

Formation of Companies in Guernsey

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Why Use Guernsey?

Guernsey is a premier international financial centre with an enviable reputation and excellent standards. The Island is also one of the leading jurisdictions providing international corporate and private client services and has developed as a base from which internationally mobile families can organise their worldwide affairs through family office arrangements.

Factors contributing to and enhancing the status of this jurisdiction include:

- A general rate of tax payable by Guernsey companies of zero*.

*Generally, the rate of corporation tax payable by a Guernsey company is 0%.

There are certain limited exceptions when a 10% or 20% rate of tax apply. Please contact the Dixcart office in Guernsey, for further details: advice.guernsey@dixcart.com

- There are no wealth taxes, no inheritance taxes, no withholding taxes on dividends, no capital gains taxes and no VAT.
- For Guernsey resident individual tax payers there is a maximum tax charge of £260,000 on their worldwide income.
- Individuals relocating to the Island can effectively elect to pay tax on their Guernsey source income only, capped at £150,000, or on their worldwide income capped (as detailed above) at £300,000.
- The Companies (Guernsey) Law 2008, the Trusts (Guernsey) Law 2007 and the Foundations (Guernsey) Law 2012, reflect Guernsey's commitment to providing a modern statutory basis and increased flexibility for companies and individuals using the jurisdiction of Guernsey. The laws also reflect the importance placed on corporate governance.
- Guernsey's Economic Substance regime was approved by the EU Code of Conduct Group and endorsed by the OECD Forum on Harmful Tax Practices in

2019.

- A Guernsey Foundation is the only entity of this type globally that offers potential for disenfranchised beneficiaries.
- Guernsey is home to more non-UK entities listed on the London Stock Exchange (LSE) markets than any other jurisdiction globally. LSE data shows that at the end of December 2020 there were 102 Guernsey-incorporated entities listed across its various markets.
- Legislative and fiscal independence mean that the Island responds quickly to the needs of business. In addition the continuity achieved through the democratically elected parliament, without political parties, helps deliver political and economic stability.
- A wide range of internationally respected business sectors: banking, fund management and administration, investment, insurance and fiduciary. To meet the needs of these professional sectors, a highly skilled workforce has developed in Guernsey.
- 2REG, the Guernsey aviation registry offers a number of tax and commercial efficiencies for the registration of private and, off-lease, commercial aircraft.

Formation of Companies in Guernsey

General information is detailed below outlining the formation and regulation of companies in Guernsey, as embodied in the Companies (Guernsey) Law 2008.

1. Incorporation

Incorporation can normally be effected within twenty four hours.

2. Minimum Capitalisation

There are no minimum or maximum capital requirements. Bearer shares are not permitted.

3. Directors/Company Secretary

The minimum number of directors is one. There are no residency requirements for either directors or secretaries.

4. Registered Office/Registered Agent

The registered office must be in Guernsey. A registered agent needs to be appointed, and must be licensed by the Guernsey Financial Services Commission.

5. Annual General Meeting

Members can elect not to hold an Annual General Meeting by Waiver Resolution (requiring a 90% majority).

6. Annual Validation

Each Guernsey company must complete an Annual Validation, disclosing information as at 31st December of each year. The Annual Validation must be delivered to the Registry by 31st January of the following year.

7. Audit

Members can elect for the company to be exempt from the obligation to have an audit by Waiver Resolution (requiring a 90% majority).

8. Accounts

There is *no requirement to file accounts*. However, proper books of account must be maintained and sufficient records must be kept in Guernsey to ascertain the financial position of the company at no greater than six monthly intervals.

9. Taxation

Resident corporations are liable to tax on their worldwide income. Non-resident corporations are subject to Guernsey tax on their Guernsey-source income.

Companies pay income tax at the current standard rate of 0% on taxable income; however, income derived from certain businesses may be taxable at a 10% or 20% rate.

Income derived from the following business is taxable at 10%:

- Banking business.
- Domestic insurance business.
- Insurance intermediary business.
- Insurance management business.
- Custody services business.
- Licensed fund administration business.
- Regulated investment management services to individual clients (excluding collective investment schemes).
- Operating an investment exchange.
- Compliance and other related activities provided to regulated financial services businesses.
- Operating an aircraft registry.

'Banking business' is broadly defined as income that arises as a result of the provision of credit facilities by any type of company and the utilisation of customer deposits. Income derived from licensed fiduciaries (with regulated activities), licensed insurers (in respect of domestic business), licensed insurance intermediaries, and licensed insurance managers is also taxable at 10%.

Income derived from the exploitation of property located in Guernsey or received by a publicly regulated utility company is subject to tax at a higher rate of 20%. In addition, income from retail businesses carried on in Guernsey where taxable profits exceed 500,000 British pounds sterling (GBP) and income derived from the importation and/or supply of hydrocarbon oil and gas are also taxed at 20%.

Finally, income derived from the cultivation of cannabis plants and income from the use of those cultivated cannabis plants or parts of those cultivated cannabis plants or licensed production of controlled drugs is taxable at 20%.

If you would like additional information regarding the formation of companies in Guernsey and the fees that Dixcart charge, please contact: advice.guernsey@dixcart.com

