States of Guernsey
Revenue Service

GSCCA Circular 23
28 November 2023

Income Tax Measures in the 2024 Budget and Social Security Measures in the 2024 Contributory Benefit and Contribution Rates Report

Personal Measures

- **Withdrawal of personal allowances for high earners**

The threshold, at which tax allowances and withdrawable deductions will be withdrawn, has been reduced to £80,000 with effect from 1 January 2024. Although there is an increase to the level of pension contributions protected from withdrawal to £2,500.

Any bonuses, payments in lieu of notice, or sums drawn from pensions are included in a person's "calculated income", therefore one-off payments, such as the commutation of a pension fund for example, may tip individuals into being high earners for that year.

- **Tax allowances and deductions**

The personal and other supplementary tax allowances have been increased in line with inflation.

The withdrawal of tax relief on mortgage interest for a principal private residence has been paused, therefore the maximum relief available will remain at £3,500 in 2024, for an individual.

The restriction for interest relief on domestic dwellings is not pausing. 50% of the interest paid will be eligible for relief in respect of domestic buy to let properties in 2024.

Note these interest relief restrictions apply irrespective of whether the property is held by an individual, company or other vehicle. Relief will be limited to the level of income generated from lettings (i.e. it cannot create a loss). No relief in respect of a domestic dwelling will be available to be carried forward to the first year of letting should that be after 2026.

- **Increase of the Alderney Tax Cap to £65,000, the Tax Cap on qualifying income to £160,000 and the Worldwide Tax Cap to £320,000**

- **Increase of the open market tax cap to £60,000 –** together with extending eligibility to those buying open market properties through a 100% shareholding in a company where the individual pays at least £50,000 in Document Duty Anti-Avoidance Duty

- **Increase in Social Security Contribution Rates**

The agreed 10-year increase in contribution rates continues, with the rates for 2024 as follows:

- Class 1 Employer - 6.9%
- Class 1 Employee – 7.2%
- Class 2 Self-Employed – 11.9%
- Class 3 Non-Employed (under pension age) - 11.3%
- Class 3 Non-Employed (over pension age) - 3.7%

- **Introducing an exemption for payments made to private householders** for accommodating pivotal officials/competitors where large sporting or other events take place in the Island (for example the Island Games), with such events to be designated as "large" by a Statement of Practice

- **Extending Benefit in Kind exemptions** to bus passes, bicycles (including e-bicycles) and mileage paid to employees for using their own bicycles for business use in line with the rate stipulated in Statement of Practice E17

Other Measures

- **Exempt Companies Fee increased to £1,600**

- **Basis of Assessment for Investment Companies**

To reduce the compliance burden for investment companies the basis of assessment is to change to their accounting year end, rather than a calendar year, which would see the position aligned with trading companies.

Transitional provisions are required to ensure income is not taxed twice, with all necessary adjustments taking place in 2024. Anti-avoidance provisions will also be put in place.

More information will be issued on the transitional provisions in due course.

Secondary Pensions

Not strictly a budget measure, however secondary pensions will come into effect from 1 July 2024, to support working age people to save for their retirement. There is a phased introduction based on employer size at 30 June 2024, starting with those employers with 26+ workers.

Employers will be required to automatically enrol Designated Employees into a secondary pension scheme and re-enrol them every 3 years if they opt out. Employers may defer enrolment for a period of up to 3 months, intended to cater for probationary periods and also ease management of different employee start dates.

There are minimum levels of contributions that will need to be paid, based on the same definition of earnings as social security contributions:

	2024	2025	2026	2027	2028	2029	2030	2031	2032
Employer	1%	1%	1%	2%	2%	3%	3%	3%	3.5%
Employee	1%	1%	1.5%	2%	3%	4%	5%	6%	6.5%
Overall	2%	2%	2.5%	4%	5%	7%	8%	9%	10%

An employer may elect to pay the overall total contribution, they cannot pay less than the employer minimum. Employers will be required to submit quarterly secondary pension returns to the Revenue Service, which has responsibility for monitoring compliance with the secondary pension legislation.

It is recommended that employers act well in advance of their operative date, as they may find that amendments are required to their existing pension scheme to ensure it meets the secondary pension ("approbated") scheme criteria or that there are some employees not currently enrolled who will be Designated Employees. If an employer does not currently offer a pension scheme, then they will need to set one up, a process which could take weeks/months to complete. An employer may also choose to offer a secondary pension scheme prior to their operative date, as an early adopter.

More information can be found at www.gov.gg/Secondary-Pensions, noting that additional information, Statements of Practice, guidance and templates will be added as the commencement date approaches.

Tax return Filing Deadline

A plan to transition the tax return filing deadline back to 30 November has been agreed with the GSCCA Tax Sub-Committee as follows:

Year of Charge	Date returns available	Due date for returns	Comment
2023	01/03/24	31/01/25	Return will be made available following closure of the 2022 return. As it's the first year of filing under independent taxation, minimal change to the filing date proposed. Allows 11 months to file returns.
2024	01/02/25	30/11/25	Return will be made available following closure of the 2023 return. Allows 10 months to file returns.
2025 onwards	01/02/26	30/11/26	Personal Tax Return still to be put live in February to ensure ETI/distribution returns submitted/processed to enable estimated liability/automated processing. Allows 10 months to file returns. Company/Partnership Return to be put live in January.

Consideration is also being given to introducing earlier deadlines for filing of paper returns, although there are a number of practical considerations to be worked through. Any changes proposed will be discussed with the GSCCA Tax Sub-Committee prior to implementation.

Interim Assessments – Accountant Copies

The Revenue Service currently plans to produce the annual bulk interim assessments for companies and individuals in January 2024. Accountants will receive a copy of each client's interim assessment by encrypted email, meaning they will receive the same paperwork as their client.

As revisions are made to a client's interim assessment, accountants will also receive that information by email. To begin with that information will be processed on a weekly basis, but an imminent system refinement should increase that frequency to daily. Accountants would then receive any revisions to a client's interim assessment by encrypted email on the day it happens.

Now that independent taxation is in place, the Revenue Service is working towards issuing individuals with a combined tax and contributions interim assessment which aims to minimise interactions that customers need to have with the service.

N Forshaw

Director of the Revenue Service