

States of Guernsey Budget Report 2015

What to know, what to do

10 October 2014

The States of Guernsey Budget Report 2015 has been released for discussion prior to the States Assembly's debate on 29 October 2014. This budget was prepared in the context of laying firm foundations for Guernsey's future through consolidating government revenue streams and continuing to exercise expenditure restraint.

Guernsey Budget Proposals 2015

Extension of 10% Company Intermediate Income Tax Rate

Proposed extension of the 10% intermediate tax rate to Licensed Fund Administration Businesses providing admin services to unconnected third parties. The proposal is aimed at taxing the provider, rather than the product, thereby safeguarding Guernsey's tax neutral platform, which is key to maintaining Guernsey's international competitiveness.

Freeze of Income Tax Allowances

The 2015 personal and supplementary allowances to remain at the same level as in 2014. This would keep the single persons allowance at £9,675 and the married persons allowance at £19,350.

Bank Interest Exemption

A significant number of taxpayers are only required to file a tax return because of a small amount of bank interest received. In order to avoid this filing requirement, from 1 January 2015 it is proposed that the first £50 (£100 for married couples) of bank interest be exempt from income tax.

Mortgage Interest Relief

Reduction in mortgage interest relief from the current cap of £25,000 (£50,000 for married couples) to £15,000 (£30,000 for married couples) on the amount of interest claimable.

Tax on Real Property

Domestic and land tariffs are recommended to increase by 15%, commercial tariffs to increase by 10%, and retail tariffs to increase by 5%.

Increase in Exempt Company Fee

The Treasury and Resources Department have recommended raising the annual fee payable on application for exempt status for collective investment vehicles (and bodies connected to them) from £600 to £1,200.

If you would like to discuss any aspect of these proposals, please don't hesitate to contact a member of the Guernsey Proposed Budget 2015 team below or your usual PwC contact:

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Document Duty Anti-Avoidance

Anticipated submission of a Draft Law during early 2015 to address circumvention of document duty through sales of Guernsey real property via entities.

Replacement of Contingency Reserve with a Core Investment Reserve

The new Core Investment Reserve would maintain capital reserves in real-terms, with the aim that any real returns be made available for investment in capital infrastructure.

Economic Development Fund

Proposed establishment of this Fund aimed at providing investment in initiatives that stimulate economic growth and increase Guernsey's tax revenues.

States Report Recommendations

The Joint Boards intend to present a States Report in early 2015 containing detailed recommendations on changes to the tax base against the background of an aging Island population.

Ground-breaking States of Guernsey Public Bond Issue

Recommendation of a minimum £250 million bond issue to fund capital projects.

Increases in Duties

Duties on tobacco and alcohol are to increase in real-terms by 3% and by 2.5% respectively. An increase of 3p per litre is proposed on the price of fuel.

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