

DOING BUSINESS

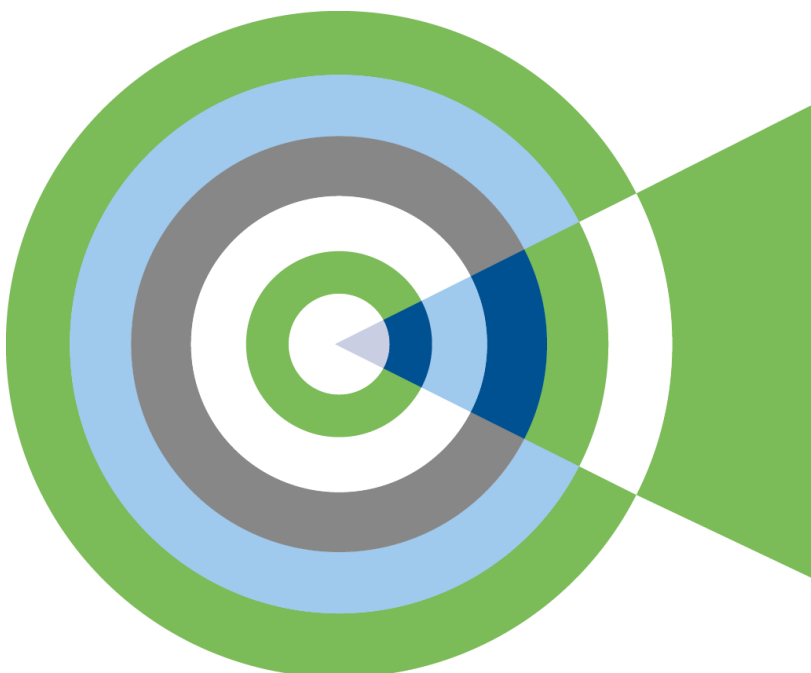
IN GUERNSEY



The network
for doing
business

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1 – INTRODUCTION

UHY is an international organisation providing accountancy, business management and consultancy services through financial business centres in around 90 countries throughout the world.

Business partners work together through the network to conduct transnational operations for clients as well as offering specialist knowledge and experience within their own national borders. Global specialists in various industry and market sectors are also available for consultation.

This detailed report providing key issues and information for investors considering business operations in Guernsey has been provided by the office of UHY representatives:

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A detailed firm profile for UHY's representation in Guernsey can be found in section 8.

Information in the following pages has been updated so that they are effective at the date shown, but inevitably they are both general and subject to change and should be used for guidance only. For specific matters, investors are strongly advised to obtain further information and take professional advice before making any decisions. This publication is current at August 2015.

We look forward to helping you do business in Guernsey.

2 – BUSINESS ENVIRONMENT

A history of political stability lasting almost a millennium, the absence of exchange restrictions, an established infrastructure to meet the demands of the international finance community and an appropriate regulatory framework have made Guernsey a major international offshore finance centre.

Guernsey is situated off the northwest coast of France in the Gulf of St Malo and is approximately 130km (80 miles) from the south coast of England. It is the largest island in the Bailiwick of Guernsey, which consists of the islands of Guernsey, Alderney, Sark and Herm, together with a number of smaller islets. With the separate Bailiwick of Jersey, these make up the Channel Islands, which are part of the British Isles.

Guernsey has an area of 63km square (24 square miles) and its capital is St Peter Port, the main financial and business centre.

The population is approximately 65,000. Despite the close geographical proximity to France, the way of life in Guernsey is almost entirely British and English is the official language, both spoken and in business.

BACKGROUND

HISTORY

The Bailiwick first became related to the English crown when Duke William of Normandy, to whom Guernsey and Jersey belonged, became King of England in 1066. In 1204, King John lost control of Normandy. The Channel Islands chose to give their allegiance to the English sovereign who continued to govern the Islands in his capacity as Duke of Normandy. In order to retain their loyalty, John granted the Islands the rights and privileges they had enjoyed under the previous Dukes of Normandy.

In 1239, Henry III surrendered the title of Duke of Normandy over all former Norman territories except the Channel Islands (where the English Sovereign retains that title even today). Finally, in 1254, Henry III formally annexed the Channel Islands to the crown of England forever. Successive sovereigns have confirmed the status of the Islands in Royal Charters, which established self-government, a separate judicial system and other privileges.

Therefore, the Islands have benefited from constitutional continuity and stability for more than 900 years.

GOVERNMENT AND POLITICAL SYSTEM

Guernsey is governed by its own legislative assembly, the States of Deliberation (the States), to which members are elected by direct universal suffrage. No political parties are represented in the States and the administration of government is carried out through a number of departments, each of which is responsible for a particular service or function. Reflecting the constitutional position, laws passed locally depend for their validity upon ratification by the Queen in Council.

The government of the United Kingdom is, however, responsible for matters of foreign relations and external defence. Whilst UK laws do not apply, it has been found convenient to extend some legislation, such as aerial navigation and merchant shipping acts, to the island.

The Convention on the Organisation for Economic Co-operation and Development applies to Guernsey.

RELATIONSHIP WITH THE EUROPEAN UNION (EU)

The Channel Islands have a special relationship with the UK which affects their relationship with the European Union. The accession treaty for the UK contained a special protocol covering the Islands and other crown dependencies. This protocol requires that there shall be free movement of industrial and agricultural goods between the territories and the EU, and that goods imported from outside the EU be subject to the same Common Customs Tariff and agricultural levies as would apply if imported into the UK. The fiscal independence of the Islands is accepted and, apart from ensuring the proper functioning of free trade, they are excluded from the provisions of the Treaty.

