tax, residence is defined using the [Income Tax \(Guernsey\) Law, 1975](#), section 3 as follows:

- “(1) An individual shall be treated as being “resident” in Guernsey in any particular year of charge if –
- (a) he spends 91 days or more in Guernsey in that year of charge, or
 - (b) he spends 35 days or more in Guernsey in that year of charge and, during the four preceding years of charge, he has spent 365 days or more in Guernsey.
- (2) An individual shall be treated as being “solely resident” in Guernsey in any particular year of charge if –
- (a) he is resident in Guernsey, within the meaning of subsection (1), in that year of charge, and
 - (b) he is not resident in any other place in that year of charge; and for the purposes of this paragraph an individual shall be treated as being resident in any other place in any particular year of charge only if he spends 91 days or more in that place in that year of charge.
- (3) An individual shall be treated as being “principally resident” in Guernsey in any particular year of charge if –

- (a) he spends 182 days or more in Guernsey in that year of charge, or
 - (b) he spends 91 days or more in Guernsey in that year of charge and, during the four preceding years of charge, he has spent 730 days or more in Guernsey, or
 - (c) he takes up permanent residence in Guernsey in that year of charge; and for the purposes of this paragraph an individual shall be treated as taking up permanent residence in Guernsey in any particular year of charge if –
 - (i) he is resident in Guernsey, within the meaning of subsection (1), in that year of charge, and
 - (ii) he is solely or principally resident in Guernsey in the following year of charge.
- (4) For the purposes of this Law an individual shall be regarded as being in Guernsey or in any other place on any particular day, or as spending any particular day in Guernsey or in any other place, if he is in Guernsey or, as the case may be, in that other place at midnight on that day.”

Tax liability

Non-resident

If you are non-resident you are liable on your income arising or accruing from:

- (a) businesses carried on in Guernsey;
- (b) offices or employments held or exercised in Guernsey (except the emoluments of a director);
- (c) the ownership of lands and buildings situated in Guernsey; and
- (d) any other source in Guernsey.

As a non-resident you are entitled to a proportion of allowances for each week that you are employed in Guernsey (except as a director) or are in receipt of a pension arising/accruing in Guernsey during the year.

Further information on the taxation of non-residents can be found under Chapter IV of Part IV of the Law (“Non-residents”). Statements of Practice C35, C37 and E29 are available at <http://www.gov.gg/tax> under “Practitioners & technical information”, which also give some helpful guidance.

Resident only

If you are resident but not solely or principally resident in Guernsey you are liable to pay tax on your total income, wherever that income may arise or accrue, unless you elect to pay the standard charge, which amounts to £30,000 with effect from 1 January 2016. However, please refer to the Monetary Values table at <http://www.gov.gg/tax> under “Rates and Allowances” for details of the amount of the standard charge for prior years. If you elect to pay the standard charge, in accordance with section 5C of the Law, you will have no liability to tax on your non-Guernsey source income but a liability will arise on total Guernsey source income (other than bank deposit interest). The amount of the standard charge paid can be set-off against the tax due on Guernsey source income, as shown in the examples below. If you elect to pay the standard charge you will have no entitlement to any allowances, reliefs or deductions.

Example 1

Mr I M A Roamer is resident only in Guernsey and his total income consists of:

Guernsey business	£ 50,000
Guernsey bank interest	£ 5,000
Remittances of UK income	£1,000,000

He elects to pay the standard charge and his liability will be:

Guernsey business: £50,000 @ 20% (no allowances, deductions or reliefs)	£10,000
Guernsey bank interest: £5,000	no liability
UK dividends remitted: £1,000,000	no liability
Standard charge	£30,000

As the standard charge may be set against the £10,000 due on the Guernsey business, all Mr Roamer needs pay is £30,000 which satisfies his liability to Guernsey income tax in full.

Example 2

Mr Roamer’s business makes a profit of £300,000 and elects for the standard charge, his liability will be:

Guernsey business: £300,000 @ 20%	£60,000
Guernsey bank interest: £5,000	no liability
UK dividends remitted: £1,000,000	no liability
Standard charge	<u>£30,000</u>
Additional tax due	£30,000

Mr Roamer will need to pay the standard charge of £30,000 and an additional £30,000 to satisfy his liability to Guernsey income tax.

If you are resident but not solely or principally resident in Guernsey and don't elect to pay the standard charge, you will be entitled to a proportion of your personal allowance based on the number of weeks you spend in Guernsey.

If the sole or main purpose for a resident only individual being present in Guernsey is so you undertake the duties of an employment, and (other than bank deposit interest) all your income arising or accruing in Guernsey is income from offices and employment which is subject to the deduction of tax under the ETI Scheme, in accordance with section 5F(2), you would only be assessable in Guernsey on income arising or accruing in Guernsey and income brought into/received in Guernsey. You would be entitled to a proportion of your personal allowance based on the number of weeks that you spend in Guernsey.

