Policy & Resources
Committee

CONSULTATION ON OPTIONS UNDER CONSIDERATION FOR THE TAXATION OF COMPANY PROFITS

23 January 2026

Contents

1. Executive Summary

This consultation paper is being issued to seek feedback from stakeholders and individuals on corporate tax reform.

This consultation paper is issued by the Tax Review Sub-Committee (the "**Sub-Committee**") on behalf of the Policy & Resources Committee (the "**Committee**").

The Sub-Committee:

1. would like to invite comments from interested members of the public, businesses and industry associations in respect of the options presented; and
2. aims to work closely with all interested parties, and industry, to ensure that Guernsey adopts the most appropriate changes to maintain a tax system which is competitive, internationally acceptable and maintains tax neutrality while supporting economic growth.

The consultation presents five possible options (the "**Options**") for corporate tax and sets out the context and considerations for tax reform.

Please refer to Section 6 titled *"Responding to the Consultation"* for full details of how to respond to this consultation paper, and considerations to be made when responding to the options presented.

Interested parties are invited to respond to all, or some, of the questions at their discretion.

Responses will be considered by the Sub-Committee with a view to finalising its recommendations to the Policy & Resources Committee for presentation to the States of Deliberation.

Closing date: **27 February 2026**

This consultation paper has been directly provided to the associations represented by the G8 for onward circulation:

(a) Chamber of Commerce
(b) Guernsey International Business Association
(c) Hospitality Association
(d) Construction Forum
(e) Institute of Directors
(f) Guernsey Retail Group
(g) Confederation of Guernsey Industry
(h) Association of Guernsey Charities

The consultation survey is also available at gov.gg/taxreviewsubcommittee for all interested parties to provide feedback.

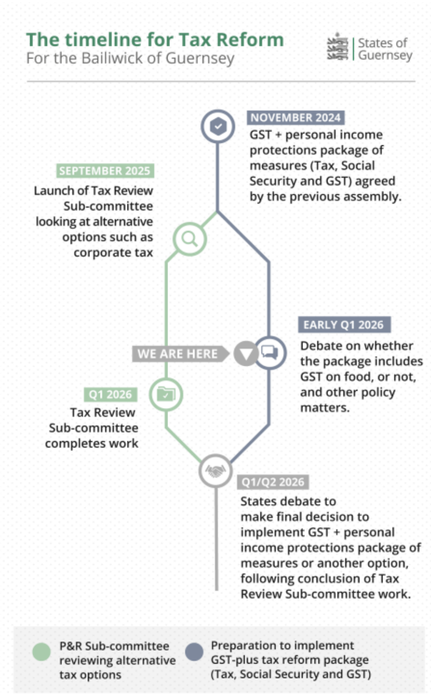
2. Background

The last States of Deliberation resolved that the present financial situation is unsustainable[1]. In seeking to address this situation, the States resolved in November 2024 to introduce a consumption tax alongside personal income protection measures which include a progressive restructure of the social security contributions system, a reduction in the standard rate of personal income tax to 15% (with 20% becoming the higher rate applied to income above £32,400), and a pre-emptive increase in the rates of the States Pension, Income Support and other benefits payable[2]. The work to prepare for this package is known as "Tax Reform Workstream 1" ("**Workstream 1**").

Following the 2025 General Election, the new Policy & Resources Committee committed instead to a dual approach to tax reform. This includes both launching a Tax Review Sub-Committee[3] to review alternatives, including investigating the possibility of reforming corporate tax while continuing the preparation for implementing the Workstream 1 package, should the new States of Deliberation resolve in due course to proceed with it.

This approach was solely intended to minimise any potential delays to the Workstream 1 programme should the States wish to progress it to completion, while allowing for the States to have a fully informed debate to enable a final decision for how best to proceed on tax reform in mid-2026.

Figure 1: Timeline for Tax Reform



The Sub-Committee is charged with delivering recommendations to the Policy & Resources Committee regarding the best package of corporate tax reform. In relation to corporate tax, the Sub-Committee's Terms of Reference states it is mandated to review:

The taxation of company profits and whether a system of territorial corporate tax should be implemented having due regard to the need to maintain a tax system which is competitive, internationally acceptable and maintains tax neutrality.

As part of this process of review, the Sub-Committee is seeking views on potential Options that could apply as part of a range of tax reforms. The Options are set out in Section 5.

[1] States of Guernsey Billet d'Etat No, The Tax Review Phase 2, Resolution 1, 15th February 2023
[2] States of Guernsey Billet d'Etat No XIX, Resolutions 1B and 1C, 8th Nov 2024
[3] Tax Review Sub Committee Terms of Reference, https://gov.gg/taxreviewsubcommittee

At the outset, it is important to be clear that it is not within the mandate of the Sub-Committee to consider States expenditure. This is a responsibility that lies with the Policy & Resources Committee and the States of Deliberation. The Sub-Committee recognises that, both from an industry perspective and from recent statements at States meetings, a consensus exists to achieve sustainable savings. The new Policy & Resources Committee has started work to deliver savings and efficiencies as initially announced in October 2025 and resolved by the States of Deliberation in the 2026 Budget[4].

In performing its review, the Sub-Committee recognises the criticality of maintaining tax neutrality and the competitiveness of Guernsey industries while ensuring that the tax regime continues to comply with international standards, notably those set out by the EU Code of Conduct Group and the OECD Base Erosion and Profit Shifting project. These principles underpin Guernsey's economic prosperity and form the foundation for continued growth. It is recognised that any corporate tax changes could raise the likelihood of external review by one of those bodies, which could take some time to complete. Changes significant enough to warrant a detailed review would lead to a further period of uncertainty. The Consultation therefore aims to understand business perspectives of any impact from the Options in this regard.