Thus, in general, the Islands do not benefit from, for example, agricultural subsidies, but equally they are not bound by the majority of EU legislation, including legislation relating to taxation or financial services.

LEGAL ENVIRONMENT

The roots of Guernsey law lie in Norman (French) customary law, which has evolved over the centuries. In recent years, the law has become more statute-based, which has brought in a number of concepts and precedents from the UK statute and common law.

The local legal profession consists of advocates, who have qualified firstly in the UK and then in Guernsey. Only advocates may represent clients in court. The island has its own judicature. In civil matters, a case would first be heard by the Royal Court of Guernsey sitting as an ordinary court; appeal from this would be to the Channel Islands court of appeal and thereafter to the Privy Council.

ECONOMY

The policy of the island's government is to develop Guernsey as a financial and commercial centre of high repute.

The responsibility for implementing this policy has been delegated to the Policy Council, which is especially interested in maintaining a balance between principal sectors of the economy, although at present the financial sector predominates.

CURRENCY

The monetary unit used in Guernsey is pound sterling. The States of Guernsey issue their own notes and coinage for domestic usage (the Guernsey pound – GGP). UK notes and coins are also legal tender.

In general, the government believes that the low rate of taxation and the allowances for capital expenditure are sufficient to promote the island's industry.

TAX SYSTEM

Income tax is payable only by individuals and not in general assessed on corporations. With the ability to obtain a ruling from the income tax office to ensure the application of the law, international investors can establish companies with total certainty as to their exposure to local taxation.

There are no capital taxes and no value added tax or similar. Local residents are taxed on the distributions, including deemed distributions, they receive from Guernsey companies.

TABLE 1

Summary of taxes

TAX	RATE
Corporate income tax *	0%
Capital gains tax	0%
Income tax	20%
Withholding tax on bank deposit interest **	20%
Withholding tax on dividends	0%
Net operating losses	1 year
Carry-back/carry-forward	Unlimited

* Under the new corporation tax regime introduced in 2008, only certain regulated corporations, including licensed banks, pay income tax at higher rates. Collective investment schemes may still elect to be treated as tax exempt.

** In accordance with the EU savings tax directive, with effect from 1 July 2008, 20% tax will be deducted from interest payments made to an individual beneficial owner resident in an EU member state.

FINANCIAL REPORTING AND AUDIT REQUIREMENTS

There are no statutory requirements for the disclosures to be made in the financial statements of a Guernsey company. Normal practice would be to follow the form of UK disclosure, but accounts drafted under any other territory's practice would also be acceptable. There is no public filing of the accounts of any company, although the accounts of certain types of businesses, particularly banks and collective investment schemes, have to be available to the public.

A Guernsey incorporated company is only required to have an audit if it is classed as a 'large company' as defined in The Companies (Audit Exemption) Regulations, 2008, which state that a company is a large company if:

- a) the company has an annual net turnover of GGP 6.5 million or greater
- b) the company has a net balance sheet of GGP 3.26 million or greater, or
- c) the company has an average number of employees of 50 or more.

ECONOMIC STRUCTURE

Guernsey is regarded as an example of a free enterprise economy with low taxes (0% corporation tax), a free flow of capital, a skilled and mobile labour force and sophisticated financial and entrepreneurial infrastructure. These attributes have brought the island to its position today as a leading offshore financial centre.

Historically, the major industries of the island have been horticulture, agriculture and fishing. Of these three, the latter two have remained static both in terms of persons employed and output. In the case of horticulture, however, there has been a marked reduction both in the level of employment and production as a consequence of higher oil prices.

Tourism has long been an important industry in Guernsey and whereas the type of visitor who came ten years ago has declined in number, people coming for 'short break' holidays are replacing them. Guernsey is also becoming a regular stop-off point for international cruise ships, bringing approximately 130 ships to the island per year.

The principal growth area has been the finance sector. This has led to issues relating to the staffing of this expansion; the policy of the government is to allow only those companies which will make an exceptional contribution in terms of revenue, but with minimal demand for staff, to establish an operation on the island.

Manufacturing has not in recent years been a significant sector of the island's economy. However, it has been recognised by the government that, although finance has greater potential to generate revenue for the exchequer, a light industrial base is also needed in order to maintain a balance within the economy. To this end, land has been zoned for industrial use and various electronic equipment fabricators and other technology-based industries have been attracted to the island.

RELATIONSHIP OF GOVERNMENT AND BUSINESS

A few sectors of the economy are government-owned in the public interest. The utilities sector (encompassing electricity production and distribution, and water supply) is the most prominent example.

The government has placed considerable emphasis on the regulation of the finance industry. In July 1987, the States of Guernsey passed The Financial Services Commission (Bailiwick of Guernsey) Law, 1987. This law created the Guernsey Financial Services Commission (the Commission).

The Commission, which is a body corporate, has responsibility for supervising the financial sector of the island's economy. The Commission's main income is raised through fees payable by the organisations which it supervises and in part by a direct grant from the States of Guernsey. In addition to regulations appertaining to banks, there are also controls over insurance companies, fiduciary companies and collective investment schemes. The Commission and the finance sector have been pro-active in developing a modern and effective regulatory system. Some of the recent changes are discussed below.

The other sectors of the economy are promoted and supported by other states departments, as detailed below.

BANKING SYSTEM

Guernsey is well served by banks offering full and comprehensive banking services. Most banks maintain current and deposit accounts in all major currencies and are able to offer competitive high-interest money market deposit accounts.

The policy of the island has for many years been to encourage the growth of responsive banking and financial services, and to supervise the liquidity of the financial sector through minimal but effective administrative surveillance. Legislation has been designed to favour limited monitoring of the sector rather than the introduction of stringent controls.

