

Guernsey Income Tax

The Guernsey income tax year is the same as the calendar year, 1st January to 31st December.

The rates of tax and a summary of the personal and other allowances to which you may be entitled can be found [here](#) under “Tax Rates, Allowances and Reliefs”.

Up to and including the calendar year 2022, if you are married or in a civil partnership you will be jointly assessed (unless a request has been made for separate assessments) with the male partner in a opposite sex relationship, or the older partner in a same sex relationship, being responsible for the tax affairs of the couple. Independent taxation will be in place from 2023, when every individual becomes responsible for their own tax affairs. More information on Independent Taxation is available [here](#).

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Residence for the purposes of income tax

In order to calculate the tax you need to pay in Guernsey, we need to look at your residential status for tax purposes.

Residence is defined using section 3 of [Income Tax \(Guernsey\) Law, 1975](#), which states:

- “(1) An individual shall be treated as being “resident” in Guernsey in any particular year of charge if –*
- (a) he spends 91 days or more in Guernsey in that year of charge, or*
 - (b) he spends 35 days or more in Guernsey in that year of charge and, during the four preceding years of charge, he has spent 365 days or more in Guernsey.*
- (2) An individual shall be treated as being “solely resident” in Guernsey in any particular year of charge if –*
- (a) he is resident in Guernsey, within the meaning of subsection (1), in that year of charge, and*
 - (b) he is not resident in any other place in that year of charge; and for the purposes of this paragraph an individual shall be treated as being resident in any other place in any particular year of charge only if he spends 91 days or more in that place in that year of charge.*
- (3) An individual shall be treated as being “principally resident” in Guernsey in any particular year of charge if –*
- (a) he spends 182 days or more in Guernsey in that year of charge, or*
 - (b) he spends 91 days or more in Guernsey in that year of charge and, during the four preceding years of charge, he has spent 730 days or more in Guernsey, or*
 - (c) he takes up permanent residence in Guernsey in that year of charge; and for the purposes of this paragraph an individual shall be treated as taking up permanent residence in Guernsey in any particular year of charge if –*
 - (i) he is resident in Guernsey, within the meaning of subsection (1), in that year of charge, and*
 - (ii) he is solely or principally resident in Guernsey in the following year of charge, and*

(iii) *he was not resident in Guernsey, within the meaning of subsection (1), in the immediately preceding year of charge.*

(4) *For the purposes of this Law an individual shall be regarded as being in Guernsey or in any other place on any particular day, or as spending any particular day in Guernsey or in any other place, if he is in Guernsey or, as the case may be, in that other place at midnight on that day."*

Tax liability

The income you are charged tax on, and the allowances you are entitled to, depends on your residential status, as follows:

Non-resident

If you are non-resident you are liable on your income arising or accruing from:

- (a) businesses carried on in Guernsey;
- (b) offices or employments held or exercised in Guernsey (except the emoluments of a director);
- (c) the ownership of lands and buildings situated in Guernsey; and
- (d) any other source in Guernsey.

As a non-resident you are entitled to a proportion of the allowances for each week or part week that you are employed in Guernsey (but this doesn't apply if you are a director).

You are also entitled to 1/52 of the allowances for every 7 days that you are in receipt of a pension arising/accruing in Guernsey during the year, including the States pension (OAP), but these allowances can only be used against the pension income, and can't be offset against any other income.

The total allowances you are entitled to as a non-resident can't exceed the amount available to a solely or principally resident individual.

If you are non-resident and only have income from a Guernsey Business or from renting out property in Guernsey, you are not entitled to ANY personal allowances, and you will need to pay tax at 20% on the assessable income from these sources.

Further information on the taxation of non-residents can be found under Chapter IV of Part IV of the Law (“Non-residents”). Statements of Practice C35, C37 and E29 (available [here](#) under “Statements of Practice (including Interpretations of Law) & Extra Statutory Concessions”) also give some helpful guidance.

Resident only

If you are resident but not solely or principally resident in Guernsey, you are liable to pay tax on your total income, wherever that income may arise or accrue, unless you elect to pay the standard charge, which amounts to £40,000 with effect from 1 January 2021. Please refer to the Monetary Values table [here](#) for details of the amount of the standard charge for prior years.

If you don’t elect to pay the standard charge, you will be entitled to 1/52nd of the allowances for every 7 days that you spend in Guernsey.

You are also entitled to 1/52nd of the allowances for every 7 days that you are in receipt of a pension arising/accruing in Guernsey during the year, including the States pension (OAP), but these allowances can only be used against the pension income, and can’t be offset against any other income.

