STATES OF GUERNSEY INCOME TAX
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R.R. GRAY, DIRECTOR

# GSCCA CIRCULAR 3

## Recent legislative changes effective 1 January 2015

The following legislation, enacted in 2014, puts into effect amendments to the Income Tax Law proposed in Billet XXIV of December 2013, Billet XX of September 2014 and Billet XXII (the Budget) of October 2014 and resolved by the States at their respective meetings:

- The Income Tax (Guernsey) (Amendment) Ordinance, 2014
- The Income Tax (Guernsey) (Amendment) (No 2) Ordinance, 2014
- The Income Tax (Guernsey) (Amendment) (No 3) Ordinance, 2014
- The Income Tax (Guernsey) (Miscellaneous Amendments) Ordinance, 2014
- The Income Tax (Tax Relief on Interest Payments) (Guernsey) (Amendment) Ordinance, 2014

The main legislative changes that are effective from 1 January 2015 are summarised below (with more detail in the original States reports):

## Individuals

- Interest cap on tax relief for a principal private residence reduced from £25,000 to £15,000 (doubled for married couples where each spouse is a borrower).

- Exemption for first £50 of bank/savings interest for an individual (doubled for married couples where each spouse receives interest).

- Changes to personal and other allowances:

  - Married Persons Allowance only available if both spouses are resident in Guernsey;

  - Non-resident married persons receiving Guernsey source pensions will only be entitled to the relevant proportion of Single Persons Allowance for each spouse receiving pension in own right.

- Occupational pensions – s.153(3) amended so that any benefits paid from a s.150 approved occupational pension scheme are taxable (subject to usual tax free lump sum), irrespective of whether or not the recipient has ever been resident in, or worked in, Guernsey. The Double Taxation Agreements that Guernsey signed with Jersey and the Isle of Man, in January 2013, address this issue for pan island occupational schemes, by ceding taxing rights to either Jersey or the Isle of Man where all services in respect of which the pension is paid to a resident of one of those islands were performed outside of Guernsey.

- Clarification that compensatory awards made by the Employment and Discrimination Tribunal for unfair dismissal fall within the definition of "emoluments" and are therefore taxable (subject to the £30,000 exemption for termination payments).

**Tax Cap (please note that Statement of Practice C48 will shortly be updated to reflect the following changes)**

- Income derived from Guernsey land and property excluded from tax cap.
- Tax credit on distribution from a company subject to tax at 10/20% restricted so as to be non-repayable.
- Employment income from an exempt body is "non-qualifying" income and hence subject to the £220,000 cap.

NB – The Income Tax (Guernsey) (Amendment) Law, 2015 will be considered by the States at their meeting on 28 January 2015 (Billet I of 2015). This Projet will extend the anti-avoidance measures of s.39D, with retrospect to 26 September 2013, to prevent "roll up" of any profits (not just income that has accrued from the carrying on of a business).

**Companies**

- Increase in exempt fee from £600 to £1,200.
- 10% rate extended to regulated activities of fund administrators (the legislation is still under consultation but it is intended that it will apply from 1 January 2015).

**Surcharges and penalties**

- ETI penalties – amendment to s.193A to introduce specific fixed penalties for incorrect/incomplete ETI returns.
- S.199A has been introduced to deter requests for excessive suspension of tax to achieve a cash flow advantage. A new Statement of Practice will be drafted to provide more guidance on the new procedure.

**Financial institutions**

- Financial institutions will be required, on issue of a notice from the Director, to report details of any interest received by individuals resident in Guernsey. The date by which the first report is to be made by financial institutions is subject to continuing discussions with the relevant professional bodies and a further update will be provided in due course.

- Financial institutions will also be required to obtain a customer's TIN (Tax Identification Number, which for these purposes will be an individual's Guernsey social security number) for any new accounts opened.

For further information on the reporting software (IGOR) that will be used for the exchange of information with financial institutions, please click here:
http://www.gov.gg/article/109356/Intergovernmental-Agreements-FATCA.

R R GRAY
Director

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