Any company wishing to accept deposits from the public requires a licence under the Banking Supervision (Bailiwick of Guernsey) Law, 1994. The law is modelled largely on the UK's Banking Act of 1987. It includes all the requirements and detail of a modern banking law designed to provide for the effective supervision of banks. The use of the title 'bank' is restricted to licensed institutions.

ADMINISTERED BANKS

In May 1987, the island's policy on the establishment of new banks was laid down. This was to encourage the establishment of 'administered banks', whilst not excluding the possibility of an organisation setting up on a full physical presence basis.

The administered bank concept differs from the 'brass plate' or 'cubicle' banks found in other jurisdictions in that the bank will actually conduct business in and from the island and all its books and records must be kept on the island to be audited locally. The bank has to report to the local regulators as fully as a bank with a physical presence. However, it does not have any staff of its own; instead, it is managed by another bank established on the island. Further, the manager of the administering bank will be expected to accept responsibility for the administered bank. It follows from this description that the administered bank would be resident in Guernsey for tax purposes.

INSURANCE

The island has continued to benefit from the expansion of the insurance industry. The Insurance Business (Guernsey) Law, 1992 gives regulatory and supervisory powers to the States, which have been delegated to the Guernsey Financial Services Commission. The law lays down specific requirements regarding capitalisation, solvency, approved assets and an annual return to be attached to the audited accounts. Insurance companies must also make abridged forms of their accounts available to their policyholders. Full details regarding the specific requirements of the law can be provided upon request.

Insurance and reinsurance business in Guernsey includes both life and general insurance. The general insurance business is wide-ranging and includes fire, marine, aviation, motor, personal accident and employee compensation. Insurance and reinsurance business may be carried out only by companies incorporated in Guernsey, or with an established place of business in Guernsey. Some mutual insurance schemes are permitted under local legislation.

Guernsey is also an important centre for captive insurance companies, with locally licensed firms providing insurance management services.

FIDUCIARY SERVICES

Guernsey is a major centre for the provision of international trust and corporate services. The industry is large, long-established and well-regarded.

The Bailiwick was one of the very first jurisdictions in the world to introduce a comprehensive system for the regulation and supervision of trust and corporate service providers (including company directors). The relevant law – The Regulation of Fiduciaries, Administration Businesses and Company Directors, etc. (Bailiwick of Guernsey) Law, 2000 (the ‘Fiduciary Law’) – came into effect on 1 April 2001.

All those engaged in the provision of regulated fiduciary activities in or from within the Bailiwick must apply to the Commission for a licence authorising such activities. The provision of such activities without a licence is a criminal offence for which the penalty is a fine and/or imprisonment for up to two years. A list of all licensed fiduciaries can be found on the Commission’s website at www.gfsc.gg

COLLECTIVE INVESTMENT SCHEMES

A major growth area for Guernsey in recent years has been collective investment schemes, which may take many forms including unit trusts, open or closed-ended investment companies, protected cell companies etc. These funds are able to obtain exempt status for Guernsey taxation purposes.

These funds are able to be marketed in many parts of the world and ‘Class A Schemes’, which are subject to particularly stringent regulation, may be marketed in the UK as having ‘equivalent status’ under the Financial Services and Markets Act 2000 (and thus being ‘recognised schemes’ under S 270 of that Act). There are also ‘Class B Schemes’ (intended for retail sale, but subject to less onerous regulation) and ‘Class Q Schemes’ (intended for professional investors only). Under recent changes to The Protection of Investors (Bailiwick of Guernsey) Law, 1997, schemes may be regulated (which includes thorough Commission scrutiny) or simply registered (allowing for a faster application process, but offering less protection for investors).

Guernsey hopes to be able to obtain equivalent status in the other EU countries, subject again to those funds meeting the marketing requirements of each country. The island has been successful in obtaining agreement from the governments of Japan and Australia to market funds in those countries.

Before seeking to establish a collective investment scheme on the island, a would-be promoter should first obtain advice regarding the requirements of the law, which continues to evolve to meet changing demands. A full list of all regulated funds is on the Commission’s website.

STOCK EXCHANGE

In 1998, the Channel Islands Securities Exchange (CISE) was set up by the Guernsey Financial Services Commission (GSFC). The CISE aims to help local businesses to broaden their range of corporate services and to increase revenues. The exchange has achieved international recognition, being, for example a Designated Investment Exchange within the meaning of the Financial Services and Markets Act 2000.

CISE differs from other exchanges in that local fund managers and professionals can become listing members. This allows them to list their own funds, thereby making considerable savings.

ANTI-MONEY LAUNDERING LAWS

A wide range of laws, including The Criminal Justice (Proceeds of Crime) (Bailiwick of Guernsey) Law, 1999, now govern the handling by any financial services business of suspected criminal funds, including those derived from or intended for terrorism, drug trafficking and other crimes. This may involve disclosure to the relevant authorities.

These laws and regulations are frequently reviewed and updated to ensure that Guernsey is not abused as a financial centre. When opening an account, all financial services businesses are required to obtain full information on their clients, as is increasingly common in all reputable centres.

EXCHANGE CONTROLS

Guernsey has no exchange controls. No legal restrictions apply to the transfer of profits, the repatriation of capital invested in Guernsey or the transfer of royalties and fees.

FOREIGN OWNERSHIP OF BUSINESS

There are no restrictions on the foreign ownership of business. However, there are controls on immigration of personnel to the island.

Although not part of the EU, the island has a special relationship with the EU and physical goods, which are imported into or manufactured in Guernsey, are treated as being in free circulation for duty purposes.