The recommendations put forward by the Sub-Committee ultimately seek to align with the key principles set out in its Terms of Reference:

- support the achievement of balanced public finances over the next 10 years in a way that is economically and socially sustainable;
- create reasonable certainty and stability to enable businesses and individuals to be able to plan for the future;
- be transparent, credible and simple to understand and administer;
- ensure that Guernsey remains both internationally competitive and compliant with international tax standards;
- ensure that all individuals and businesses who benefit from Guernsey's public services make a fair and appropriate contribution; and
- For individuals:
    - should reflect their ability to pay and generally be progressive;
    - should seek to achieve tax equity; and
    - should support the delivery of environmental and social objectives if they can be achieved without breaching the previous principles.

[4] 2026 Budget published 7 October 2025

The Sub-Committee recognises, as set out in Section 4, that there are some inherent inequities in the current corporate tax system, which it would hope any corporate tax reform can help address – for example, the opportunity for tax deferral in corporate taxation which the Zero-10 regime brings for many companies.

The Sub-Committee will submit recommendations that align most closely with these requirements, which may include any of the Options outlined, in part, in full or in combination, or the status quo.

As part of this work, no change in the existing tax treatment for the following is being proposed:

- Collective investment vehicles, which will continue to be able to apply for exemption from tax;
- Guernsey will impose no tax on dividends paid to beneficial owners outside of Guernsey;
- The current ability to offset losses, claim group loss relief, etc.;
- Gains from capital, whether realised or unrealised, which will remain untaxed;
- The income of a charity that is used for charitable purposes, which would continue to be exempt from taxation.

The Sub-Committee welcomes views on the questions raised in this Consultation that are summarised in Appendix 1.

3. Current situation

Several factors are driving the need to investigate tax reform and are briefly summarised in this section. The factors driving the need to investigate tax reform are:

- States finances and macro-economic factors
- Demographic projections
- Guernsey's economic profile
- Recent fiscal reform

States finances and macro-economic factors

The States' financial position can vary significantly from one year to the next. For example, this may be due to: exceptional or one-off items of either revenue or expenditure; the annual variability in tax receipts driven by the inherent volatility of business profits and the number of property transactions, impacting corporate tax and document duty receipts; or the unpredictable nature of annual investment returns (both positive and negative) from the States reserves, driven largely by the

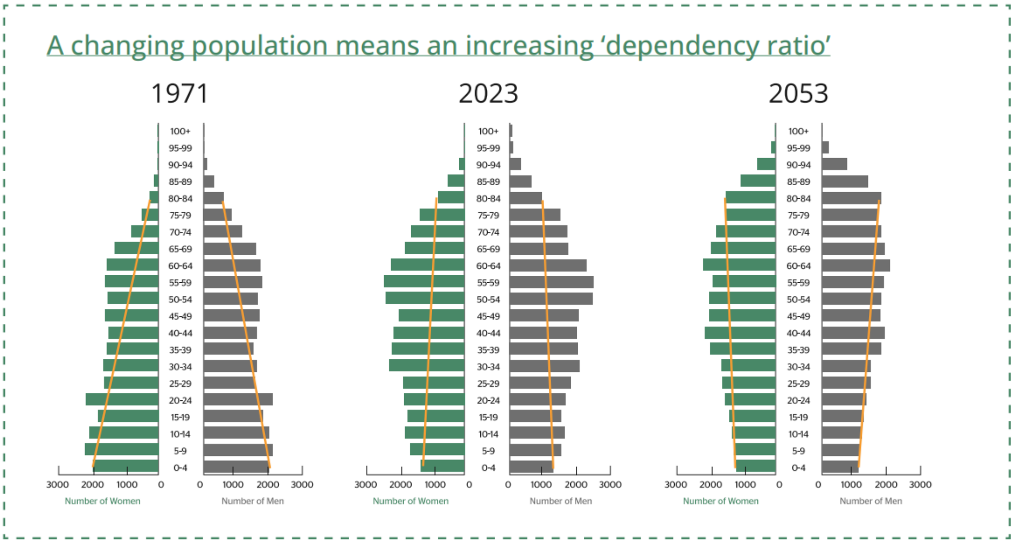
performance of global capital markets. However, anticipated increased requirements for capital infrastructure and demographically driven health and care expenditure, will place further demands on depleting reserves.

Since 2008, Guernsey has lost revenue from corporate income tax with the implementation of Zero-10[5]. The 2006 Policy Letter "Future Economic and Taxation Strategy" included the forecast revenue impact of the Zero-10 proposals[6]. The data presented is not explicit in terms of stated loss but reflects reduced corporate tax revenue of circa £90m (around £148m at 2025 prices), noting that other measures were brought in to replace a proportion of this revenue (see Section 4).

In addition, economic growth since the implementation of Zero-10 has been weak, averaging only around 0.5% per annum in real terms; a situation compounded by the Global Financial Crisis in 2008 and a series of shocks in the world economy, including Covid, that impacted the profitability of Guernsey's international businesses. Guernsey also saw change in the make-up of its financial services sector in the wake of the Global Financial Crisis, with the number of licenced banks dropping from more than 40 in 2007 to 21 in 2025. It follows that economic growth has not delivered additional revenues to replace some of lost revenues since Zero-10 or kept pace with inflation and cost pressures.

