

GUERNSEY — THE PERFECT HOME FOR FUND MANAGERS

04 SEPTEMBER 2019

In a contribution to HFM's Guernsey 2019 Special Report, Jo Stoddart of [Locate Guernsey](#) identifies the strengths of Guernsey's funds industry.

Since the 1960s, Guernsey has had a funds business community. It experienced massive expansion following the suspension and subsequent abolition of exchange controls in 1979, and over the following 40 years, evolved to become one of the world's largest offshore finance centres, with a thriving funds industry.

Initially attracting the smaller closed ended fund market in the '80s and '90s, Guernsey began administering private equity funds, at that time considered to be in an alternative and start-up category. Regulated by the Guernsey Financial Services Commission (GFSC), the island adopted a more open and pragmatic approach to these types of products. As Guernsey attracted more and more private equity funds, a body of experience and expertise accumulated across the island. This created a significant snowball effect, and Guernsey soon became a world leader among financial centres for the private equity funds market, and home to the leading private equity fund administrators.

Today, almost 1,000 investment funds and well over 2,000 sub-funds are administered in the island. The current value of funds under management and administration in Guernsey is £280bn.

Growth has been rapid, and the island has been able to maintain its impressive ability to adapt rapidly to changes in legislation and international best practice.

In 2017, the EU Council's Code of Conduct Group undertook a screening exercise to assess various jurisdictions on tax transparency, anti-Base Erosion and Profit Shifting (BEPS) and fair taxation measures. Guernsey was found to be compliant in the first two areas. However, concerns were raised around the lack of legal substance requirements for entities in, or through, the jurisdiction. Working closely with Jersey and the Isle of Man, the three Crown dependencies enacted new legislation requiring tax resident companies, undertaking specific activities, to demonstrate they have sufficient economic substance supporting the activity.

In March of this year, the island proved to the EU Council's Code of Conduct Group and the European Council of Finance Ministers (ECOFIN) that with the new legislation, it had satisfied its legal substance requirements for entities operating in, or through, the jurisdiction.

With Brexit on the horizon, this clearance did not come a moment too soon. Guernsey's status, as a third country, in relation to the EU in respect of services means it is able to utilise National Private Placement Regimes (NPPR) for marketing into Europe, to more than 70% of the nominal GDP across continental Europe. With the existence of this well-established process, Guernsey's ability to market into Europe will be unaffected by the UK's departure. On the contrary, the UK will have to follow in Guernsey's footsteps and negotiate cooperation agreements with the EU jurisdictions.

This maturity means the island is well placed for the future. Particularly where a fund manager has a targeted list of marketing jurisdictions, NPPR via Guernsey can be faster, more efficient and more cost-effective than the full AIFMD or UCITS route. With Guernsey being a non- EU jurisdiction, pre- and post-Brexit marketing plans to market into Europe via the well-trodden NPPR which Guernsey has established, will remain untouched.

Centre of excellence

In the coming years, Guernsey is particularly keen to build upon its high-quality hedge fund business, and it's easy to see why the conditions are right for fund managers to flourish. It doesn't overstate things to call Guernsey a centre of excellence for the funds sector and managers can and do take advantage of that by basing themselves on the island.

The island's safety as well as its political and economic stability has encouraged a number of high profile players to establish a physical presence within the island, managing and administering their products in Guernsey. The

island's excellent work/life balance is a great magnet for former city dwellers who appreciate being able to regain time and enjoy the island's great quality of life.

Indeed, the typical commute to work on the island is less than 15 minutes, and many people choose to walk or cycle the short distance, leaving plenty of time to fit in an activity before or after work. Scenery is breathtaking, as Guernsey boasts 29 miles of impressive and varied coastline, and with a tidal range of 33 feet (one of the largest in the world) the shores are transformed every six hours or so.

All this healthy outdoor living is encouraged by the more temperate weather conditions that the island enjoys. It has been well documented that the work/life balance is one of the greatest advantages to relocating to Guernsey. In fact, according to the latest Organisation for Economic Cooperation and Development (OECD) Better Life Index Survey, such is Guernsey's quality of life that it ranks ninth in the world for longest life expectancy, of 82.3 years from birth, only just beaten by Sweden.

Guernsey's property market is split into two sectors – Open Market and Local Market, which makes relocating to the island surprisingly simple. Local Market homes are mostly restricted to local people who were born on the island or spent the majority of their childhood there. Open Market properties are in less abundance, and therefore cost more, but the benefits of moving to the island, both tax and lifestyle-wise more than make up for it. Anyone holding a British or EEA passport can rent or buy an Open Market Part A home in Guernsey. By doing so, people gain the right to live and work in Guernsey indefinitely.

Under certain circumstances new businesses relocating to the island may qualify for a limited number of Housing Permits for occupation of Local Market properties, but for the majority of new arrivals, the Open Market is the key facilitator.

For example, anyone purchasing an Open Market Part A property within the first 12 months of residency at a value of £1.32m or above (paying document duty of £50,000 or more), will be entitled to a tax cap of £50k per annum for up to four years. Furthermore, they will be entitled to live and work in Guernsey indefinitely. Financial sector companies pay only a standard corporation tax rate of 10%, while there is 0% tax for the rest. Guernsey imposes no inheritance, capital gains, wealth, gift or estate taxes, and there is no VAT. Personal income is taxed at a flat rate of just 20% and tax caps are available.

One very important point which is worthy of note is that there is no minimum revenue requirement for individuals when relocating to Guernsey. The simple fact of living in an Open Market Part A home, entitles the individual to live and work there.

A low-tax jurisdiction with a pragmatic and innovative regulator, skilled workforce and high-quality professional services community provide Guernsey with all the key elements for long-term hedge fund success. The island has personal as well as professional appeal: it's beautiful, safe, with strong transport links and an exceptional quality of life. Guernsey has the experience, infrastructure and expertise for your fund management business to flourish.

An original version of this article first appeared in the HFM Guernsey 2019 Special Report. To access the full report, [click here](#).

WE ARE GUERNSEY is the brand under which Guernsey Finance promotes the island's financial services sector internationally. Guernsey Finance - the promotional agency for the island's finance industry internationally - is a joint industry and Government initiative responsible for the promotion of Guernsey. Under the leadership of Chief Executive Dominic Wheatley, the agency ensures that the core values and competencies of the island's finance sector are accepted and respected by the global community and that financial business development flows are enhanced.

PO Box 655, St Peter Port,
Guernsey, GY1 3PN

+44 (0)1481 720071

INFO@WEAREGUERNSEY.COM