3 – FOREIGN INVESTMENT

EXCHANGE CONTROL

Guernsey has no regulations restricting the flow and repatriation of funds.

This enables companies and financial institutions alike to obtain maximum flexibility in the management of their funds. The abolition of exchange controls in 1979 has greatly benefited the island, and it is unlikely that the government would consider their re-introduction.

FOREIGN INVESTMENT

RESTRICTIONS

There are no restrictions on the flow of investment into and out of the island.

INVESTMENT INCENTIVES

Guernsey's laissez-faire economic policy and generally low rates of effective taxation are regarded as providing all the incentives needed for foreign investors to enter this economy. Accordingly, there are no specific incentives offered to new investment other than some limited support for investment in the horticultural and fishing industry.

IMPORTING AND EXPORTING

Guernsey's reputation and success as a free-flowing economy is largely due to the almost complete absence of restrictions on the import and export of goods (except, of course, in relation to drugs, firearms, etc).

CUSTOMS DUTIES

There are duties and tariffs payable on virtually all goods coming to the island. However, where these goods are in free circulation within the EU, no further duty is payable locally. Full details on specific items can be obtained from the Customs and Excise Division of the Home Department.

DOCUMENTATION REQUIREMENTS

For the purposes of customs procedures, Guernsey is regarded as a full member of the EU. This means that goods being imported or exported must be accompanied with the standard entry documentation known as the Single Administrative Document (SAD).

4 – SETTING UP A BUSINESS

COMPANIES

LIMITED LIABILITY

A limited liability company is the most common form of business entity in Guernsey.

This type of company may be limited by shares, or limited by guarantee. In a company limited by guarantee, members are liable only to the extent of the amount they guarantee to contribute if the company is wound up. Members of a company limited by shares are liable to the extent of the amount paid or unpaid (if any) on their shares.

There is no distinction between private and public companies, although in practice the majority are effectively private companies.

PROTECTED CELL / INCORPORATED CELL COMPANIES

Under the 1997 Protected Cell Companies Ordinance, it is possible to incorporate companies in Guernsey whose assets and liabilities are divided into distinct units or cells. PCCs have many uses, including captive insurance, asset holding and collective investment schemes.

The key feature of a PCC is that whilst it is a single legal person, the assets of a particular cell cannot be used to satisfy liabilities of another cell or liabilities of the company as a whole.

Under the Companies (Guernsey) Law, 2008 the Law provides for the creation of the incorporated cell company. An ICC is a company which has the power to establish incorporated cells as part of its corporate structure. Like a protected cell company, an ICC may comprise any number of incorporated cells. However, unlike a protected cell of a PCC an incorporated cell has many of the attributes of a non-cellular company. Each incorporated cell has its own board of directors, its own memorandum and articles of incorporation and each is a separate legal entity which must be registered at the Guernsey registry and can sue and be sued in its own name.

PARTNERSHIPS

In 1995, the Partnership (Guernsey) Law, 1995 was enacted. A partnership is formed by private agreement, generally in writing among the partners. However, because a partnership is a contractual arrangement, considerable freedom exists to adapt the form of organisation to meet the particular needs of the partnership.

A partnership is formed by two or more persons to carry on a business for profit. Each partner has the same rights, liabilities and powers as the other partners, unless specifically stated otherwise in partnership's agreement on debts. Legally, a partnership is not considered an entity separate from its partners. Its profits, distributed or not, are taxable to the individual partners. In addition, its tax losses are allocated to its partners.

The law does not require auditing of partnerships.

LIMITED PARTNERSHIPS

Also in 1995, the Limited Partnerships (Guernsey) Law, 1995 was enacted. The principal purpose for such partnerships is in the field of collective investment schemes. It allows the liability of certain partners to be limited (limited partners). However, it requires at least one partner (general partner) to continue to have unlimited liability. The limited partners are not allowed to be involved in the management of the partnership, which is solely the responsibility of the general partner.

TRUSTS

A trust is a legally binding arrangement, usually evidenced in writing by a deed, under which reliable persons (the trustees) own assets entrusted to them by the settlor, not for their own benefit but for the benefit of others (the beneficiaries).

The trust deed evidences the existence of the arrangement; it also names the trustees and specifies what powers they have in relation to the trust assets, and their responsibilities to the beneficiaries. The deed will also specify the trust period – the maximum time the trust can subsist (Guernsey has no limit on the perpetuity of trusts).

The Trusts (Guernsey) Law, 2007 gives statutory backing to the prior customary law position of trusts on the island. It also codifies the duties and obligations of the trustees and gives the Guernsey courts certain powers, which will be exercised on application from a settlor, trustee or beneficiary. This law also gives recognition to trusts established under a foreign law (for this purpose, any law other than Guernsey's is foreign) and in certain circumstances gives the court jurisdiction over such a trust.

The law also makes certain the validity of a trust which was created by an individual, even though this may be in conflict with the law of his/her domicile or nationality under the forced heirship requirements of that foreign country.

FOUNDATIONS

The Foundations (Guernsey) Law 2012 (the "Law") came into force on 7 January 2013. Foundations are similar to both companies and trusts. Like a company, a foundation is a separate legal personality managed by a board known as a council. However, there is no share capital, shares or shareholders. Like a trust, a foundation essentially holds assets for the benefit of others but unlike trusts, there is no distinction between legal and the beneficial title of assets. A foundation will own assets in its own right and the council is obliged to manage the assets under a charter and a set of rules.

Under the Law there is no requirement for either council members or guardians to be a licensed Guernsey fiduciary. However, if neither of the councillors, nor the Guardian is a licensed Guernsey fiduciary, then the foundation will require a Guernsey resident agent to maintain the foundations records within the jurisdiction.

