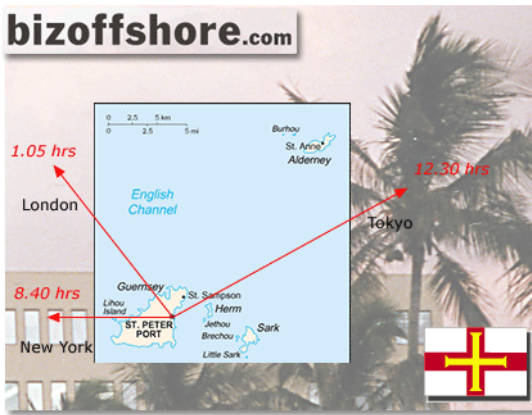


Guernsey

<p>As an offshore jurisdiction, Guernsey is widely recognized as a well-regulated financial centre with very well-developed advisory and financial infrastructure. Guernsey is the home to the offshore operations of many of the world's largest banks, investment, and insurance companies (although Jersey remains by far the largest of the British Isles offshore jurisdictions in terms of its offshore deposits and mutual funds).</p>	
<p>Current Time</p> <p>World Clock</p>	<p>Country Motto</p> <p>None</p>

Overview

Guernsey is the second largest of the Channel Islands and is situated in the English Channel, 130 kilometres south of the English mainland. The islands lie adjacent to the coast of France and the Bailiwick of Guernsey includes the smaller Channel Islands of Alderney, Sark, Herm and Jethou. The Channel Islands are self-governing dependencies of the Crown of England but they are not part of the United Kingdom. Neither are they part of the European Union. As a UK crown dependency Guernsey's relationship with the EU is defined by a protocol attached to the UK's membership. The island complies with EU directives in the trade of industrial and agricultural products, but is not subject to any directives or regulations, including those dealing with harmonisation of taxation, financial services, exchange of information or social policy.

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Collective investment funds is a fast growing sector and have been established in Guernsey for 40 years with around forty fund managers, administrators and custodians operating in the island. The international market place for Guernsey open and closed-ended funds is illustrated by the fact that funds are promoted/sponsored by leading institutions in over 38 countries. As at the end of June 2005 funds under management and administration in Guernsey reached a total of £84.1 billion. Over the year to June 2005, the total value of funds grew by over £20 billion, an increase of 32.1%.

Since the launch of Guernsey's Qualifying Investor Fund regime (QIF) on 7 February 2005, 12 QIF funds have been authorised, of which six were closed-end vehicles and six were open-ended funds.

Guernsey is also a major centre for the provision of international trust and corporate services. In 2001 the island was one of the very first jurisdictions in the world to introduce a comprehensive system for the regulation and supervision of trust and corporate service providers (including company directors).

The Guernsey insurance sector is well known in the world of international insurance with Guernsey now home to Europe's largest captive insurance sector.

There are a number of low-tax business formats, including International Companies, 'Exempt' companies, and Limited Partnerships. Guernsey does not generally enter double-tax agreements, but has treaties with the UK and Jersey.

Online News Sources

This is Guernsey: www.thisisguernsey.com
The Guernsey Press: www.guernsey-press.com

Business Environment

The Guernsey Financial Services Commission regulates the financial sector.

Guernsey allows the establishment of companies limited by shares, protected cell companies, and companies limited by guarantee, with or without share capital. Incorporation requires disclosure of an entity's beneficial owners to the regulator. Every company must have a registered office with books and records kept in Guernsey. There is no minimum capital requirement.

For taxation purposes companies are classified as 'resident', 'exempt' or 'international'. Resident companies are under the beneficial ownership or control of Guernsey residents. A company incorporated in Guernsey or overseas and under the beneficial ownership of non-residents may apply for tax exempt status. An exempt company is exempted from income tax on its non-Guernsey source income. There are no restrictions on investing or doing business in Guernsey but such activities will be liable to income tax. An exempt company may also invest on a tax-free basis in another exempt company, an exempt investment scheme or in Guernsey bank deposits. An exempt company can hold board meetings in Guernsey and may conclude contracts without those meetings constituting the carrying on of a business provided that the only other activities conducted in the island are of an administrative or clerical nature. An exempt company is not required to file annual accounts but must file any information necessary to quantify Guernsey sources of income.

International company status is given to businesses wholly-beneficially owned outside Guernsey and deriving income exclusively from non-residents. Banks, specified insurers, and companies that were previously regarded as either resident or tax exempt in Guernsey are not eligible to apply for international company status. An international company is required to submit annual accounts to the administrator of income tax.