<u>Demographic and economic profile</u>

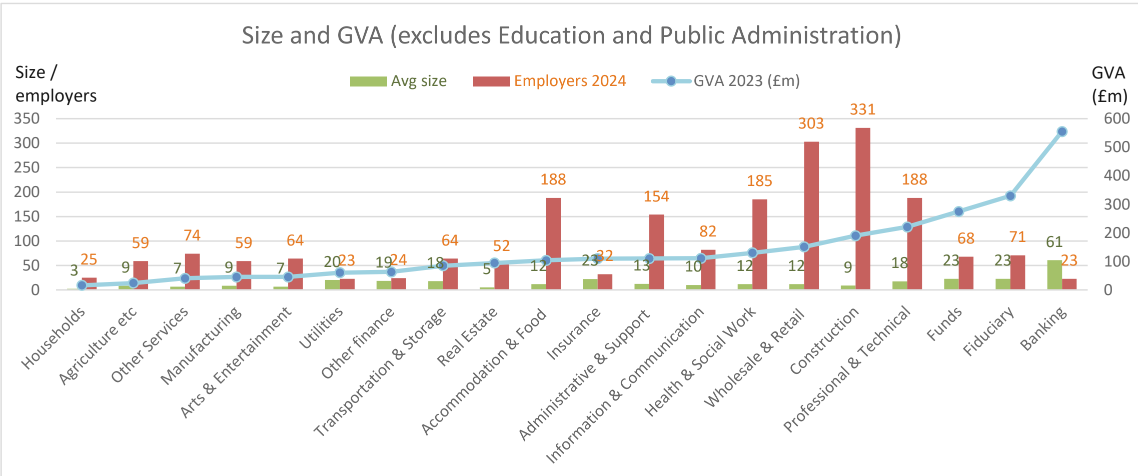
The proportion of the population of working-age is decreasing; between 2009 and 2019, the number of islanders of working-age fell by 1,500, and this is set to continue.



[5] Zero-10 Taxation rates are set out in Appendix 2 of this document
[6] Billet d'Etat, 28th June 2006

In 2023, there were around 22 people of working-age for every person aged over 85. By 2053, this is projected to reduce to just nine people of working age for every person over age 85. This demographic change will result in a higher proportion of people who rely on the services and benefits funded by taxation and social security contributions while also eroding income tax receipts. Alternatives to personal income tax are therefore required.

Guernsey's economy continues to be dominated by the Finance & Insurance sector, in 2023 contributing 43**%** of Gross Value Added ("**GVA**")[7] - a measure of economic size and growth. By comparison, the Finance & Insurance sector in the UK (under UK Office of National Statistics reporting and definitions) contributed 8.8% to the UK economy in the same year[8]. Outside this sector, the contributions to GVA in Guernsey are highest from Construction (6%), Wholesale & Retail (5%), with relatively balanced contributions from Administration & Support, Information and Communication and Health & Social Work (all 4%).



Average size calculated on number of employees over number of employers. Data and Analysis as at June 2024 (except GVA). GVA as at Dec 2023[9].

The chart above details the value of GVA contribution from various sectors including the number and average size of employers in the sector. The Finance & Insurance sector is broken down into constituent sub-sectors: Banking, Fiduciary, Funds, Insurance and Other.

Contributions to GVA from Banking, Fiduciary and Funds in particular demonstrate the economy's reliance on a relatively small number of firms. On average, these are larger

[7] See Guernsey Facts and Figures 2025 for values and definition of GVA. Financial and Insurance encompasses Legal and Accounting services which are closely related to the Finance & Insurance sector.
[8] See House of Commons Library Research Briefing: Industries in the UK
[9] Guernsey Facts & Figures 2025 – Supplementary Information.

businesses in terms of employees compared with other sectors. Of the organisations employing over 50 people, 31% were in the finance sector.

Other sectors contain larger numbers of smaller employers. The largest concentrations of employers are in Construction and Wholesale & Retail sectors. Both sectors largely consist of small businesses with fewer employees.

Therefore, while demographic changes drive movement away from reliance on personal income tax, the sensitivity of the economy to the output of relatively few businesses with international exposure and the large number of small businesses demands a balanced view on tax reform.

Recent fiscal reform

Guernsey is a member of the Inclusive Framework, a global body of 138 countries and jurisdictions, supported by the OECD. In 2023, the Inclusive Framework reached agreement on a global minimum corporate tax to be borne by the largest global multinationals (known as "**Pillar 2**"). The reform sets a minimum corporate tax charge at 15%. Guernsey recently introduced corporate tax reforms, effective on 1 January 2025[10], through the adoption of Pillar 2 rules effectively levying 15% corporate tax on the Guernsey-based activities of very large multi-national groups. (This is known as a Qualified Domestic Minimum Top-up Tax and a Qualified Income Inclusion Rule). Tax receipts arising from Pillar 2 are forecast to amount to £40m in 2026, although revenues will not start to be collected until 2027. This represents a revenue contribution from businesses of circa 41% towards the structural deficit.

However, the nature of corporate tax receipts is inherently volatile. This is mainly because corporate tax revenue is dependent on a relatively small number of larger companies. Corporate tax revenues are vulnerable both to shifts in profitability of a small group of companies and behavioural change. In assessing tax reform, the Sub-Committee considers it advisable to assess the most appropriate form of corporate tax that might address this alongside a number of aspects of Zero-10.