BRANCHES OF FOREIGN COMPANIES

A branch of a foreign corporation is not required to file any documentation with the Guernsey Registrar of Companies, although consent will be required if any banking, trustee, investment or insurance function is envisaged. A local branch trading in Guernsey will be liable to local taxation and must submit a return to the local tax office.

SETTING UP A COMPANY

REGISTRATION PROCEDURES

The Companies (Guernsey) Law, 2008, effective from 1 July 2008, made major changes to the procedure for forming Guernsey companies, including provision for a 'fast-track' incorporation subject to certain limitations. However, the new law provides that Guernsey companies may only be formed by persons holding full fiduciary licences under the Fiduciary Law. The Guernsey Financial Services Commission, on behalf of the Policy Council, will no longer receive details of proposed beneficial owners or undertake 'pre-vetting' on each Guernsey company formation application, and therefore there will be increased focus on the role of fiduciary licensees as 'gatekeepers' when applying for formation.

Before incorporation will be permitted, details of the promoters and objects of the company must be given to the fiduciary who will undertake the incorporation of the company. Company names must be submitted for approval before registration and it is possible for company names to be reserved subject to receiving the appropriate consent. There is a restriction on the use of such words as 'bank', 'insurance' and 'trustee' and terms having a 'royal family' connotation.

It is possible to amend both the memorandum and the articles of association by special resolution of the members. A change to the memorandum can be challenged by application to the Royal Court by holders with not less than 15% in aggregate of the issued share capital. No shareholder who voted in favour of the change to the memorandum can then participate in such an application.

Every company must have a registered office within Guernsey to which all notices affecting the company will be delivered.

NUMBER OF FOUNDERS

A minimum of one person must subscribe their name to the memorandum and articles of association of the company. There is no maximum limit to the number of shareholders.

PERMISSIBLE TYPES OF SHARES

The articles of association of a company can be drafted in such a way as to permit any type of registered share and to regulate the rights of shareholders between themselves. Where a company is being established as a collective investment scheme, then such rights would have to be disclosed in the prospectus and agreed with The Financial Services Commission.

INITIAL CAPITAL REQUIREMENTS

There is no minimum capital requirement, except that one share has to be subscribed for the founder member. It is usual to issue shares at a premium if a large capital is required, to mitigate the stamp duty cost which is payable on the authorised share capital at the rate of 0.5%, up to a maximum of GGP 5,000 of duty.

BOARD OF DIRECTORS

At the time of incorporation, a return of the first directors must be filed. The articles of association will specify the minimum and maximum number of directors and the quorum for a meeting of the board. Directors must be registered with the Guernsey Registry prior to their appointment.

5 – LABOUR

EMPLOYMENT

ENTRY VISAS AND WORK PERMITS

The Housing Department is responsible for controlling immigration to the island. They do this by issuing licences which allow the occupation of ‘local market’ properties by persons who are not qualified residents. ‘Open market’ properties may be purchased and occupied without restriction, but they are limited in supply and command a substantially higher price for this reason.

The demand for immigration to Guernsey comes from two distinct groups. Firstly, there are people wishing to move to the island to take advantage of its favourable fiscal climate (who will usually purchase ‘open market’ property) and secondly, people whom island employers wish to bring to Guernsey because their skill or expertise is needed to enhance that employer's business.

In determining whether employment for which a housing licence application is made is worthy of a licence, the Department takes into account the economic value to the island of that employer, and the expertise and local availability of the skills of the proposed employee, against the social cost of increasing the pressure on housing stocks. New businesses moving to Guernsey will be advised how many (if any) licences will be made available to them before they set up their business. At present, the supply of licences is very limited and new businesses must be prepared to buy on the ‘open market’ in order to house staff.

If a housing licence is granted, or if an ‘open market’ property is purchased, the individual will then be able to apply for a ‘Right to Work’ document (see below).

The terms and conditions of employment, which are negotiated on a direct basis between employer and staff, must be put in writing under The Conditions of Employment (Guernsey) Law, 1985. Should a dispute arise, assistance is available through the offices of the Industrial Disputes Officer.

EMPLOYMENT MARKET

Guernsey has enjoyed virtually full employment for many years. The labour force is skilful, adaptable and hard-working. Businesses on the island enjoy excellent management-labour relationships.

The wages of Guernsey's labour force are broadly equivalent to those of the UK. Wage rates differ among the various sectors of the economy, depending upon the amount of skill and training required, and the availability of suitably qualified staff. The government has not imposed any legal minimum wage, but there are negotiated minimum wages in certain industries.

The school leaving age is 15. Once a person has left school, there are no legal restrictions on the number of hours of work. However, the average working week is 40 hours for both male and female workers.

RIGHT TO WORK LAW

In order to have greater control over immigration, the Right to Work (Limitation and Proof) (Guernsey) Law, 1990 was introduced. It places an onus on an employer to satisfy that an employee is living lawfully in Guernsey under the provisions of the Housing Laws. An employer is obliged, under the law, to keep records relating to an employee and employees must have a Right to Work document if they commenced employment with that employer after 1 December 1989.

SOCIAL SECURITY

A Social Insurance Scheme, under which contributions are related to earnings, was introduced in 1979. The current contribution rate for employees is generally 6.0% of gross earnings, whilst the employer pays 6.5%. Both upper and lower wage thresholds limit liability for these contributions; different thresholds apply to employers and employees.

