



Claiming allowances and reliefs, and your coding notice

There are a range of allowances to which individuals resident in Guernsey may be entitled. Allowances may be claimed during the year and included in a coding notice, but a claim must also be made on the annual income tax return so that the allowance is granted in the final assessment.

If you have a coding notice which includes allowances to which you are not entitled, this could result in an underpayment of tax when you receive your final assessment. It is important that the coding notice is kept up to date and only allowances to which you are entitled are included. Please refer to the [Guide to coding notices](#) to help you.

The amounts of the allowances detailed in this guide may be viewed in the Monetary Values table at <http://www.gov.gg/tax> under “Rates and Allowances”.

Please note: If you are notified by this office that you are not required to complete an income tax return for future years, an assessment will be issued to you based on the information returned by your employer(s), including the Single or Married Persons Allowance as appropriate. If you wish to claim any other allowances, you must complete an income tax return.

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Single Persons Allowance

Every individual is entitled to the Single Persons Allowance (unless it is relinquished – see “[Additional Persons Allowance](#)”). The Single Persons Allowance is automatically granted by this office.

Married Persons Allowance

Married Persons Allowance is due where both parties are living together at the commencement of the calendar year, i.e. in the year following the year of marriage/civil partnership. A married couple must notify this office of their marriage in order that they may be jointly assessed and the Married Persons Allowance granted.

Please note: Married couples not wishing to be jointly assessed must still notify this office of their marriage and make a request for separate assessment, in writing, prior to 31 March in the year in which it is to have effect.

Withdrawal of personal allowances for high earners

Your personal allowance will be withdrawn gradually at a rate of £1 for every £3 that your income exceeds the upper earnings limit on social security contributions, which will be £138,684 in 2017. This limit will be pro-rated in the year of arrival or permanent departure. The table below shows the effect of this proposal on a single individual under the age of 64:

Income	Personal Allowance withdrawn	Personal Allowance received
£138,684	£ nil	£10,000
£140,000	£ 438	£ 9,562
£150,000	£ 3,772	£ 6,228
£160,000	£ 7,105	£ 2,895
£168,684	£10,000	£ nil

Age Relief Allowance

An individual aged 64 or over at the commencement of the year is entitled to an increased personal allowance. In order for this to be granted, please ensure your date of birth is entered on your income tax return.

Additional Persons Allowance

If an individual who is not married has income which does not exceed their personal allowance, the balance of the allowance may be relinquished to their partner if the following criteria are fulfilled.

- they are cohabiting, for the full calendar year, and
- they are in receipt of Guernsey Family Allowance.

A Relinquishment of personal allowance form (**form CC2**) (available from our website at <http://www.gov.gg/tax> under “Other tax forms”) must be completed and signed by both the individual receiving the allowance and the individual transferring the allowance, for each year of charge. Once an allowance/part allowance has been relinquished for a year of charge, this may not be withdrawn, unless the taxpayer ceases to cohabit during the year, in which case the criteria are no longer fulfilled.

Please note: With effect from 1 January 2017, same-sex cohabiting couples may relinquish unused personal allowances to their partner if the relevant criteria are met.

Charge of Child Allowance

A Charge of Child Allowance may be claimed by individuals who are:

- a lone parent (not cohabiting throughout the year), and
- in receipt of Guernsey Family Allowance from 1 January or the date of the first claim in respect of that child,

or

- a married person who maintained or employed a person for the purposes of the charge and care of a child because their spouse was totally incapacitated.

On your income tax return, please include details of children for whom you receive Guernsey Family Allowance and ensure that the relevant box in the ‘Charge of Child’ section is ticked. Only one Charge of Child Allowance will be granted, irrespective of the number of children.

Please note: With effect from 1 January 2017, a parent in a same-sex cohabiting couple may no longer claim a Charge of Child Allowance. Instead, they will be entitled to relinquish unused personal allowances to their partner if they meet the relevant criteria.

I am a single parent - can I claim additional allowances?

There is an allowance available in addition to the personal allowance and it will be granted to those who have children in the following circumstances:

- To a lone parent (who is not cohabiting) and is in receipt of Guernsey Family Allowance.
- To a lone parent who has a child in full time higher education.
- To a married person who maintains or employs a person for the purposes of having charge and care of a child, because their spouse was totally incapacitated for the whole calendar year.

Please note: Only one Charge of Child Allowance can be claimed, irrespective of the number of children in the family.

Dependent Relative – Children over 19 and in higher education

Note: From 1 January 2018 the Dependent Relative Allowance (in the case of a child receiving higher education) will be closed to new claimants.

A Dependent Relative Allowance may be granted to an individual who has a child or children, over 19, in full time higher education.

