

GSCCA Circular 20

21 December 2021

New Tax Registration Requirement for Partnerships

1. Introduction

A new tax registration requirement has been introduced for partnerships by the Income Tax (Substance Requirements) (Implementation) Regulations, 2021 that came into force on 30 June 2021. The relevant legislation can be found at www.gov.gg/economicssubstance.

The legislation requires:

- All partnerships to register with the Revenue Service – penalties of up to £10,000 will be imposed if there is a failure to notify, increasing to £20,000 if fraudulent.
- All partnerships to file returns annually (online) enclosing accounts and information confirming compliance with the economic substance requirements (if applicable) – penalties of up to £300 with continuing daily penalties of up to £50 will be imposed for the late or non-filing of returns.

2. Registration requirement

Section 42A of the Income Tax (Guernsey) Law, 1975 introduces with effect from 30 June 2021 a legal requirement for partnerships to register with the Director of the Revenue Service.

A partnership must register by 14 July following the end of the first relevant calendar year it is required to file a return. Form 715 is available for this purpose at www.gov.gg/economicssubstance. A bulk registration form will also be made available.

Partnerships that have an EC/ET tax reference are already registered and do not need to complete a registration form.

Penalties of up to £10,000 (or £20,000 if fraudulent) will be imposed if a partnership fails to register with the Revenue Service.

The following types of partnership are required to register:

- General partnerships formed in Guernsey which carry on business activity in Guernsey
- Limited partnerships (both with and without legal personality) formed under the Limited Partnerships (Guernsey) Law, 1995
- Limited liability partnerships formed under the Limited Liability Partnerships (Guernsey) Law, 2013



- Foreign partnerships (including limited partnerships and limited liability partnerships) formed outside of Guernsey which have their place of effective management¹ in Guernsey and carry on business activity in Guernsey.

Every partnership that is required to register must also provide the details of the designated partner with responsibility to file the partnership return.

3. Partnership returns

In accordance with section 68 of the Income Tax (Guernsey) Law, 1975, all partnerships required to register with the Revenue Service will be required to submit a partnership return annually, unless they are informed in writing that this is no longer required.

Online filing will be mandatory. The filing deadline for partnership returns will be aligned to the company filing deadline which will be set out in a notice on the www.gov.gg website each year.

All partnerships that were in existence at 30 June 2021, will be required to file a return for the year in which their first accounting period commencing on or after 1 January 2022 ends. It is expected that for the majority of partnerships this will require a partnership return to be filed in respect of 2022, and therefore, for the partnership to be registered by 14 July 2023.

New partnerships (being those partnerships formed on or after 1 July 2021) will be required to file a return for the year in which their first accounting period commencing on or after 1 July 2021 ends. In cases of a short first accounting period (for example the first accounting period ends on 31 December 2021), this may therefore require a tax return to be filed in respect of 2021, in which case the partnership would need to be registered by 14 July 2022.

Penalties will be automatically imposed if the partnership return is not submitted by the filing deadline. The initial penalty will not exceed £300, with further penalties not exceeding £50 for every day the failure continues.

4. Economic Substance Requirements

The economic substance requirements that apply to companies, have been extended to partnerships in order to ensure that Guernsey continues to fully meet the international standard for economic substance.

More information, guidance on the application of the economic substance rules to partnerships and the relevant legislation can be found at www.gov.gg/economicssubstance.

¹ The “place of effective management” means the place where the management and commercial decisions necessary for the conduct of the business as a whole of that person, entity or arrangement are substantially made, having regard to all relevant facts and circumstances. For limited partnerships, this will generally be regarded as where the general partner is resident.



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Please also refer to Circular 18 “Changes to Economic Substance Regulations in respect of partnerships” available at www.gov.gg/taxationstatementsofpractice.

All entities carrying on activities within scope of substance (not just High-Risk Intellectual Property entities) will be required to provide details of the immediate parent entity, ultimate parent entity and ultimate beneficial owner (natural person) on the tax return for 2021 onwards.

N Forshaw

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