Under current social security arrangements, the government pays hospitalisation and related medical and nursing costs. The costs of consultations with a general practitioner are borne by the patient, subject to a grant from the government for each consultation. The Social Insurance Scheme was extended to cover specialist medical requirements from the beginning of 1996 and contribution rates increased accordingly. The cost of specialist medical care is now generally borne by the Scheme, but there are options available for private care at the patient's expense. There are a number of private insurance schemes available to individuals to cover such costs and it is becoming increasingly common for employers to pay for a group scheme.

PENSION AND BENEFIT PROVISIONS

Social security deductions also contribute towards an old age pension, payable at the normal retirement age of 65 for both men and women, as well as a number of other social benefits including invalidity and unemployment benefit.

SPECIAL REQUIREMENTS FOR FOREIGN NATIONALS

The problem of population growth has previously been referred to and it also has an impact on the procedure for the immigration of foreign nationals to Guernsey. Immigration is regulated under the terms of the Immigration (Guernsey) Order, 1993 and the Immigration (Bailiwick of Guernsey) Rules, 2008.

Guernsey is included in the British Isles Common Travel Area, which in general terms permits freedom of travel for all persons lawfully present within the British Isles. The legislation principally affects people who are nationals of countries which are not members of the EU who enjoy free movement within EU countries.

For those persons who are nationals of a foreign or Commonwealth country and who are eligible to be admitted to the UK, under UK immigration legislation, they will also be eligible to be admitted to Guernsey. However, it should be noted that Guernsey rules do differ from UK rules.

Once the rules have been complied with, the immigrant will be issued with a work permit. He/she will then have to ensure that they are legally housed under the provisions of The Housing (Control of Occupation) (Guernsey) Law, 1982 and also obtain a Right to Work document.

6 – TAXATION

The two principal sources of revenue for the government are income tax and states insurance contributions. These account for 80% of income.

The balance is made up of investment income and other duties and taxes. Of these, import duties and imports account for 6% of total public revenue.

DIRECT TAXES

Income tax at 20%, subject to personal allowances, is levied on the income of individuals resident in Guernsey, while corporations generally enjoy a rate of 0%.

There are no other direct taxes or capital taxes chargeable on the island. Licensed banks are taxed at 10% and persons resident in Guernsey in receipt of dividends or other deemed distributions are taxed accordingly.

INDIRECT TAXES

Indirect taxation forms a relatively small part of government income.

As part of their relationship with the EU, the Channel Islands apply the same common customs tariff as member countries on goods physically imported from a foreign country. In addition, the Islands impose import duties on certain goods, principally alcohol and petroleum products. There is no value added tax or general sales tax.

TAX ISSUES

SOURCES OF TAX LAW

The principal law is The Income Tax (Guernsey) Law, 1975, as amended; in addition, the Income Tax Office annually publishes a statement of Interpretations of Law and Extra Statutory Concessions. It is also possible to obtain a ruling on the application of the law in any particular instance from the Administrator of Income Tax, who is the administrative head of the Income Tax Office.

FILING AND ASSESSMENT

The Income Tax Authority issues tax return forms and assessments are based on the information filed. These show the amount assessed, the tax payable and the due dates for payment. Where a tax return is not filed, an estimated assessment will be issued and it is the taxpayer's responsibility to demonstrate that the assessment is incorrect. If the taxpayer continues in not submitting a tax return, then under section 200 of the Income Tax Law, the Administrator of Income Tax has the power to impose fines until the returns are submitted.

DEPRECIATION AND AMORTISATION

Expenditure of a capital nature is not deductible, nor is depreciation. Instead, a claim will be made for writing down allowances in accordance with the rates specified by the Income Tax Office. In general, the amount of allowance is computed by adding the cost of acquisitions, less the proceeds of sales to the tax written down value brought forward and then applying the appropriate rate of allowance. Proceeds of sale which exceed the written down value plus acquisition cost in the year, give rise to a balancing charge.

FOREIGN TAX EXEMPTION AND CREDIT

Double tax relief is available for any income received which has had tax deducted at source. In the case of income from the UK (other than for dividends and debenture interest) or Jersey, with whom the island has double taxation agreements, the rate of relief is the Guernsey effective rate of tax. This means that no further tax on that income is payable.

Unilateral relief is given for all tax deductions by other jurisdictions. The rate of relief is the lower of the effective rate of deduction, or three-quarters of the Guernsey effective rate of tax.

LOSS CARRYOVERS

The application of loss relief provisions is such that there is a carry back of loss relief for one year. Any remaining losses can be carried forward against future profits of the same business without limitation.

DIVIDENDS AND INTEREST PAID TO NON-RESIDENTS

In accordance with the EU Savings tax directive, with effect from 1 July 2008, 20% withholding tax will be deducted from interest paid on the personal bank deposits of EU residents.

With regard to dividends paid by resident companies, there is no requirement to deduct tax. Where tax is deducted from the gross payment, it is treated as a payment on account of the paying company's own tax liability. To the extent that the tax deducted from the gross dividend is in excess of the company's tax liability, that amount will be repaid to the company. In the hands of a resident recipient, the dividend will be grossed up and credit thereby given for the underlying tax.

BRANCHES

A foreign incorporated company will be liable to income tax only on the profits of its branch where these arise within a permanent establishment.

It is usual to obtain a ruling from the Administrator of Income Tax as to the taxable profit of the branch and in particular, the deduction for group expenses in the form of a specific ruling (as explained in 'Sources of tax law' on the previous page).

PARTNERSHIPS AND JOINT VENTURES

There is no specific provision within the tax law for the taxation of partnerships and joint ventures. Individual partners would be assessed in their own name on their share of the partnership or joint venture profits.

