States of Guernsey
Revenue Service

Company Information Sheet

Income Tax Rates

There are three rates of tax for companies, depending on the source of the income that the company has.

The standard rate is 0%.

The company intermediate rate (10%) applies to income from banking business, domestic insurance business, fiduciary business, insurance intermediary business, insurance manager business, administration of controlled investments, provision of custody services, provision of investment management activities, provision of an investment exchange, compliance and other related activities and, from 1 January 2020, income from operating an aviation registry.

The company higher rate (20%) applies to income from trading activities regulated by CICRA, the importation/supply of gas or hydrocarbon oil, large retail business carried on in Guernsey (with a taxable profit of more than £500,000), and the ownership of Guernsey land and buildings, i.e.

- Property development and exploitation of land (including income from the sale of extracted materials)
- Rental income

In addition, from 1 January 2020, income from the business of the cultivation or use of the cannabis plant, and from the prescribed production or prescribed use of controlled drugs is also subject to the company higher rate.

Company Tax Return

Companies are required by Law to complete their income tax returns online. Please go to https://eforms.gov.gg for details on how to register and file the company return. You will need the company's tax reference to register, which can be found on any correspondence issued from the Revenue Service.

A return should be completed and submitted for the calendar year in which the company is incorporated, unless the company has confirmed in writing that its first accounting year will end in the following year of charge (subject to a maximum period of 18 months). If a fully completed return is not submitted by the filing deadline a penalty will be automatically imposed with penalties imposed for each day that it remains outstanding.

Companies should submit accounts that have been certified by an accountant who is a member of either:

- The Institute of Chartered Accountants in England and Wales,
- The Institute of Chartered Accountants of Scotland,
- The Institute of Chartered Accountants in Ireland or the Association of Chartered Certified Accountants,
- Or holds an equivalent qualification approved by the Director.

Please note that certified accounts are required for tax purposes, whether or not the company is exempt from audit.

A Corporate Service Provider ("CSP") is an entity that carries on company administration business. If a company has engaged the services of a CSP and given them the relevant authority, the return may be submitted by the CSP.

Keeping of Records

Records must be kept for different periods depending on the source of the income. Please ensure you have read and understood the Statement of Practice on Keeping, Maintaining and Retaining Records for Income Tax Purposes, which is available at https://gov.gg/taxationstatementsofpractice.

Substance

For accounting periods starting after 1 January 2019, companies tax resident in Guernsey, undertaking specific activities, need to demonstrate that they have sufficient substance in Guernsey, by being directed and managed here, having adequate people, premises and expenditure, and conducting its core income generating activities (CIGA) in the island.

These requirements apply to the following categories of financial and service activities:

- Banking;
- Insurance;
- Shipping;
- Fund Management (this does not include companies that are Collective Investment Vehicles);
- Financing & leasing;
- Headquarters;
- Distribution and service centres;
- Holding Company (a pure equity holding company); and
- Intellectual Property (for which there are specific requirements in high-risk scenarios).

All companies will need to provide more information on their returns to make sure these activities can be identified.

For more information, including guidance notes that have been issued, please see our website at gov.gg/economicsubstance.

Distributions

- If a company's income is taxed at a rate of less than 20% then a tax charge will arise when a distribution (or dividend) is paid to a Guernsey resident beneficial member of the company.
- The company is responsible for deducting the tax due from a distribution and for paying it to the Revenue Service.
- If a distribution is made the company also needs to make a quarterly return, via distribution reporter, detailing the name of the person who has been paid the distribution, the date and the amount of the distribution and the tax paid. Company distribution reporter software is available to download at https://eforms.gov.gg/.
- Distributions to a non-resident beneficial member do not create a Guernsey tax charge, however, the company must obtain evidence that the member isn't a Guernsey resident before paying a distribution without the deduction of tax.

For Income Tax purposes 'Guernsey' includes Alderney and Herm.