The G-7's Financial Stability Forum rated Guernsey as a 'group one' offshore financial centre deemed to be under 'good quality' supervision. In February 2002 Guernsey signed a letter of commitment with the Organisation for Economic Co-operation and Development agreeing to exchange information with overseas authorities in criminal tax matters by 31 December 2003 and in civil tax matters by 31 December 2005. Guernsey was not blacklisted in the Financial Action Task Force report on money laundering.

Taxes

The provisions of Guernsey's income tax law apply to the islands of Guernsey, Alderney and Herm. Guernsey has no exchange controls. No legal restrictions apply to the transfer of profits, the repatriation of capital invested in Guernsey or the transfer of royalties and fees. There are no capital gains or inheritance taxes. Resident companies, like resident individuals, pay income tax at the standard rate of 20% on worldwide income. The company is entitled to deduct tax at the 20% rate from

dividends paid out of its taxable profits. Any tax so deducted must be remitted to the income tax office within one month. An exempt company is exempted from income tax on its non-Guernsey source income. Exempt companies pay an annual fee of £600. There are no restrictions on investing in any Guernsey sources such as property but income derived from such a source will be liable to income tax. An international company is resident in Guernsey under the income tax law but can negotiate a rate somewhere above zero but not more than 30%. The rate of tax is determined on a case-by-case basis and may be set for a maximum term of five years, after which it can be renewed. An international company that does not renew its status will be liable to tax at the standard rate of 20%. An international company must deduct tax from dividends at the standard rate of 20% (without reference to the rate of tax at which the company has negotiated). Interest paid by an international company to a non-resident is not subject to a deduction of income tax. The interest payment to a non-resident is treated as an allowable expense when computing an international company's liability to income tax. There is a dwellings profits tax law to counter speculation in residential properties. Profits made on the sale of a dwelling are taxed at the rate of 100%, subject to an allowance for inflation and expenditures on repairs, improvements or alterations. Profits from the sale of a property owned and occupied as a sole or main residence for more than twelve months are exempt from any tax. The profit on the sale of any property owned for more than five years is exempt.

It is to be noted however that as a result of pressure from the OECD and EU, Guernsey has been forced to overhaul its tax strategy. According to the OECD, the island had five so-called "harmful tax" regimes – exempt companies, international loan business, international bodies, offshore insurance companies and insurance companies. They were listed because the beneficial tax treatment provided is considered to be "ring-fenced" from the domestic economy – the regime is available fully, or in part, only to non-residents rather than to residents in the country offering the measure. In response, Guernsey's advisory and finance committee published a new corporate tax policy in November 2002 outlining a series of measures to remove the differential taxation rates favouring exempt and international companies.

Under the new tax regime it is proposed that the statuses of exempt company and international company will be abolished with effect from 1 January 2008, after which they are to be subject to the 0% or 10% rate under the new policy. Resident companies general rate of income tax will be reduced to 0%. A 10% profits tax will be introduced for specified sectors of companies licensed by the Guernsey Financial Services Commission. The 10% tax would be introduced for banks and fiduciaries, insurance managers and fund managers. Domestic and offshore insurers registered under the Insurance Business (Bailiwick of Guernsey) Laws 1986-1999 will be subject to the 0% rate. Collective investment schemes, including closed end investment vehicles will continue under current arrangements. Special rules will be introduced to ensure that Guernsey resident individuals are taxed on a proportion of the profits of a company in which they have a beneficial interest. Resident individuals will continue to pay tax at 20% on assessable income. A published concession, allowing for an automatic 90% deduction for 'referred loan business', will be withdrawn from 1 January 2008, or on the date when the equivalent systems in the other UK crown dependencies are abolished.

The new tax regime is expected to be ratified by the States in the autumn of 2005 together with the measures necessary to meet any fiscal deficit the "zero-to-ten" tax regime may produce.

Stock Exchange

The Channel Islands' Stock Exchange ("CISX") was launched in Guernsey in 1998 as a joint project with Jersey. Mutual funds make up about 85% of listings. As of May 2005, the number of securities listed on the Exchange had reached 1000 with a market capitalisation of around US \$30 billion through 37 members, and sponsors.

CISX is a member of the International Federation of Stock Exchanges as a corresponding market, a member of the International Securities Market Association and the European Securities Forum. It was approved by the US Securities and Exchange Commission (SEC) in 2002, the UK Inland Revenue later in the same year and the UK Financial Services Authority (FSA) in 2004. The exchange does compete directly with the London Stock Exchange and others around the world, but has developed specialist niches in floating property funds, open and closed-ended investment funds, debt, securities and special purpose vehicles.

