



Substance checklist

What directors of Guernsey companies need to consider

Substance laws came into effect across the offshore world from the start of 2019 – they require companies claiming tax residency in zero or low-tax jurisdictions to prove that they have real substance there.

Detailed guidance notes in respect of the Guernsey legislation will be published soon, but directors must start to consider some essential questions now.

Questions to assess whether the company is within the scope of the Guernsey substance rules

1

Is the company tax resident in Guernsey?

2

Does the company carry out relevant economic activity in Guernsey?

3

Is the company generating income from that activity?

If the company of which you are a director answers yes to all of those questions, then...



Direction and management

Meetings of the board of directors must:

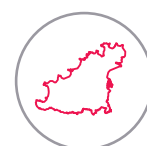
- ✓ Take place in Guernsey at adequate frequency
- ✓ Be attended in person by a quorum of directors
- ✓ Be the forum for strategic decision-making, reflected by minutes



Core income generating activities

The core income generating activities vary by sector but will include:

- ✓ **Banking:** raising funds, managing risk, agreeing funding terms and acquiring assets
- ✓ **Fund management:** decisions on investments, preparing regulatory reports, calculating risks
- ✓ **Headquartering:** management decisions, co-ordinating group activities, group spending



Adequate presence

A company that falls within scope will have to demonstrate that (either itself or via outsourcing to Guernsey service providers):

- ✓ It has an adequate number of properly qualified employees in Guernsey
- ✓ It has adequate operating expenditure in Guernsey.
- ✓ It has adequate physical presence - including premises - in Guernsey



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