The total allowances you are due as a resident only individual can’t exceed the amount available to a solely or principally resident individual.

If you elect to pay the standard charge, in accordance with section 5C of the Law, you will have no further liability to tax on your non-Guernsey source income but a liability will arise on total Guernsey source income (other than bank deposit interest). The amount of the standard charge paid can be set-off against the tax due on Guernsey source income, as shown in the examples below. If you elect to pay the standard charge you will have no entitlement to any allowances, reliefs or deductions.

Example 1

Mr I M A Roamer is resident only in Guernsey and his total income consists of:

Guernsey business	£ 50,000
Guernsey bank interest	£ 5,000
UK income	£1,000,000

He elects to pay the standard charge and his liability will be:

Standard charge:		£40,000
Guernsey business:	£50,000 @ 20% (no allowances, deductions or reliefs)	£10,000
Guernsey bank interest:	£ 5,000	no liability
UK dividends:	£1,000,000 (covered by the standard charge)	no liability

The standard charge may be set against the £10,000 due on the Guernsey business, so all Mr Roamer needs pay is £40,000, which satisfies his liability to Guernsey income tax in full.

Example 2

Mr Roamer's business makes a profit of £300,000 and he elects for the standard charge. His liability will be:

Guernsey business:	£300,000 @ 20%	£60,000
Guernsey bank interest:	£ 5,000	no liability
UK dividends:	£1,000,000 (covered by the standard charge)	no liability

Tax due on Guernsey income	£60,000
Less standard charge	<u>£40,000</u>
Additional tax due	£20,000

Mr Roamer will need to pay the standard charge of £40,000 and an additional £20,000 to satisfy his liability to Guernsey income tax.

Example 3

Mrs B is in Guernsey for 65 days in 2021. She has income from UK investments amounting to £12,000 and a small Guernsey pension of £3,000 (which she has been receiving since 10th July). She does not elect to pay the standard charge.

Her allowances would be calculated as 65 days ($65/7 = 9.2$ weeks) so she would get 9/52 of the personal allowance:

$$9/52 \times £11,875 = £2,055$$

In addition, she has had a Guernsey pension for 174 days ($174/7 = 24.85$ weeks) so she would be entitled to 24 weeks allowances:

$$24/52 \times £11,875 = £5,481$$

This amount needs to be restricted to the pension amount as any allowances calculated for the pension, in excess of the pension received, can't be used against any other income, so in this example the allowances are restricted to £3,000.

Mrs B's total allowances due would therefore be:

$$£2,055 + £3,000 = £5,055$$

Her tax liability in Guernsey (on her worldwide income) would be:

Income (UK investments and pension)	£15,000
Less allowances (as above)	<u>£ 5,055</u>
Taxable income	£ 9,945
Tax due at 20%	£ 1,989

If your sole or main purpose for being in Guernsey is to work and (other than bank deposit interest) all your income arising or accruing in Guernsey is income from your employment, which is subject to the deduction of tax under Guernsey's Employee Tax Instalment Scheme, you would only be assessable in Guernsey on income arising or accruing in Guernsey and income brought into/received in Guernsey.

You would be entitled to 1/52nd of the allowances for every 7 days that you spend in Guernsey.

Solely or principally resident

If you are solely or principally resident in Guernsey, you are chargeable to tax on your total income wherever it arises or accrues, but you may be able to claim Double Tax Relief or Unilateral Relief, if you have income which is taxed at source in another territory:

A. Relief in respect of double taxation on income arising in the United Kingdom

An agreement for the avoidance of double taxation is held between the United Kingdom and Guernsey. A copy of this Agreement is on our website (<https://www.gov.gg/dta>).

The effect of this Agreement is that, in the case of any income arising in the United Kingdom which is subject to both United Kingdom and Guernsey income tax, Double Taxation Relief may be obtained, and, in general terms, this means that a credit equal to the amount of Guernsey tax payable on that income, already taxed in the UK, would be put to your

account. You will need to provide evidence of the tax paid in the United Kingdom for the calculation to be made.

The Agreement also provides that some sources of UK income (for example pensions) will only be taxed in Guernsey if that is where you are living permanently, so if you are receiving a UK pension, after you have moved to Guernsey, you will need to let HM Revenue and Customs (“HMRC”) know, and they should stop taking UK tax.