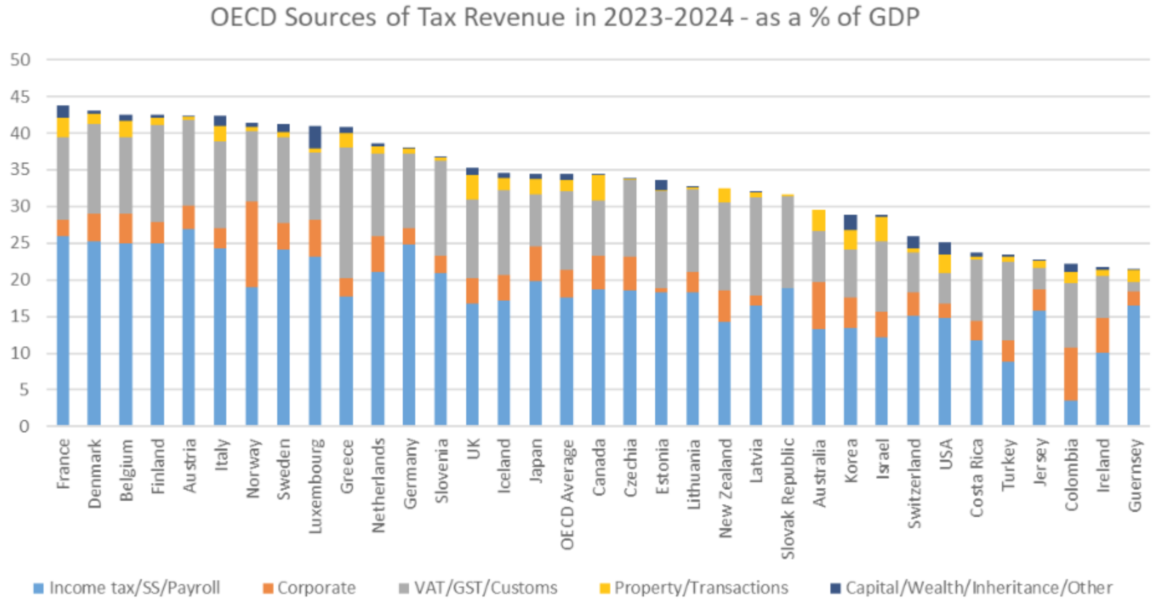
4. Considerations for changing corporate tax

Size and base

Guernsey's tax base is small, estimated at 22% of GDP (as shown). It is more heavily concentrated in taxes and contributions charged on personal or employment income

[10] The Income Tax (Approved International Agreements) (Implementation) (OECD Pillar Two GloBE Model Rules) Regulations, 2024

than most jurisdictions. An estimated 73% of tax revenues are currently in the form of either Personal Income Tax receipts or Social Security Contributions.



As a percentage of GDP, combined personal income tax and social security contributions are close to the OECD average. However, corporate tax receipts over the five years prior to the implementation of the global minimum tax (Pillar 2) in 2025 contributed between 8%-12% of tax revenues. Following the introduction of Pillar 2, revenue from corporate income tax is expected to increase to an estimated 15% of total revenue (2026 Budget). This is within the normal range for the OECD countries presented in terms of proportion of the total tax relative to GDP (circa 3% of GDP).

<u>Fairness</u>

There also remain aspects of the current approach to corporate tax that must be considered alongside supporting economic growth due to their impact on revenue and the principle of fairness:

a) A standard rate of tax of 0% has meant a large number of companies active in Guernsey's domestic economy contribute limited income tax revenues on their company profits. Guernsey resident shareholders in those companies become liable to Guernsey Income Tax on a distribution from the company, but the opportunity for tax deferral remains since the deemed distribution regime was repealed with effect from 1 January 2013. This system creates opportunities for Guernsey residents to shelter personal investment income from tax using company structures, thus deferring tax.

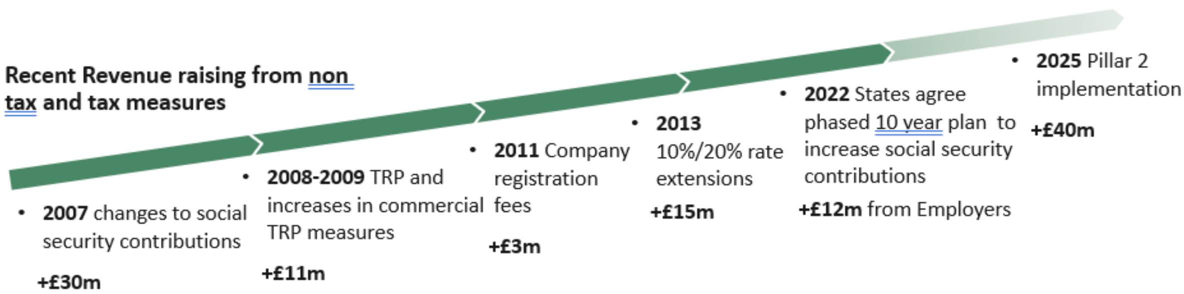
b) There remain different tax rates within some economic sectors in Guernsey creating inconsistency around how profits are charged for the same activity (for example, Retail).

c) Global tax reform (Pillar 2) now applies an effective tax rate of 15% for large multi-national enterprises that applies as a top-up tax on Guernsey's existing Zero-10 regime, creating a new intermediate rate for companies also subject to a 0/10% rate that are part of such enterprises.

The tax review provides the opportunity to consider these circumstances.

Business contribution and competitiveness

An increasing contribution from Guernsey companies across a range of revenue raising measures has occurred since the implementation of Zero-10. These include increases in Social Security Contributions[11] and the application of Tax on Real Property ("**TRP**"), alongside corporate taxation.



The Sub-Committee recognises the need to maintain fairness and competitiveness with reform of the tax system.

Respondents are invited to provide their view on whether the current system of taxing corporates, including Zero-10 and Pillar 2 implementation, represents a fair and proportionate contribution to revenue in the light of the economic and fiscal situation in Guernsey.

