



3 December 2009

GIBA STATEMENT ON CORPORATE TAX REFORM

Background

Guernsey introduced its Zero-10 Corporate Tax Regime in 2008 in response to changing international standards in tax policy. The tax exempt regime was maintained for collective investment schemes and their subsidiaries. The Government resolved at the time of the introduction of the new regime that this would be a two stage process and a review of the effects of Zero- 10 would be undertaken after an initial three year period. It was also recognised that the Island's own need to raise tax revenues might require changes to the tax regime.

Recent developments

It has become apparent in the light of recent global economic developments and feedback from the EU Code of Conduct Group that the anticipated review is required sooner rather than later. The other Crown Dependencies (Jersey and the Isle of Man) will be undertaking similar reviews of their corporate tax regimes within a similar framework and timescale to Guernsey.

It was for this reason that Guernsey's politicians passed a resolution on 27th October 2009 to include, within its planned review, the current corporate income tax regime. Under the current regime the general rate is 0%. This rate does not apply to collective investment schemes as they are exempt from corporate income tax, on making an appropriate election. The review is in its preliminary stages at present and therefore it is too early to be certain about its final outcome. At this stage however, it is anticipated that Guernsey will retain its exempt regime for collective investment schemes.

Consultation process

A key concern of both Government and the finance industry is to ensure long term stability for the Island's economy and this includes protecting the contribution made by its finance industry. A major element of the review will include Government working closely with the finance industry, through its representative body, the Guernsey International Business Association (GIBA). This consultation will enable Guernsey to ensure that any changes it makes to the corporate tax regime will accommodate the needs of both existing and future business in the Island. The finance industry remains by far the most important element of Guernsey's economy and the Island remains committed to ensuring its continued success.

Timeframe

Until such time that the review is completed, the existing Zero-10 corporate income tax and tax exempt funds regimes remain in place. As the review develops, Guernsey will be working with the UK, the EU Code of Conduct Group and the other Crown Dependencies towards a common end. It is unlikely that any changes will be brought into effect until 2012 at the earliest.

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