Further information can be found at <http://www.gov.gg/tax> under "Practitioners and technical information".

Solely or principally resident

If you are solely or principally resident in Guernsey you are chargeable on your total income wherever it arises or accrues but additional relief may be claimed as follows:

A. Relief in respect of double taxation on income arising in the United Kingdom

An agreement for the avoidance of double taxation is held between the United Kingdom and Guernsey. A copy of this agreement is on our website (<http://www.gov.gg/article/151825/Double-taxation-arrangements-DTA>).

The effect of this agreement is that, in the case of any income arising in the United Kingdom which is subject both to United Kingdom income tax and Guernsey income tax, Double Taxation Relief may be obtained and, in general terms, this relief would equal the amount of Guernsey income tax payable on the income. You will need to provide evidence of the tax paid in the United Kingdom for the calculation to be made.

If you are resident in Guernsey and receive income which is subject to tax in the United Kingdom you may be entitled to claim relief from HM Revenue & Customs. Any repayment received as the result of any claim must be declared in section H of the income tax return, providing the fiscal year it relates to.

You can't claim for tax paid in respect of dividend and debenture interest as this income is assessed net of United Kingdom income tax.

If you are non-resident in the United Kingdom interest on United Kingdom Government stocks is paid without the deduction of United Kingdom tax and the amounts received are assessable to Guernsey Income Tax.

B. Relief in respect of double taxation on income arising in other territories with which Guernsey has a Double Taxation Arrangement ("DTA")

Agreements for the avoidance of double taxation have been signed with a number of territories. Copies of these agreements are on our website (<http://www.gov.gg/article/151825/Double-taxation-arrangements-DTA>).

These agreements generally mean that (where a comprehensive DTA is in force) income tax payable in the other territory, whether directly or by deduction, in respect of income from sources within that territory, may be allowed as a credit against any Guernsey income tax payable in respect of that income.

But there are exceptions to this rule, such as some types of income being taxed only in the territory of source, or only in the territory where the recipient lives.

Guernsey also has a number of partial DTAs in force (these generally relate to personal taxation only). Copies of these agreements are also available on our website (<http://www.gov.gg/article/151825/Double-taxation-arrangements-DTA>).

C. Relief in respect of income tax paid in other countries

If you are resident in Guernsey and have income which is subject to tax in other countries (i.e. other than those with which Guernsey has a Double Tax Agreement "DTA") you can claim relief from tax in Guernsey; the amount will, in most cases, be three-quarters of the effective rate of Guernsey tax. If the overseas effective rate is less than three-quarters of the Guernsey effective rate, relief will be given at the overseas rate.

You pay tax at 20% but due to the allowances that may be granted (such as the personal allowance) and deductions you may be entitled to you (such as mortgage interest relief) the actual rate of tax paid (the effective rate) is less than 20% as shown in the example below.

Example

Mr X is principally resident in Guernsey. His total income for 2015 consists of:

Guernsey employment income	£20,000
Overseas dividend received from a country with which Guernsey does not have a “DTA”	£ 5,000 (net of £1,500 overseas tax)

Mr X’s Guernsey effective rate of tax for 2015 is calculated as follows:

Total income (£20,000 + £5,000 + £1,500)	£26,500
Less allowances	<u>£ 9,675</u>
Net total income	£16,825
Tax on net income at 20%	£ 3,365

Guernsey effective tax rate : $£3,365 \div £26,500 \times 100 = 12.698\%$

$\frac{3}{4}$ Guernsey effective rate = 9.523%

Mr X will be entitled to a credit for unilateral relief calculated as follows:

Income relievable (net overseas income)	£ 5,000
Grossed up at $\frac{3}{4}$ Guernsey effective rate (£5,000 x 100 ÷ (100 – 9.523))	£ 5,526
Credit due at $\frac{3}{4}$ Guernsey effective rate (£5,526 x 9.523%)	£ 526

D. Relief for interest on money borrowed

Generally relief will only be available for interest paid on:

- The first £400,000 of the mortgage held against your principal private residence (where the money was borrowed from either an individual resident in Guernsey or a company subject to tax in respect of income from banking business at the company intermediate rate. The amount of tax relief on the interest paid in

respect of a principal private residence with effect from 1 January 2016 will be £13,000 for an individual and £26,000 for a married couple.

- loans relating to property which is let;
- loans that are taken out for certain business purposes.

[The Income Tax \(Tax Relief on Interest Payments\) \(Guernsey\) Ordinance, 2007](#) contains full details of the available relief for interest paid.

Statements of Practice on interest (I1 – I5) are also available on our website at <http://www.gov.gg/tax> under “Practitioners and technical information”.

Alderney/Herm

For the purposes of income tax, Guernsey includes Alderney and Herm.

For further information regarding Guernsey income tax, please apply to:

Income Tax Office,
P.O. Box 37,
St. Peter Port,
Guernsey, GY1 3AZ

Telephone: ++44(0)1481 724711

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Email: taxenquiries@gov.gg

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