TRUSTS

Where a trust is established and neither the settlor nor the beneficiaries are residents of the Bailiwick, then the trust would be viewed as a non-resident and only liable to taxation on its Guernsey source income, principally rent. There is a statutory exemption for bank deposit interest paid by a Guernsey bank to a non-resident trust.

RESIDENTS AND NON-RESIDENTS

A person who is 'resident' and 'principally resident' on the island (residence is defined by the Income Tax Law) is liable to income tax on their worldwide income, whether or not it is remitted to Guernsey.

A person who is 'resident', but not 'principally resident' on the island, is liable to income tax on income arising in or remitted to Guernsey.

A person who is 'non-resident' is liable to income tax on income arising in Guernsey, subject to a statutory exemption on bank deposit interest.

DEDUCTIONS

There are a limited number of allowances which are available to individuals as deductions from their personal income. Mortgage interest, subject to a limit on the principal amount (currently GGP 400,000), is deductible for tax purposes.

TAX TREATIES

Guernsey has signed a number of tax agreements with other jurisdictions. The three main sets of agreements are the:

- Tax Information Exchange Agreement (TIEA)
- Double Taxation Agreement (DTA)
- EU Savings Tax Directive.

TIEAs are designed to facilitate external tax authorities requesting specific information from the island authorities to combat tax evasion and fraud. The agreements stipulate a precise process by which this is achieved to avoid the potential for fishing expeditions and to ensure that client confidentiality is maintained, unless there is a sufficient body of evidence which points to tax evasion.

Guernsey has signed TIEAs with 58 jurisdictions: Argentina, Australia, Austria, Bahamas, Belgium, Bermuda, Botswana, Brazil, BVI, Bulgaria, Canada, Cayman Islands, Chile, China, Costa Rica, Czech Republic, Denmark, the Faroes, Finland, France, Germany, Gibraltar, Greece, Greenland, Hungary, Iceland, Ireland, India, Indonesia, Italy, Japan, Latvia, Lesotho, Lithuania, Macao, Mauritius, Mexico, Montserrat, the Netherlands, New Zealand, Norway, Mexico, Poland, Portugal, Romania, San Marino, Seychelles, Slovakia, Slovenia, South Africa, St Kitts & Nevis, Sweden, Swaziland, Switzerland, Turkey, Turks & Caicos, the UK, the US and Uruguay.

Guernsey has also signed full DTAs with the following jurisdictions:

- Cyprus, Hong Kong, Isle of Man, Jersey, Liechtenstein, Luxembourg, Malta, Mauritius, Monaco, Qatar, Seychelles, Singapore and the UK.
- Partial / specific DTAs have been signed with Australia, Denmark, the Faroes, Finland, Greenland, Iceland, Ireland, Japan, New Zealand, Norway, Poland and Sweden.

Related shipping and aircraft agreements have also been signed with some of these jurisdictions.

EU SAVINGS TAX DIRECTIVE

Guernsey has signed bilateral agreements with all EU member states implementing measures equivalent to the EU Savings Tax Directive.

As part of adopting these equivalent measures, the government instructed financial institutions in Guernsey to move to automatic exchange of information during 2011.

7 – ACCOUNTING & REPORTING

Companies are obliged to maintain books and records of the company at their registered office in Guernsey.

These generally include:

- The memorandum and articles of association, amendments to the memorandum and articles of association, and a copy of any shareholder agreements
- Minutes of meetings and resolutions of shareholders
- Copies of all notices filed with the Registrar of Companies
- A list of shareholders
- Accounting records.

Shareholders and their agents or legal representatives may examine the records outlined above during the regular business hours of the company. In addition, records of the minutes of meetings and resolutions of the directors should also be maintained and these are available for inspection by any director.

RETURNS

The company must submit an annual return of its shareholders and directors, which is held for public record. There is a fee payable on submission. It must also file a return of allotments on a share issue and when applicable, a notice of change of registered office (which must be in Guernsey). No further information need be held for general inspection, although other documents may be filed at the Company Registry with the agreement of the Registrar of Companies.

LEGISLATION

The principal law regulating companies is The Companies (Guernsey) Law, 2008. In addition, there is specific legislation in respect of banks, insurance companies and collective investment schemes.

ACCOUNTING RECORDS

The maintenance of corporate records is a statutory requirement.

The accounting records to be maintained should be sufficient so as to show and explain the company's transactions and disclose with reasonable accuracy, the financial position of the company, at any time, and to enable the directors to ensure that its financial statements have been properly prepared and are in accordance with any relevant enactment for the time in force.

FINANCIAL STATEMENTS AND OTHER FINANCIAL INFORMATION

Directors of each company are required to present a balance sheet and a profit and loss account every calendar year at the members' annual general meeting. These financial statements do not have to be filed with any public registry and with private companies, do not generally receive wide public distribution.

A public company, bank, or collective investment scheme has broader reporting responsibilities and audited financial statements must be posted to all shareholders annually and, with respect to banks, should be available to all depositors.

DATA PROTECTION LAW

In July 1986, the government passed The Data Protection (Bailiwick of Guernsey) Law, 1986. The terms of the legislation are fundamentally the same as UK legislation and require those organisations which keep computer data on individuals to register.

SOURCES OF ACCOUNTING PRINCIPLES

There is no statutory disclosure requirement, except in relation to banking, insurance and collective investment schemes for Guernsey companies, although the normal practice would be to follow UK standards.

The Guernsey Society of Chartered and Certified Accountants have issued as guidance to its members a Statement of Channel Islands Accounting Practice. However, there is no reason why the accounts should not be prepared under any other generally accepted accounting principles.