International Acceptability

A key foundation of the approach to tax reform is to remain compliant with international standards. If Guernsey decides to introduce significant reforms to its current corporate tax system/regime this will trigger discussions with external bodies such as the OECD and EU Code of Conduct Group (COCG). Depending on the details

[11] Ten year plan to increase Social Insurance Contributions, States Meeting 13 October 2021 https://www.gov.gg/article/185737/Contributory-Benefits-and-Contribution-Rates-for-2022

and features of this reform it may trigger a detailed review, which could take some time to complete, as it will depend mainly on the details/features of the new regime, but also on the extant rules and procedures of the EU COCG and OECD Forum on Harmful Tax Practices. Changes significant enough to warrant a detailed review would lead to a period of uncertainty. A summary of COCG and OECD standards is available in Appendix 3.

5. Options for consultation

Five different Options are detailed in this section, with two Options sub-divided for analysis. For the purposes of the Consultation, revenue modelling is based on calculations reflecting a range from minimum to maximum behavioural change (calculations of reduced profits arising from business decisions to alter Guernsey based activity). Analysis will continue and the feedback from businesses during this Consultation will enable the Sub-Committee to form a view of the most likely behavioural impact. An extract from the Sub-Committee's Potential Revenue and Behavioural Impact analysis is included as part of Appendix 1, for information.

In relation to the Options, respondents are invited to give their views in response to the following areas set out in the Questionnaire, which may also give an indication on a combination of Options that could be pursued:

Any views on the risks or issues presented by the Option and on the approaches that could offer mitigation;

Whether it provides confidence to implement business plans;

Whether it causes an impediment to business growth;

The anticipated impact on Guernsey's international competitive position;

Any opportunities or benefits presented by the Option;

Whether the Option would cause a business to consider relocating or downsizing operations in Guernsey, and any mitigation to reduce the risk of that occurring;

Any other views on corporate tax reform that are not already captured.

Option One – Full profits

Currently, companies paying the 10% rate only do so on the part of their business income resulting from regulated activity. This change would see the rate extended such that companies carrying out an element of regulated business would pay 10% on all their profit (i.e. the 10% rate would apply to the company rather than income streams, aligning with the approach taken in Jersey).

Areas for consideration:

- Relatively narrow business application;
- Provides administrative simplicity for companies (and the Revenue Service) but could result in business restructuring to split regulated and non-regulated activities;
- Reduces potential for significant adjustments to revenues recently seen where error or mistake claims are submitted;
- Revenue unlikely to generate more than £0.5m per year.

Option Two – Sector extension

This option would expand the range of companies/sectors to which the 10% intermediate and 20% higher rates apply, based on the principles of consistency within an economic sector where profits are derived from the same activity, or the activity is subject to specific regulatory oversight. This could include expanding the 10%/20% rates to construction, retail, and professional services, as the largest contributors to GVA after the finance sector.

Professional Services Prescribed Business[12]

This ensures consistency and alignment between financial and non-financial services businesses with the application of Zero-10. This would apply to businesses registered with the GFSC under Schedule 5 to the Criminal Justice (Proceeds of Crime) (Bailiwick of Guernsey) Law, 1999[13], as amended, such as legal professionals, accountants and estate agents that operate through companies (rather than partnerships where typically the partners are taxed on their share of the profits at 20%). Currently 96% of company profits within the Professional Services sector are not subject to tax until distribution. Of the remainder, 3% is taxed at 10% and 1% at 20%.

Construction and Retail Sectors

Application in the Construction and Retail sectors would ensure a consistent approach to taxation of profits. Currently, 92% of profits within the construction sector are not

[12] Prescribed business as defined by GFSC Prescribed Businesses in Guernsey — Industry Sectors — GFSC
[13] See Schedule 5 of The Criminal Justice (Proceeds of Crime) (Bailiwick of Guernsey) Law, 1999

subject to tax until distribution. The remaining 8% are charged tax at 20%. In the retail sector, 75% of profits are subject to tax at 0%. The remaining 25% are taxed at 20%.

Areas for consideration:

- Requires legislative update to define sectors in scope;
- Further application of current tax approach is less likely to trigger external review;
- Revenue raising between £0.8m and £16m depending on actual rate applied to these sectors (see Appendix 1 for more detail).

Option Three – Zero-15

Guernsey would move from a Zero-10 to a Zero-15 regime, whereby those currently paying tax at 10%, pay 15% instead, while all other tax bands are unaffected. All other aspects of the current regime remain.

This Option may be considered for introduction either unilaterally or, subject to the necessary engagement, in alignment with other Crown Dependencies at a later stage. This sub-divided Option is explored in the Questionnaire.

Areas for consideration:

- Revenue is primarily from finance companies and Zero-10 currently reflecting alignment within Crown Dependencies;
- Unlikely to trigger an external review of corporate tax;
- Revenue raising is potentially negative or limited (less than £3m) as Pillar 2 already applies 15% tax to a number of companies, albeit with behavioural impact reduced if introduced in alignment with other Crown Dependencies.

Option Four – Territorial

A territorial regime would be instituted at a rate of 10% or 15%, excluding fund managers and international insurance companies. This Option is sub-divided in the Questionnaire for analysis of both rates.

The 20% band would continue to apply, as would the 15% effective rate that applies to entities in scope of Pillar 2.