B. Relief in respect of double taxation on income arising in other territories with which Guernsey has a Double Taxation Arrangement (“DTA”)

Agreements for the avoidance of double taxation have been signed with a number of territories. Copies of these agreements are on our website (<https://www.gov.gg/dta>).

These agreements generally mean that (where a comprehensive DTA is in force) income tax payable in the other territory, in respect of income from sources within that territory, may be allowed as a credit against any Guernsey income tax payable in respect of that income. However, there are exceptions to this rule, such as some types of income being taxed only in the territory of source, or only in the territory where the recipient lives.

Guernsey also has a number of partial DTAs in force (these generally relate to personal taxation only). Copies of these agreements are also available on our website (<https://www.gov.gg/dta>).

C. Relief in respect of income tax paid in other countries

If you are resident in Guernsey and have income which is subject to tax in other countries (i.e. other than those with which Guernsey has a Double Tax Agreement) you can claim relief from tax in Guernsey (known as Unilateral Relief). In most cases the amount will be three-quarters of the effective rate* of Guernsey tax and a credit for the amount will be placed on your account. If the overseas effective rate is less than three-quarters of the Guernsey effective rate, relief will be given at the overseas rate.

*You pay tax in Guernsey at 20% but due to the allowances that may be granted (such as the personal allowance) and deductions you may be entitled to (such as mortgage interest relief) the actual rate of tax paid (the effective rate) is less than 20%, as shown in the example below:

Example

Mr X is principally resident in Guernsey. His total income for 2021 consists of:

Guernsey employment income	£20,000
Overseas dividend received from a country with which Guernsey does not have a DTA	£ 5,000 (net of £1,500 overseas tax)

Mr X's Guernsey effective rate of tax for 2021 is calculated as follows:

Total income (£20,000 + £5,000 + £1,500)	£26,500
Less allowances	<u>£11,875</u>
Net income	<u>£14,625</u>
Tax on net income at 20%	£ 2,925
Guernsey effective tax rate: £2,925/£26,500 x 100	11.038%
(¾ Guernsey effective rate)	8.278%

Mr X will be entitled to a credit for unilateral relief calculated as follows:

Income relievable (net overseas income)	£ 5,000
Grossed up at ¾ Guernsey effective rate (£5,000 x 100 ÷ (100 – 8.278%))	<u>£ 5,451</u>
Credit due at ¾ Guernsey effective rate (£5,451 x 8.278%)	£ 451

D. Relief for interest on money borrowed

Generally, relief will only be available for interest paid on:

- The first £400,000 of the mortgage held against your principal private residence (where the money was borrowed from either an individual resident in Guernsey or a company subject to tax in respect of income from banking business at the company intermediate rate). The amount of tax relief on the interest paid in respect of a principal private residence is being phased out. It is £3,500 for an individual for 2023. Please refer to the Monetary Values table [here](#) for details of the amount allowable for prior years.
- Loans relating to property which is let, although the relief available for domestic let property, in the Bailiwick, is being phased out starting from 2023, where only 75% of the interest paid may be claimed.
- Loans that are taken out for certain business purposes.

[The Income Tax \(Tax Relief on Interest Payments\) \(Guernsey\) Ordinance, 2007](#) contains full details of the available relief for interest paid.

See also our Statements of Practice on interest (I1 – I6) which are available on our website [here](#) under “Statements of Practice (including Interpretations of Law) & Extra Statutory Concessions”.

Tax caps

Guernsey has several tax caps in place which limit the amount of tax a resident individual can pay. These are:

- (a) A cap on overseas income (including any income from Guernsey bank interest) which limits the tax payable to £150,000 (for 2023).
- (b) A cap on worldwide income which limits the tax payable to £300,000 (for 2023).*
- (c) A cap for Alderney residents (so long as they have not previously claimed either of the two caps shown above) which limits the tax payable to £50,000* (this cap is currently in place until 2025).
- (d) A cap for Open Market residents, where they have paid £50,000 or more in document duty on purchasing a property, on Part A of the Open Market Register, with 12 months (either side) of taking up permanent residence in Guernsey (so long as they haven’t been resident in Guernsey for tax purpose in the previous 3 years). This cap limits the tax payable in Guernsey for their year of arrival and the following 3 years to £50,000* per annum.

*Income received from the ownership of Guernsey land and property, from Guernsey pensions/annuity schemes in relation to triviality payments or lump sums above the tax-free limit, or unauthorised payments taken from a pension scheme, are excluded from the cap and tax is payable on these sources in addition to the cap amount.

Alderney/Herm

For the purposes of income tax, Guernsey includes Alderney and Herm.