

Moving to Guernsey - The Benefits and Tax Efficiencies

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Background

The island of Guernsey is the second largest of the Channel Islands, which are situated in the English Channel close to the French coast of Normandy. The Bailiwick of Guernsey comprises three separate jurisdictions: Guernsey, Alderney and Sark. Guernsey is the largest and most populated island in the Bailiwick. Guernsey combines many of the reassuring elements of UK culture with the benefits of living abroad.

Guernsey is independent from the UK and has its own democratically elected parliament which controls the island's laws, budget and levels of taxation. Legislative and fiscal independence mean that the island can respond 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.

Guernsey – a Tax Efficient Jurisdiction

Guernsey is a leading international financial centre with a good reputation and excellent standards:

- The general rate of tax payable by Guernsey companies is zero*.
- There is no capital gains tax, inheritance tax, value added tax or withholding tax.
- Income tax is generally a flat rate of 20%.

*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

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Tax Residence and a Significant Tax Advantage

An individual who is resident, but not solely or principally resident in Guernsey, can elect to be taxed on Guernsey source income only, subject to a minimum charge of £40,000. In this instance any additional income earned outside Guernsey will not be

taxed in Guernsey.

Alternatively, an individual who is resident, but not solely or principally resident in Guernsey, can elect to be taxed on his or her worldwide income.

Special provisions are available for those who are resident in Guernsey solely for employment purposes.

For Guernsey income tax purposes an individual is 'resident', 'solely resident' or 'principally resident' in Guernsey. The definitions relate primarily to the number of days spent in Guernsey during a tax year and, in many cases, also relate to the days spent in Guernsey in several preceding years.

Precise definitions and current tax rates and allowances are available on request.

Attractive Tax Cap for Individuals

Guernsey has its own system of taxation for residents. Individuals have a tax-free allowance of £13,025. Income tax is levied on income in excess of this amount at a rate of 20%, with generous allowances.

'Principally resident' and 'Solely resident' individuals are liable to Guernsey income tax on their worldwide income.

'Resident only' individuals are taxed on their worldwide income or they can elect to be taxed on their Guernsey source income only and pay a standard annual charge of £40,000.

Guernsey residents falling under one of the three residence categories above can pay 20% tax on Guernsey source income and cap the liability on non-Guernsey source income at a maximum of £150,000 **OR** cap the liability on worldwide income at a maximum £300,000.

New residents to Guernsey, who purchase an 'open market' property, can enjoy a tax cap of £50,000 per annum on Guernsey source income in the year of arrival and subsequent three years, as long as the amount of Document Duty paid, in relation to the house purchase, is at least £50,000.

The island offers attractive tax caps on the amount of income tax payable by residents and has:

- No capital gains taxes
- No wealth taxes
- No inheritance, estate or gift taxes
- No VAT or sales taxes

Immigration to Guernsey

The following individuals do not generally need permission from the Guernsey Border Agency to move to the Bailiwick of Guernsey:

- British citizens.

- Other nationals of Member States of the European Economic Area and Switzerland.
- Other nationals who have permanent settlement (such as indefinite leave to enter or remain in the Bailiwick of Guernsey, United Kingdom, Bailiwick of Jersey or the Isle of Man) within the terms of the Immigration Act 1971.

An individual who does not have an automatic right to live in Guernsey must fall within one of the categories below:

- Spouse/partner of a British citizen, EEA national or settled person.
- Investor
- Person intending to set themselves up in business.
- Writer, artist or composer.

Any other individual wishing to move to the Bailiwick of Guernsey must obtain an entry clearance (visa) prior to his/her arrival. The entry clearance must be applied for through the British Consular representative in the individual's country of residence. The initial process generally starts with an online application via the British Home Office website.

Property in Guernsey

Guernsey operates a two tier property market. Individuals who are not from Guernsey can only live in open market property (unless they have a work licence), which is generally more expensive than local market property.

What Other Advantages Does Guernsey Offer?

• Location

The island is situated approximately 70 miles from the south coast of England and a short distance from the north-west coast of France. It has 24 square miles of beautiful countryside, a stunning coastline and a mild climate, courtesy of the Gulf Stream.

• Economy

Guernsey has a stable and diverse economy:

- Low tax regime which is compliant with international standards
- AA+ credit rating
- World class professional services with a global network
- A pro-business attitude with easy access to government decision makers
- Frequent connections to London airports
- Part of the sterling zone
- Mature legal system

• Quality of Life

Guernsey is renowned for its relaxed, high quality standard of living and a favourable work-life balance. The following benefits are available:

- A wide range of attractive residential properties to choose from
 - A safe and stable place to live
 - High-powered “city” jobs without the downsides of commuting or inner city living
 - First rate education system and quality health care
 - Peter Port, one of Europe’s most attractive harbour towns
 - Breath-taking beaches, stunning cliff coastline and idyllic countryside
 - High quality restaurants
 - The natural resources of the island enable a variety of recreational and sporting activities
 - A strong sense of community with a charitable spirit
- **Transport Links**

The island is only forty-five minutes from London by air and has excellent transport links to the seven key UK airports, which enables easy access to European and international connections.

What Does Sark Offer?

In addition to Guernsey, the island of Sark falls within the Bailiwick of Guernsey. Sark is a small island (2.10 square miles) with a population of approximately 600 and has no motorised transport.

Sark offers a very relaxed lifestyle and a simple and low tax system. Personal tax per adult resident, for example, is capped at £9,000.

There are laws which restrict the occupation of certain dwellings.

Further Information

For further information on relocation to Guernsey please contact the Dixcart office in Guernsey: advice.guernsey@dixcart.com. Alternatively, please speak to your usual Dixcart contact.

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