Under a territorial regime, excluding fund managers and international insurance companies, corporate profits would be taxed on the basis of the source of income from which those profits are derived. Only profits arising or derived from activity in Guernsey would be subject to tax. Business profits arising in or derived from (attributable to) a permanent establishment in Guernsey would be taxable. Income from ownership of land and buildings situated in Guernsey, which includes both rental income and property development income taxed at the higher rate as at present, would continue to be subject to tax at 20%. The following diagram summarises the change in tax treatment:

Current Tax treatment

Type / Source	Active income	Passive income
Domestic	TAX (0%, 10%, 20%)	0%
Foreign	TAX (0%, 10%, 20%)	0%

Territorial Tax regime

Type / Source	Active income	Passive
Domestic	TAX	No tax
Foreign	No tax	No tax

Anti avoidance measures, in addition to the general anti avoidance provision contained in Guernsey law, would be used to prevent profit shifting.

Areas for consideration:

- Compliance, regulation and administration costs to business;
- The need for additional measures such as a transfer pricing regime;
- Potential requirement for economic substance requirements to apply to a wider scope of companies, together with greater uncertainty of defining the tax base;
- Highly likely to be subject to external review;
- Revenue raising of between £3.3m and £14.8m per year at 10%, or between £5.1m and £18.4m per year at 15%, depending on behavioural impact.

Option Five – Levy

A flat fee for Guernsey companies could be introduced, as an alternative to raising revenue by increasing corporate income tax rates and could apply in addition to the current Zero-10 corporate tax regime.

The Guernsey Registry already collects fees from companies on a regular basis. In 2026 it is expected to collect around £13m, primarily in the form of annual validation fees which applies to all registered companies. A Levy set at £250 or £500 per annum per registered business would generate between £5m and £10m per annum. A levy could apply at different levels, mirroring the application of Registry fees.

Areas for consideration:

- Application alongside current Registry fees would represent increased cost of business;
- Unlikely to result in external review as not a taxation measure;
- Based on current number of registered companies, would be likely to raise, indicatively, between £5m and £10m per annum.

6. Responding to the Consultation

By completing the survey, you consent for your personal data to be used by the Strategy & Policy Team, the Sub-Committee and their Officers for the purpose of gathering opinion on the options under consideration for the taxation of company profits, as well as reaching out to respondents for further information. This will provide the necessary feedback that will inform the Tax Review Sub-Committee. A summary of the findings will be made available to the public in a final report and the sub-committee will take the necessary steps to ensure no respondents are identifiable from said report. Please see full details on Data Protection and our Fair Processing Notice (Appendix 4).

Please provide your comments by **27 February 2026**.

Online responses
Online responses are preferred. The Online form can be accessed using the following link: www.gov.gg/corporatetaxoptionssurvey

Electronic responses
Responses can be submitted in a format that can be read by Microsoft Word and emailed to StrategicPolicy@gov.gg

Hard copy responses
Alternatively, you may submit hard copy responses. Please email StrategicPolicy@gov.gg for a hard copy version of the online survey questions (which are summarised in Appendix 1). The completed questionnaire may be posted to:
Tax Review Sub Committee
Sir Charles Frossard House
La Charotterie,
St Peter Port GY1 1FH

Appendix 1 - Summary of Options, Revenue Modelling Estimates and Questions

				Estimated Revenue (£ m)		
Title		**Summary of Option**	**Rates With Option**	**With Minimum Behavioural Change**	**With Maximum Behavioural Change**	**Impact considerations**
Option 1 - Full Profits		Tax applied to full company profits of regulated businesses	0% / 10% / 20%	0.5	< 0.5	Narrowly applied to few companies
Option 2 - Sector extension		Expand the range of sectors to which 10% applies	0% / 10% / 20%	7.4	0.8	Extension based on two principles: 1) existing economic sectors currently with different rates (Construction and Retail) 2) prescribed business (Professional Services) Requires legislative definition
		Expand the range of sectors to which 20% applies	0% / 10% / 20%	12.9 to 16.3	5.2 to 8.6	
Option 3 - Zero-15	a	Sectors currently in 10% band move to 15% rate, not in conjunction with other Crown Dependencies.	0% / 15% / 20%	(0.2)	(1.7)	First mover among Crown Dependencies Behavioural risk of migration
	b	Sectors currently in 10% band move to 15% rate in conjunction with Crown Dependencies.	0% / 15% / 20%	2.8	2.0	
Option 4 - Territorial	a	10% (minimum) rate applied, removing zero rating. Pillar 2 and 20% rates continue to apply.	10% / 20%	14.8	3.3	Increase cost to business Expansion of economic substance requirements Behavioural risk of migration
	b	15% (minimum) rate applied, removing zero rating. Pillar 2 and 20% rates continue to apply.	15% / 20%	18.4	(5.1)	
Option 5 - Levy		Flat fee for local registered companies at £250 or £500	0% / 10% / 20%	5 to 10 depending on fee level		Simple to associate with company registration Application in conjunction with Registration fees could impact cost of business and competitiveness

Values in (brackets) are negative

Potential Revenue Estimates and Behavioural Impact

Revenue modelling has been based on calculations of reduced profits arising from business decisions to alter Guernsey based activity, which may vary sector by sector. Under the modelling, companies that continue to pay the same rate of tax are assumed not to change their behaviour. These represent estimates which, due to the volatility of company income tax and external factors, are difficult to predict.

Behavioural change could impact not only the value of new revenues which might be generated, but also the existing corporate tax paid by companies who might make different business decisions, the personal income tax and Social Security contributions paid by their employees and the profitability and employment of any companies that they may routinely interact with. This forms part of the ongoing analysis by the Sub-Committee.

The Sub-Committee is also considering that there is a much higher level of behavioural risk and more uncertainty around the loss of existing revenues as result of any change in tax regime in certain sectors, which may be higher than the maximum behavioural change illustrated in the table above.

