

Guernsey company tax residence and rates

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Guernsey remains a popular choice of jurisdiction for corporates, providing a stable government and a transparent legislative and tax system. This article looks at when companies are treated as tax resident in Guernsey and considers the tax rates applicable to them and whether they are eligible for tax exempt status.

1. Tax residence

A company will be treated as tax resident in Guernsey in respect of a year of charge if:

- a. it is controlled in Guernsey, or is centrally managed and controlled in Guernsey, in that year of charge, or
- b. it is incorporated in Guernsey and has not been granted an exemption from tax for that year of charge under applicable Guernsey law

However, notwithstanding that a company is incorporated in Guernsey, a company will not be treated as resident in Guernsey in a year of charge if it is proved to the satisfaction of the Guernsey Revenue Service that, in that year of charge the company:

- is tax resident in a different territory (under the law of such territory)
- centrally managed and controlled in that other territory
- either
 - tax resident in that other territory under the domestic law of pursuant to a double tax agreement with Guernsey which treats the company as being resident in that territory over Guernsey or
 - the highest rate of tax on a company in that other territory is at least 10%, and

- the company's tax resident status in the other territory is not motivated by the avoidance, reduction or deferral of Guernsey tax

2. Rates

The standard rate (0%)

Guernsey Companies will be subject to income tax in Guernsey at the company standard rate, which is currently zero per cent (0%), provided they do not carry out activities which are within the categories taxable at either the "intermediate rate" (10%) or the "higher rate" (20%).

The intermediate rate (10%)

The intermediate rate (10%) applies to certain regulated activities and includes the following:

- banking business
- domestic insurance business
- insurance intermediary business
- fund administration
- custody services
- investment management individual client services

Importantly, it should be noted that in relation to "investment management individual client services", this category of activity does not comprise provision of investment management services to a collective investment scheme. As such, income from fund management should remain subject to the 0% rate (unless tax exempt status has been granted, as referred to in more detail below).

The higher rate (20%)

The activities to which the higher rate (20%) applies include trading activities regulated by the Guernsey Competition and Regulatory Authority (ie electricity provision and telecommunications), deriving income from ownership of Guernsey situate real estate, gas and hydrocarbons business and large retail business.

Tax exempt status

In addition, certain categories of Guernsey company, which includes collective investment schemes and bodies established solely for the purposes of management of a specific collective investment scheme, are entitled to apply for tax exempt status pursuant to the Income Tax (Exempt Bodies) (Guernsey) Ordinance 1989.

For more information on Guernsey corporate taxation please contact Richard Doyle, Managing Associate, Guernsey.

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