

## BLOG: GUERNSEY ALWAYS A HOME FOR CAPTIVE SUBSTANCE

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When I arrived in Guernsey from London in 1995, it was as part of the upskilling of the insurance industry here in response to changing sensitivities of the UK taxman. In short, the captive industry needed to adopt proper underwriting processes and appropriate transfer pricing of risk in order to satisfy the UK Revenue that captive insurance companies were not simply being used to accumulate untaxed Group funds for tax avoidance or deferral reasons.

This was in spite of the common view already prevalent with the industry locally that captives were strategic risk financing tools for which tax was a consideration but not a *raison d'être*, a view impressed on me on day one by my new boss.

Plus ça change!

24 years later, and five years after leaving the captive insurance industry, I find myself hosting an event in London on the subject of economic substance and its effect on Guernsey captives. Economic substance follows a long series of initiatives designed to curtail the use of captives for corporate tax avoidance - a process with which we have fully cooperated at every stage.

This has included strong governance processes, competent and credible insurance skills, proper analytics and technical underwriting methodology, adherence to all of the requirements of CFC rules in the UK (or wherever the captive owning Group is based), and the proper enforcement of IPT on captive premiums.

In short, all that is currently in scope for the EU Code Group's examination of Guernsey's corporation tax regime and more.

Hardly surprising, then, that the conclusion from our event was that, for Guernsey captives, nothing much will change - not because our economic substance regime is not robust (it certainly is) but because we have always managed captives properly.

We have more than 200 CII qualified insurance professionals and the highest proportion of actuaries per capita in the world, and the most experienced pool of non-executive directors of any captive domicile in the world. Not to mention the considerable advisory expertise available in our local accounting and legal firms.

Any captive owners out there concerned that their domicile is not regarded as tax cooperative by the EU and lacks real economic substance in insurance can find out about the best captive insurance domicile in the world at [www.weareguernsey.com](http://www.weareguernsey.com).

When it comes to captives, we are the specialists.

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 Rupert Pleasant, 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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