Questions
The following questions are set out for response in the online questionnaire:

General questions
In the light of the economic and fiscal situation in Guernsey, do you feel that the current system of taxing corporates, including Zero-10 and Pillar 2 implementation, represents a fair and proportionate contribution to revenue?

Any further comments about the current corporate tax regime?

Questions on each of the Options
What are your views on the impacts of the Option? Please consider possible risks, issues and impacts on business decisions.

How confident are you that the Option would allow you to implement a business plan?

How much of an obstacle would the Option be to the growth of a business?

What impact do you think the Option will have on Guernsey's international competitive position?

What do you see as the opportunities or benefits of the Option?

Would the Option cause you to consider relocating or downsizing business operations in Guernsey?

Are there any mitigations to the Option that could reduce the risk of that occurring?

Summary question
Do you have any other views on corporate tax reform which have not already been captured?

Appendix 2 – Zero-10 Tax Schedule

Classes of Companies income			
2(2)(a)	Income from banking business	Company intermediate rate	10%
2(2)(aa)	Income from domestic insurance business	Company intermediate rate	10%
2(2)(ab)	Income from fiduciary business	Company intermediate rate	10%
2(2)(ac)	Income from insurance intermediary business	Company intermediate rate	10%
2(2)(ad)	Income from insurance manager business	Company intermediate rate	10%
2(2)(ae)	Income from the administration of controlled investments	Company intermediate rate	10%
2(2)(af)	Income from the provision of custody services	Company intermediate rate	10%
2(2)(ag)	Income from the provision of investment management individual client services	Company intermediate rate	10%
2(2)(ah)	Income from the operation of an investment exchange	Company intermediate rate	10%
2(2)(ai)	Income from compliance and other related services	Company intermediate rate	10%
2(2)(aj)	Income from the operation of an aviation registry	Company intermediate rate	10%
2(2)(b)	Income from trading activities regulated by the Guernsey Competition and Regulatory Authority	Company higher rate	20%
2(2)(ba)	Income from gas and hydrocarbons business	Company higher rate	20%
2(2)(bb)	Income from large retail business	Company higher rate	20%
2(2)(bc)	Income from the business of the cultivation or use of the cannabis plant	Company higher rate	20%
2(2)(bd)	Income from the business of the prescribed production or prescribed use of controlled drugs	Company higher rate	20%
2(2)(c)	Income from the ownership of lands and buildings	Company higher rate	20%
2(2)(d)	Income from businesses, offices and employments and other sources	Company standard rate	0%

Appendix 3 - International Standards

Summary of OECD/G20 Inclusive Framework Base Erosion and Profit Shifting (BEPS) Minimum Standards

The OECD/G20 Inclusive Framework BEPS project[14] is designed to equip governments with rules and instruments to address tax avoidance, ensuring that profits are taxed where economic activities generating them take place and where value is created. The following minimum standards are designed to tackle BEPS – where multinationals shift profits to low or no-tax locations where they have little or no economic activity or erode tax bases through deductible payments like interest or royalties.

Action 5, Harmful Tax Practices requires jurisdictions to meet minimum substantial activity requirements for preferential regimes and no or only nominal tax jurisdictions, and minimum standards of tax transparency through the exchange of tax rulings.

Action 6, Prevention of Tax Treaty Abuse requires jurisdictions to state their agreement with the OECD's common intention to eliminate double taxation without enabling non-taxation, or reduced taxation through tax evasion / avoidance in their tax treaties. This must be together with specific anti-abuse provisions to address treaty shopping.

Action 13, Country-by-Country Reporting requires Multi-National Enterprises (MNEs) with consolidated group revenue exceeding €750 million to file country-by-country reports with the tax administration of the jurisdiction where the group is headquartered. These reports are shared with tax administrations in jurisdictions where those MNEs operate, for use in high level transfer pricing and BEPS risk assessments.

Action 14, Mutual Agreement Procedures (MAP) requires the implementation of MAP within tax treaties to ensure that access to MAP is readily available and to improve dispute resolution.

The Inclusive Framework currently consists of 138 countries and jurisdictions.

Summary of EU list of non-cooperative jurisdictions for tax purposes

The EU maintains a list of non-cooperative jurisdictions for tax purposes, composed of countries which the EU view as having failed to fulfil their commitments to comply with tax good governance criteria within a specific timeframe, and countries which have refused to do so[15].

[14] Base erosion and profit shifting (BEPS) | OECD
[15] EU list of non-cooperative jurisdictions for tax purposes - Consilium

A jurisdiction may be listed or temporarily placed on a separate list as having pending commitments if it agrees to reform the identified problem. Businesses operating in a listed jurisdiction may face significant administrative and legislative measures which serve to discourage further business with that listed jurisdiction.

The listing criteria have been designed to evolve over time, so that they are aligned with international tax good governance standards, developed notably in forums of the OECD. The listing criteria relate to tax transparency, fair taxation and measures against BEPS. The fair taxation criteria addresses harmful tax practices, whereby jurisdictions attract financial flows that do not reflect real economic activity.

The Code of Conduct Group identifies potentially harmful measures by assessing tax measures lower than the effective level of taxation, including zero taxation. This has been expanded to include opportunities for double non-taxation and the multiple use of tax benefits. These include any tax or administrative measures which provide lower taxes;

- Available only to non-residents
- Ringfenced from the domestic market
- Granted without real economic activity and substantial economic presence
- By departing from internationally accepted principles governing profit determination of multinational groups of companies, notably OECD rules
- Without transparent tax measures or administration thereof

Appendix 4 – Fair Processing Notice

This consultation seeks feedback from interested members of the public and business stakeholders on corporate tax reform. It is issued by the Tax Review Sub-Committee on behalf of the Policy & Resources Committee. The survey will be open to the public and to organisations however in all cases the subsequent processing of any personal data will remain the same. Therefore, this Fair Processing Notice applies to all categories of data subjects.