In order to make a claim, the 'Details of Children' section of the income tax return must be completed in full. Please note that if your child's income is not declared then the allowance will not be granted. It is not sufficient to refer the Tax Office to your child's own income tax return. One Dependent Relative Allowance will be granted for each qualifying child.

A full Dependent Relative Allowance will be restricted under the following circumstances:

- If your child's income exceeds the dependant's income limit (the amount is set each year) then the allowance is reduced by £1 for every £1 that the child's income exceeds the income limit. For example, for 2016 if the dependant's income exceeded £6,550 the allowance was reduced.
- In the year in which a Guernsey Family Allowance in respect of your dependent child ceases, there is a reduction in the Dependent Relative Allowance for each month that the Guernsey Family Allowance is paid.
- If amounts are contributed by each parent separately, the allowance will be split between them, proportionate to the amounts contributed.

If you are a lone parent with a child in full time higher education then you are entitled to claim both a Dependent Relative Allowance and Charge of Child Allowance.

Dependent Relative – old age or infirmity

In order to make a claim, the 'Dependent Relative' section of the income tax return must be completed in full.

A full Dependent Relative Allowance will not be granted in the following circumstances:

- if the dependant's income exceeds the income limit (which for 2016 was £6,550),
- only one allowance may be granted per individual maintained, so if amounts are contributed by other relatives the allowance will be split between all those contributing, proportionate to the amounts contributed.

Please note: No new Dependent Relative Allowance claims (regarding old age or infirmity) have been allowed since the Year of Charge 2009. However, claims will continue to be allowed where they relate to an individual for whom a claim was made prior to 2009, so long as they continue to meet the criteria set out above.

How is the Dependent Relative Allowance calculated?

The Dependent Relative Allowance for 2017 is £3,225.

1. If the relative's income exceeds £6,775* the allowance is reduced by £1 for every £1 by which the relative's income exceeds £6,775.

For example:

The income of the dependent	£7,000
Relative's income limit	<u>£6,775</u>
Amount by which the income exceeds the limit	£ 225
Dependent Relative allowance	£3,225
Less the amount by which the income exceeds the limit	<u>£ 225</u>
Amount of Dependent Relative allowance due	£3,000

2. If the relative is a child over the age of 19 years who is receiving full-time higher education, the allowance is reduced by £269 for every month for which a family allowance is payable.

For example:

A child becomes 19 on 03/12/16. Family allowance for that child will cease 31/7/17.

Dependent Relative Allowance	£3,225
£269 x 7	<u>£1,883</u>
Amount of Dependent Relative allowance due	£1,342

3. If the dependent relative is a child over the age of 19 who is receiving full time higher education and in the year the dependent's income exceeds £6,775 and family allowance also ceases to be paid, the allowance is firstly reduced by £1 for every £1 that the income exceeds £6,775 and secondly by £269 for every month for which a family allowance is payable.

For example:

The income of the dependent	£7,000
Relative's income limit	<u>£6,775</u>
Amount by which the income exceeds the limit	£ 225

Dependent Relative Allowance	£3,225
Less the amount by which the income exceeds the limit	£ 225
Less £269 x 7	<u>£1,883</u>
Amount of Dependent Relative allowance due	£1,117

(*This is the income limit before adjustment for 2017. For the limits for other years, please refer to the Summary of Allowances and/or Monetary Values schedules (both available on our website at <http://www.gov.gg/tax> under "Rates and Allowances".)

Where more than one person contributes towards the dependent the allowance will be apportioned accordingly.

Infirm Persons Allowance

Infirm Persons Allowance may be claimed where, due to old age or infirmity, it is necessary to employ an individual or a nursing agency for the sole purpose of caring for the claimant or their spouse.

Please note: No new Infirm Persons Allowance claims have been allowed since the Year of Charge 2009. However, claims will continue to be allowed where they relate to an

individual for whom a claim was made prior to 2009, so long as they continue to meet the criteria set out above.

Housekeeper Allowance

Housekeeper Allowance may be claimed by a widow or widower who employs or maintains an individual solely for the purpose of acting in the capacity of housekeeper.

Please note: No new Housekeeper Allowance claims have been allowed since the Year of Charge 2009. However, claims will continue to be allowed where they relate to an individual for whom a claim was made prior to 2009, so long as they continue to meet the criteria set out above.

Personal Pensions

An allowance may be claimed in respect of contributions to Guernsey approved pension schemes. Full details of the pension must be included under the 'Personal Pensions' section of the income tax return.