FINANCIAL REPORTING

There is no public filing of accounts of Guernsey-registered companies, but it is usual to follow the UK's disclosure requirements. Banking companies, insurance companies and collective investment schemes are required to make copies of their accounts available to their depositors, policyholders and investors respectively. The contents of these accounts are specified in the respective legislation.

AUDIT REQUIREMENTS

Guernsey companies may also resolve (by waiver resolution) to be exempt from audit. However, the Law contains a provision which allows the Commerce and Employment department to issue regulations requiring certain types of companies to produce audited accounts, for example regulated companies.

The auditor is appointed initially by the directors and, in subsequent years, by the members at the annual general meeting. The auditor is required to express his opinion as to whether the accounts of the company show a true and fair view of the state of the company's affairs.

UNAUDITED COMPANIES

Where an asset-holding company wishes to dispense with an audit, this must be with the unanimous agreement of all its members in writing, which must be reconfirmed at each subsequent general meeting. When filing its annual return, an unaudited company must attach a certificate signed by two directors, or a director and a secretary, confirming that the unaudited status is continuing.

In the directors' report, which must be attached to the annual accounts, the directors must specifically state that the company's balance sheet and profit and loss account:

- Have been prepared properly, in accordance with generally accepted accounting principles, and in accordance with any relevant enactment in force

- They are in agreement with the accounting records, which have been properly kept in accordance with the law
- They have not been audited.

AUDITORS' RESPONSIBILITIES

An auditor's professional responsibilities are laid down in the rules of professional conduct, which are enforced by the relevant professional institute of which the auditor is a member. These rules, which are basically uniform, require that the accountant:

- Perform professional services with integrity and care
- Be independent both in fact and appearance
- Not be associated with financial information which is false or misleading
- Not make improper use of confidential knowledge.

The company law contains a number of specific provisions pertaining to an auditor's rights and responsibilities. When performing an audit of a company, the auditor refers to the appropriate legislation having jurisdiction over that company's operations, particularly legislation relating to banks, insurance companies and collective investment schemes.

ACCOUNTING PROFESSION

The principal accounting firms in Guernsey are constituted of members of The Chartered Institutes of England and Wales, Scotland or Ireland, or members of The Chartered Institute of Certified Accountants. Practitioners look to their parent institutes for guidance on matters of professional procedure, practice, ethics and administration of professional examinations.

8 – UHY REPRESENTATION IN GUERNSEY



LOUVRE TRUST (GUERNSEY) LIMITED GUERNSEY



CONTACT DETAILS

Louvre Trust (Guernsey) Limited
1st Floor, St Peters House
Le Bordage
St Peter Port
Guernsey
Guernsey
Tel: +44 1481 727 249
Fax: +44 1481 748 957
www.louvregroup.com

Year established: 1976
Number of partners: 0
Total staff: 21

ABOUT US

Independent Strength - International Expertise

BRIEF DESCRIPTION OF FIRM

Louvre Trust (Guernsey) Limited is a subsidiary of Louvre Group Limited, a Guernsey registered company with subsidiaries in seven other international jurisdictions.

Louvre Trust (Guernsey) Limited is a fully licensed provider of fiduciary services by the local regulatory body, the Guernsey Financial Services Commission.

Louvre Group holds licences, in the relevant jurisdictions, to provide offshore Trusteeship, company establishment and administration, fund establishment and administration, Family Office and nominee shareholder services in the relevant Group offices, which comprise of Guernsey, Geneva, Dubai, Hong Kong, Liechtenstein, Cayman Islands, British Virgin Islands and London.

Clients range from blue-chip public quoted companies, to high net-worth individuals and are situated all over the world.

SERVICE AREAS

Fiduciary, Fund Establishment & Administration and Family Office Services

SPECIALIST SERVICE AREAS

Offshore Trustee services
Offshore Company Administration services, including the provision of company officers
Fund Establishment and Administration
Family Office Services
Nominee Shareholder services
Book-keeping and Management Accounting
UK probate

PRINCIPAL OPERATING SECTORS

Financial Services

CONTACTS

Liaison contact: Derek Baudains
Position: Chief Executive Officer
Email: derek.baudains@louvregrupp.com



The network
for doing
business



LANGUAGES

English, French, Bulgarian, Italian, German, Russian, Latvian, Mandarin, Cantonese, Hebrew, Bahasa, Tagalog, South Korean, Japanese

CURRENT PRINCIPAL CLIENTS

Confidentiality precludes disclosure in this document.

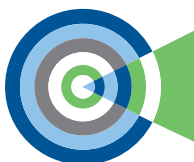
OTHER COUNTRIES IN UHY CURRENTLY WORKING WITH, OR HAVE WORKED WITH IN THE PAST

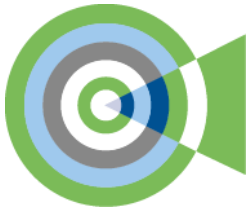
UK, Dubai, Spain, Canada, France, Cyprus, Egypt, Kazakhstan

BRIEF HISTORY OF FIRM

The head office was established in 1976, initially to provide offshore fiduciary services. In 2001 the UK office was opened followed by the Geneva office in 2004. Dubai was subsequently established to provide company administration services from their office in Jumeirah Lakes Towers. Hong Kong, established shortly thereafter, offers offshore trust and company administration services in the East Asia region.

During 2002 Louvre Fund Services Limited was established in Guernsey to provide fund establishment and administration services, together with Louvre Investments Limited, which provides nominee shareholder services. In 2015 Louvre Fund Services (Hong Kong) Limited was established alongside the fiduciary operation in order to support the company's growth in the Asian market.





LET US HELP YOU ACHIEVE FURTHER BUSINESS SUCCESS

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