Qualifying Loans

- If a company with income taxed at a rate of less than 20% makes a loan then it may be a qualifying loan.
- If a qualifying loan is made then a tax charge may arise and the company is responsible for deducting the tax due and paying it to the Revenue Service. The loan must also be reported via the distribution reporter software which is available to download at https://eforms.gov.gg/
- If a loan is repaid wholly or partly within six years of being made the company is entitled to claim a repayment of the tax paid on the part of the loan that has been repaid.

Employees Tax Instalment Scheme (ETI)

Companies are required to deduct tax from wages/benefits paid to employees, including Guernsey resident directors and, in certain circumstances, in respect of payments for manual labour.

If the company will have employees please contact our Employers section on (01481) 740440 or email employers@gov.gg so that an employer's reference can be allocated to the company and the relevant reporting software provided.

Service Companies

Special provisions apply to a company which provides the services of individuals where, had those services been provided directly by the individual himself, he would have been considered to be an employee – these are commonly known as service companies.

Please read the Statement of Practice C43 - Service Companies for further details, which is available at https://gov.gg/taxationstatementsofpractice.

Clubs and Associations

The Income Tax Law ("the Law") defines a company as "any body of persons corporate or unincorporated, not being a partnership", so clubs and associations are treated as companies, would be subject to the standard (0%), intermediate (10%) or higher rate (20%) taxes and need to complete a company return each year.

- Clubs and associations are not taxed on income received from their members (with the exception of rental income). Housing estate associations, for example, don't pay tax on monies collected from those who live on the estate to cover maintenance of public areas/roads etc., sporting clubs don't pay tax on subscriptions received from their players and if a club has a bar, where only members drink, they would not be liable to tax on their bar profits.

- However, clubs and associations are taxed on income received from non-members, such as bank interest, which would be taxed at the company standard rate (0%). If a bar is open to non-members, the proportion of profits, relating to those non-members, would also be taxable, but again this would be at the company standard rate.

- If clubs and associations receive income from a Guernsey property, (and this would include "Terre a l'Amende" payments received), this would be taxable at the company higher rate (20%).

Foundations

A foundation falls under the definition of a company, as defined in section 209(1) of the Law, and as a consequence the provisions in the Law relating to the taxation of companies would apply to foundations.

Exempt Bodies

Investment fund vehicles (companies, partnerships, unit trusts) may apply for exemption from tax in respect of income from sources outside Guernsey. Exempt bodies may also invest on a tax free basis in:

- a relevant Guernsey bank deposit;
- another body to which an exemption from tax has been granted;
- shares in a Guernsey company.

The exempt fee is a flat annual fee of £1,200

For more information please refer to https://www.gov.gg/companytax

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Country by Country reporting (CbCR)

Country by Country reporting ("CbCR") is one of four minimum standards under the OECD Base Erosion and Profit Shifting (BEPS) project that aims to improve transparency between multinational businesses and tax authorities, and to help identify aggressive tax avoidance.

Under CbCR, multinational groups, with consolidated group revenue of EUR 750 million or more, are required to report specified data on their international operations to their tax authority annually ("full reporting"), in respect of accounting periods commencing on or after 1 January 2016. That tax authority will in turn provide that relevant information to jurisdictions with which it has an agreement to exchange such information.

CbCR full reports are made using a web based reporting tool called the Information Gateway Online Reporter (IGOR), and will be required in an XML format, using the schema provided by the OECD, details of which can be found on the following webpage:
https://www.oecd.org/tax/automatic-exchange/about-automatic-exchange/country-by-country-reporting-xml-schema-user-guide-for-tax-administrations-and-taxpayers.htm

A secondary aspect of the CbCR regime requires the separate business units of multinational groups ("MNEs") to provide notification to the tax authority annually as a constituent entity if:

a) They are included in the consolidated financial statements of an MNE for financial reporting purposes, or would be included if equity interests in such business unit were traded on a public securities exchange;

b) They are excluded from the MNE's consolidated financial statements solely on size or materiality grounds; and

c) They are a permanent establishment of (a) or (b) for which separate financial statements are prepared.

An entity must notify the Director by 30th November in the year following the last day of the accounting period if it is a constituent entity. Details of the reporting entity for the multinational group, together with the country of tax residence for the reporting entity and their accounting period end must also be provided.

This notification should be given annually on the company tax return.