With effect from the Year of Charge 2011 there is no monetary limit on the amount that may be contributed to a personal pension scheme. However, the amount of tax relief granted is limited either to 100% of the claimant's taxable income or £50,000, whichever is the lower amount. This limit applies to both single and married persons, and in the case of a married couple the £50,000 maximum still applies for each individual, providing each spouse has sufficient taxable income (see Statement of Practice M48, which is available at www.gov.gg/taxationstatementsofpractice) under "Statements of Practice (Including Interpretations of Law) & Extra Statutory Concessions".

Are contributions paid to Retirement Annuity Contracts and Retirement Annuity Trust Schemes (RATS) eligible for tax relief?

Yes, but only in respect of Guernsey approved schemes. Please [click here](#) for further information on pensions/RATS.

What should I do if I want to claim tax relief for my Guernsey mortgage interest?

Once you have purchased your property, please download the Checklist on Buying a Property (**form 357**) (available from our website at www.gov.gg/tax under “Other tax forms”) and complete and return the form to this office. You will need to provide details of the outstanding balance and the interest paid each year when completing your income tax return. If you have previously been told you no longer need to complete an income tax return you will, in future, be required to complete one each year. If appropriate, a coding notice will be issued to reflect the change in your circumstances.

Please remember to quote your tax number on all correspondence, or have it ready if telephoning or calling in to this office.

My mortgage in respect of my Guernsey home (Principal Private Residence) is over £400,000 - how is the relief calculated?

The formula to be used is:

$$\frac{\text{Interest paid} \times 400,000}{\text{Average of outstanding balances on mortgage at beginning and end of the year}}$$

An example:

Interest paid during calendar year 2017 = £26,000

Outstanding balance on 01/01/17 £ 512,000

Outstanding balance on 31/12/17 £ 491,000

£1,003,000 ÷ 2 = £501,500 = average

So the calculation would be done as follows:

$$\frac{\underline{\underline{£26,000 \times 400,000}}}{£501,500} = £20,738 \text{ interest (restricted to interest cap of £11,000)}$$

Please note: If a property is owned jointly by a married couple or by two single people, the overall restriction to £400,000 will still apply.

What is the ‘interest cap’ and how will it be applied to the mortgage on my Guernsey home?

In 2013 a limit on the amount of interest allowable on a mortgage was introduced (‘interest cap’). This amount has reduced each year and will be removed in full by 2025.

If the amount of interest paid on your mortgage in respect of your Guernsey home (your Principal Private Residence) exceeds the ‘interest cap’, the amount of interest allowed as a deduction will be restricted to the level of the cap.

If a property is owned jointly by a married couple, and each spouse is a party to the mortgage, the interest cap will be doubled (i.e. £22,000 for the calendar year 2017) irrespective of whether each spouse is an equal borrower. If only one party to the marriage is a borrower, relief will be restricted to the “interest cap” of £11,000.

For example, an opposite-sex married couple have obtained the mortgage:

Spouse 1 pays	£40,000
Spouse 2 pays	<u>£10,000</u>
Total mortgage interest paid in 2017	£50,000

A deduction of £21,000 will be given as both parties to the marriage are borrowers, i.e. relief will not be restricted to £22,000 (£11,000 for Spouse 1 and £10,000 for Spouse 2).

If Spouse 1 was the only borrower and pays the total mortgage interest of £50,000, the deduction will be restricted to £11,000 as Spouse 2 is not a borrower.

Please note: If your mortgage exceeds £400,000, it is necessary to first calculate the interest paid on the mortgage up to the value of £400,000 (using the [formula shown above](#)) before ascertaining whether the “interest cap” applies.

What are the ‘interest cap’ restrictions and will they reduce in the future?

The ‘interest cap’ restrictions are shown in the table below and proposals to reduce the ‘interest cap’ on the amount of tax relief on interest paid in respect of a Principle Private Residence was agreed at the States Meeting on 29 October 2015 and was effective from 1 January 2016.

Year of Charge	Amount for an individual borrower	Amount for a married couple
2014	£25,000	£50,000
2015	£15,000	£30,000
2016	£13,000	£26,000
2017	£11,000	£22,000
2018	£ 9,500	£19,000
2019	£ 8,000	£16,000
2020	£ 6,500	£13,000
2021	£ 5,000	£10,000
2022	£ 3,500	£ 7,000
2023	£ 2,000	£ 4,000
2024	£ 1,000	£ 2,000
2025	Complete withdrawal	Complete withdrawal

If I separate from my spouse, and move out of our jointly owned property, can I still claim my share of the mortgage interest?

Yes, you can claim your share of the interest paid if there is a legal separation, a magistrate's separation order, or a divorce in place. However, without legal documentation being evidenced no interest can be claimed or allowed.

Please note: No allowance can be given for any period between the date you move out of the property and the date the legal documentation is received.