

## **Revenue Service Guidance on the Economic Substance Requirements and the implications of COVID-19**

The Revenue Service wishes to clarify that the official Revenue Service guidance on economic substance (see [www.gov.gg/economicssubstance](http://www.gov.gg/economicssubstance)) has not changed.

It is, however, recognised that the measures introduced to protect people's health may have caused some companies, subject to the Economic Substance Requirements, to have concerns regarding their ability to meet those requirements, because of the necessary changes to their normal operating practices.

The Revenue Service will take a pragmatic approach when assessing whether the substance requirements have been met by a company during periods where government imposed restrictions were in place (including restrictions imposed by governments in other jurisdictions). It will consider the following elements are appropriate for any temporary framework for COVID-19 related adjustments to the economic substance guidance:

1. It is expected that COVID-19 measures will only impact on the ability of companies to comply with the directed and managed test of the Economic Substance Requirements. It is still expected that companies will continue to meet the other economic substance tests.
2. Companies should maintain and retain relevant records that show what their policy was in respect of restrictions on travel for the company officers and the period of time for which that policy was in place. Similarly for any government imposed restrictions.
3. Where COVID-19 measures have meant that a company does not fully meet the Economic Substance Requirements, a Revenue Service Inspector will undertake a review. Such a review may require the company to provide objective and sufficient evidence of their specific circumstances hindering their compliance.
4. Where the Revenue Service is required to exchange information with EU Member States on a company as a result of its failure to comply, the exchange would include information that companies provide on the impact of COVID-19 measures.

Given the ongoing and evolving nature of the pandemic, and in particular the current border restrictions in place in Guernsey, it is acknowledged that this temporary framework outlined above will need to be in place whilst travel restrictions continue. This will be withdrawn as soon as circumstances permit.

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