Key Contacts

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Email: info@gfsc.gg
Website: www.gfsc.gg

Guernsey Chamber of Commerce,
Suite 3, 16 Glatigny Esplanade,
St Peter Port GY1 1WN ()
Tel: (01481) 727 483;
Fax: (01481) 710 755;
E-mail: director@chamber.guernsey.net
Internet: www.chamber.guernsey.net

Key Stats

Country description:

Guernsey; the Bailiwick of Guernsey. Capital: Saint Peter Port. Population: 65,228 (July 2005 estimated) of which 65% are Guernsey-born. Guernsey and Jersey make up the Channel Islands and are UK crown colonies or dependencies. The people of Guernsey are British citizens. The UK government may legislate, with consultation, on behalf of Guernsey on matters relating to defence, foreign policy and broadcasting. Guernsey is not represented in the UK's parliament. Alderney, Sark, Herm, Jethou, Lihou, and Brecqhou are Guernsey's dependencies.

Currency: US\$1 = £0.56 British pound (September 2005). The Guernsey pound is at par with the British pound. British pounds are accepted.

Legal system: Based on British law and local statute. Guernsey has a Magistrate's Court and a Royal Court. The bailiff or his deputy presides over the Royal Court. Final appeal is to the London Privy Council.

Government:

The head of state remains the British monarch (Queen Elizabeth II) who is represented by Lieutenant Governor and Commander-in-Chief Lt. Gen Sir John FOLEY (since 2000). A new form of local government structure came into effect after the 21 April 2004 election. The legislative body, the States of Deliberation, is made up of 45 deputies elected from seven districts. A new post of chief minister (Laurie Morgan since 1 May 2004) was created along with a deputy chief minister, both elected by the States. Government consists of a Policy Council, 10 departments and five committees. The departments are headed by ministers (chosen from the elected deputies), each of whom will sit on the Policy Council, an overall coordinating body for the departments and the committees. The chief minister sits as head of the Policy Council and may not serve as an ordinary minister. States deputies may not be ministers of more than one department. Each of the five committees are headed by chairmen chosen from the elected deputies. The islands of Alderney and Sark continue to have their own parliaments. The States of Alderney consists of an elected president and 12 people's deputies. Two members of the Alderney States who sit in Guernsey's States will continue to do so. Sark's government, the Chief Pleas, is made up of 40 tenants or landowners and 12 people's deputies and has no representation in Guernsey's States.

Elections for the States of Alderney were last held on 21 April 2004.

Economy: Financial services - banking, fund management, insurance - account for about 55% of total income in this tiny, prosperous Channel Island economy. Tourism, manufacturing, and horticulture, mainly tomatoes and cut flowers, have been declining. Light tax and death duties make Guernsey a popular tax haven. The evolving economic integration of the EU nations is changing the environment under which Guernsey operates.

Gross domestic product (2003): £1,386 million at market prices, a 3% real growth

Exports of goods and services: £3.2 billion (1999) of which financial services make up 76%

Imports of goods and services: £2.51 billion (1999)

Balance of payments: £661.9 million (1999)

Inflation rate (December 2004): 4.9% annual

Labour force (2001): 32,293 employed. Unemployment at below 1%.

Government accounts (2003): Total revenues of £288 million. Total expenditure: £204 million. Surplus £84 million.

Public holidays (2005)

1 January (New Year); 3 January (New Year Holiday) 25 March (Good Friday); 28 March (Easter Monday); 2 May (May Day bank holiday); 9 May (Liberation Day); 30 May (bank holiday); 29 August (summer bank holiday); 25 December (Christmas); 26 December (Boxing Day) 27 December (Christmas holiday).

Time Zone

GMT. The clock goes forward 1 hour at 1 am on the last Sunday in March and back to normal time at 1 am on the last Sunday in October.

Restaurant Guide

We recommend:

No 44 Indian Restaurant
No 44, The Pollet, St. Peter Port
Guernsey GY1 1WF
Tel. 01481 723246
Internet: www.vazonbayhotel.com

L'Escalier
6 Tower Hill
St. Peter Port
Tel. 01481 710088

Christies Restaurant
Le Pollet
St. Peter Port
Tel. 01481 726624

Da Nello Restaurant
46 Le Pollet, St. Peter Port
Guernsey GY1 1WF
Tel. 01481 721552