Five different Options for corporate tax are summarised. For the purposes of the Consultation, revenue modelling is based on calculations reflecting a range from minimum to maximum behavioural change (calculations of reduced profits arising from business decisions to alter Guernsey based activity). Analysis will continue and the feedback from this Consultation will enable the Sub-Committee to form a more informed view of the most likely behavioural impact.

The Controller of the personal data collected through this survey is the Policy and Resources Committee ('the Controller'). For further information on how they may process your personal data, please see the P&R Fair Processing Notice at www.gov.gg/DP.

The Strategy & Policy team, sit within the mandate of the Policy & Resources Committee and support the Controller and Sub-Committee in collating and analysing any responses to the survey.

The Data Protection Law

The Controller acknowledges its obligations as per the Data Protection (Bailiwick of Guernsey) Law, 2017 ('the Law'), which provides a number of requirements in terms of processing activities involving personal data. The Controller further acknowledges the general principles of processing as well as the rights of a data subject and more information in relation to these can be found by visiting www.gov.gg/DP.

The Controller acknowledges that all processing of personal data must be lawful, fair and undertaken with transparency. Appendix A (please see below) explains all of the processing which is being undertaken in connection with this survey. All of the personal data set out within the table below will only be collected directly from yourself, and not any other third party. At no time will the Controller request any Special Category Data from yourself however if you provide such information, voluntarily in the open-text boxes, then it will be processed in accordance with the Law (see table below).

Personal data received through this survey will be used by authorised officers to compile responses, aggregate statistics and summarise results for the Controller.

Your information will not be shared with any external parties however it may be provided to the Sub-Committee as well as officers acting on behalf of the Sub-Committee to allow the effective review of live responses as well as facilitate reaching out to respondents if they have voluntarily provided their name and contact details (as specified in the table below).

A summary of the findings will be made available to the public in a final report and the controller will take the necessary steps to ensure no respondents are identifiable from said report.

Where any of your personal data is processed based on your consent, you have the right to withdraw that consent at any time. If you choose to do so the Controller must cease all processing of any personal data subject to that lawful basis (see table below for further details).

The Controller has implemented a strict protocol which ensures that the personal data processed in connection with this survey is not retained past the point in time where it is no longer required for the purpose for which it was originally processed. Where the Controller no longer requires your personal data for this purpose, this information will be erased or destroyed in a safe and secure manner. If you wish to receive further information regarding how long your personal data will be retained, please contact the Controller or their Data Protection Officer using the contact details below.

The States Strategy and Policy (S&P) Team will assist and advise the Controller throughout the duration of this public consultation and also support the Controller in reviewing and analysing the submissions from this survey. Furthermore, S&P may be given access to your personal data in order to carry out their functions in relation to this public consultation. The Controller will only provide S&P with access to your personal data where there is a legitimate and lawful purpose for this access to be given in accordance with Schedule 2 of the Law and our internal policies and directives.

The States of Guernsey have professional relationships with a number of third-party suppliers, who provide support to and carry out maintenance on the IT infrastructure of the organisation. In order for the third parties to carry out the function they are contracted to provide, there will be instances where they may have sight of the personal data which is collected and processed by P&R. The controller will only provide the third parties with access to personal data where there is a legitimate and lawful purpose for this access to be given in line with Schedule 2 of the Law and our internal policies and directives.

Contact Details

The contact details of the Controller are as follows:
<u>The Policy and Resources Committee</u>
Tel: 01481 227000
Email: policyandresources@gov.gg

The contact details for Strategy & Policy are as follows:
Tel: 01481 223432
Email: StrategicPolicy@gov.gg

The contact details for the Data Protection Officer of the Policy and Resources Committee are as follows:

Data Protection Officer, Policy and Resources Committee
Tel: 01481 220012
Email: data.protection@gov.gg

Personal Data	Purpose for collection	Lawful basis
Basic personal data: • Name • Contact details ○ Email	Provided voluntarily – the Controller may contact you based on your feedback for clarification.	Data Protection (Bailiwick of Guernsey) Law, 2017; Schedule 2; Condition 1: *The data subject has requested or given consent to the processing of the personal data for the purpose for which it is processed.*
Basic personal data: • Guernsey residency • Opinions/suggestion regarding the taxation of company profits	Your personal data will be used by the Strategy & Policy Team, the Sub-Committee and their Officers for the purpose of gathering opinion on the options under consideration for the taxation of company profits, as well as reaching out to respondents for further information. This will provide the necessary feedback that will inform the Tax Review Sub-Committee.	Data Protection (Bailiwick of Guernsey) Law, 2017; Schedule 2; Condition 5: *The processing is necessary for the exercise or performance by a public authority of –* a. *A function that is of a public nature, or* b. *A task carried out in the public interest.*
Any Special Category Data provided by yourself through your feedback.	Provided voluntarily – the Controller will discount and delete any Special Category Data unless relevant to the survey.	Data Protection (Bailiwick of Guernsey) Law, 2017; Schedule 2; Condition 13(b): *The processing is necessary for the exercise of any function of the Crown, a Law Officer of the Crown, the States or a public committee.* Data Protection (Bailiwick of Guernsey) Law, 2017; Schedule 2; Condition 18: *The data subject has given explicit consent to the processing of the personal data for the purpose for which it is processed.*