

WHAT BREXIT MEANS FOR GUERNSEY

25 APRIL 2017

Since my previous update on 28 March, the UK has triggered Article 50 of the Treaty on European Union, beginning the formal process by which it will leave the EU. The divorce will have both unknown and unknowable consequences for the UK, EU and those in their periphery (such as the Channel Islands).

In the weeks since, the Christian Church has celebrated Easter, which is traditionally a time for reflection of new beginnings. It seems appropriate therefore to take moment to consider Brexit and what it means for our island and industry here in Guernsey.

Teaching you to suck eggs this Easter

It is impossible to escape the conclusion that, in the new world order as in the old, we will continue to depend on London for much of what we do. We must be best prepared therefore to articulate our proposition if we are to continue to find a market in the City.

I hope that the following will provide a useful aide memoir when talking to clients or contacts about the role Guernsey will play in the new world.

Constitution

- Guernsey is British, but not part of the UK. It is European, but not in the European Union
- Guernsey's constitutional relationship with the UK predates (by some 750+ years) the UK's relationship with the EU and will be unaffected by Brexit
- Guernsey's dialogue with the UK is a model of best practice, with the island's interests considered at every level of government

Taxation

- the island's status as a Crown Dependency gives it the right to make its own laws, including those concerning taxation
- Guernsey has a basic rate of corporate tax of 0% on profits arising and has no sales tax nor capital gains tax. Brexit does not put Guernsey's tax neutrality under threat
- Guernsey meets the highest international standards of tax transparency and, as part of the Early Adopters Group, will exchange information with more than 50 jurisdictions under the Common Reporting Standard (CRS) on 30 June this year

Trade

- the island's closest trading relationship is with the UK, which pre-dates and will succeed the UK's membership of the EU
- over the years, the island has successfully negotiated its own access to EU financial markets. There is no indication that Brexit will impact these relationships directly
- alternative investment fund managers, wherever in the world they are, may avail of National Private Placement Regimes (NPPRs) to actively market Guernsey-domiciled alternative investment funds into the EU

Cooperation with the City

- Guernsey is not Luxembourg. The island shares historical and cultural ties with the UK, with which it shares

- a common currency, language and legal system
- Guernsey's experience in accessing European markets as a 'third country' can be an invaluable source of information to government, the regulator and industry in the City
- A report issued by KPMG in 2015 showed that Guernsey-domiciled investment funds facilitate some £25 billion of foreign direct investment into the UK and its infrastructure

Conclusion

Guernsey is able to provide stability and continuity during a period of historic geopolitical change. The island's trading relationships with both the UK and EU will remain largely unchanged before, during and the after the UK's divorce from the EU. Guernsey is unchallenged as a politically and fiscally stable jurisdiction in which to do business, wherever the client may be located.

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.

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