

Guernsey Chamber of Commerce - Consultation Response

Options under Consideration for the Taxation of Company Profits

27 February 2026

Summary

Guernsey Chamber of Commerce welcomes the opportunity to respond to this consultation on options for the taxation of company profits. The Chamber represents businesses across Guernsey's economy and provides a collective voice on issues of significance to the island's commercial health and competitiveness.

We have not surveyed our members on this topic. We have held information sessions for our members and have encouraged them to respond directly.

However, understanding our membership our response is guided by a set of overarching principles. Guernsey businesses already make a substantial and often underappreciated contribution to public finances - not only through corporate income tax, but through employer social security contributions, TRP, regulatory fees and a wide range of other fixed charges. This cumulative burden must be the starting point for any honest discussion of further reform.

We offer the following summary positions on each option:

- Option 1 (Full Profits): We are broadly supportive. It brings us into alignment with Jersey, offers administrative simplicity and generates modest revenue.
- Option 2 (Sector Extension): We have significant concerns. The cumulative impact on local businesses - particularly SMEs in professional services, construction and retail - would be substantial, especially if introduced alongside GST.
- Option 3a (Zero-15 Unilaterally): We are strongly opposed. Acting out of step with Jersey and the Isle of Man would be a serious and avoidable competitive mistake.
- Option 3b (Zero-15 in Alignment with Crown Dependencies): We can consider this if and only if it is progressed in full coordination with the other Crown Dependencies.
- Option 4 (Territorial Regime): We recommend this option is not progressed further. It introduces complexity, creates investor uncertainty and is highly likely to invite external scrutiny for limited fiscal gain.
- Option 5 (Levy): We appreciate the administrative simplicity, but oppose the blanket application of a flat levy to all registered companies. If progressed, it should apply only to businesses not currently captured within the tax framework, such as partnerships and dormant holding structures.

About Guernsey Businesses and the Current Tax Regime

The Chamber notes that the current consultation acknowledges Guernsey's overall corporate tax take is broadly aligned with other OECD jurisdictions. We wish to reinforce this point strongly. Public commentary and election-driven narratives that suggest businesses are not paying their fair share risk creating a misleading picture.

Guernsey businesses already contribute meaningfully and significantly to island revenues. In addition to corporate income tax, businesses carry:

- Employer social security contributions materially higher than those in Jersey or the UK

- TRP on commercial office space that has increased by over 400% in the past decade
- Secondary pension costs and rising compliance requirements
- Regulatory fees and licensing charges across numerous sectors

There should be recognition of the full contribution made by Guernsey businesses. Any framing of further reform must be honest about this cumulative burden. These are not abstract costs - they affect reinvestment capacity, employment decisions and the viability of local enterprise.

Option 1 — Full Profits

Views on impacts

The Chamber considers Option 1 to be a proportionate and well-targeted adjustment. Extending the 10% rate to the entirety of a company's profits, where that company is already engaged in regulated activity, aligns Guernsey's approach with that taken in Jersey. This consistency across Crown Dependencies is a meaningful benefit in its own right.

The option is relatively narrow in its application and the revenue it generates (estimated at up to £0.5m per year) is modest. However, the administrative simplicity it offers both companies and the Revenue Service represents value.

The principal risk is that affected businesses may restructure to separate regulated and non-regulated activities. However, the Chamber does not consider this risk to be of a scale that should prevent the option being progressed.

Confidence and obstacles

We rate this option as high confidence for business planning purposes. It introduces no fundamental change to the tax architecture and the affected population is limited.

Impact on competitive position

The competitive impact is minimal. Alignment with Jersey is itself a competitive benefit, reducing the scope for discrepancies that could complicate group tax planning or attract external comment.

Opportunities and benefits

The primary benefit is administrative clarity and alignment with Jersey. We would also note that the option reduces the incentive for artificial separation of income streams, which over time creates a tidier tax base.

Mitigations

No significant mitigations are required. We would suggest monitoring restructuring activity in the short term to assess behavioural impact.

Option 2 — Sector Extension

Views on impacts

The Chamber has significant concerns about Option 2. Extending the 10% or 20% corporate tax rates to professional services, construction and retail represents a material change in the tax treatment of domestically-focused businesses.

These sectors are employment-intensive and already operate under considerable cost pressure. They are subject to higher employer social insurance contributions than comparable jurisdictions, commercial TRP, increasing wage costs and growing compliance requirements. Introducing corporate income tax from the first pound of profit would reduce retained earnings available for reinvestment and working capital - particularly damaging for lower-margin businesses in cyclical sectors such as retail and construction.

The revenue yield of £0.8m to £16m must be weighed carefully against these risks. Given the wide range of estimates, behavioural responses could significantly erode the upper figure. The Chamber believes this risk is real, particularly if Option 2 is introduced alongside GST, which would compound the cumulative burden on the very same businesses.

There are also practical legislative challenges. Defining sector boundaries in legislation inevitably creates boundary issues and complexity that may ultimately outweigh the administrative gains.

Alternative: Profit Threshold Approach

The Chamber wishes to put forward a constructive alternative for consideration. Rather than taxing by industry classification, a profit-based threshold model may offer a fairer and more neutral solution. For example, applying zero tax on the first £200,000–£500,000 of profits, with the 10% or 20% rate applying only above that level, would preserve headroom for growth and reinvestment, apply consistently across all sectors, align contribution with profitability rather than business type, and reduce the long-term deferral of tax under Zero-10 for consistently high-profit businesses. Tax should arise because of profitability, not because of how a business is classified.

Confidence and obstacles

We rate our confidence in Option 2 as low. While businesses will adapt to almost any tax environment, the question is not whether plans can be implemented but whether they will be implemented as ambitiously. Option 2 reduces retained profits in sectors already operating with thin margins. This is likely to slow reinvestment, increase risk aversion and moderate growth decisions, particularly in combination with other planned measures.

Impact on competitive position

The impact on competitive position is moderate to significant. Domestically-focused businesses do not relocate in the same way as internationally mobile financial services firms, but the signalling effect matters. A perception that Guernsey is incrementally increasing costs on local enterprise - while the finance sector benefits from a protected regime - risks creating tensions within the business community and making Guernsey a less attractive environment for entrepreneurs.

Mitigations

If Option 2 is progressed, the Chamber strongly recommends the introduction of a profit threshold below which no tax applies. This would preserve the ability of smaller and growing businesses to reinvest and would make the measure significantly fairer in its incidence.

Option 3 — Zero-15

Option 3a: Unilateral enactment — strong opposition

The Chamber is strongly opposed to Option 3a. Moving unilaterally to a Zero-15 regime, departing from alignment with Jersey and the Isle of Man, would be a serious and avoidable competitive mistake.

Guernsey does not operate in isolation. The Crown Dependencies compete for internationally mobile business and investment. Even modest differences in corporate tax rates influence incorporation decisions, substance choices and the location of group structures. Moving ahead of Jersey and the Isle of Man would hand those jurisdictions a clear advantage in attracting new business - without any meaningful fiscal return, given Pillar 2 already applies a 15% effective rate to many in-scope companies.

The revenue uplift is limited. The competitive damage could be significant and lasting. Acting alone introduces avoidable economic risk for uncertain fiscal gain.

The Chamber's position is unambiguous: Option 3a should not be progressed.

Option 3b: In alignment with Crown Dependencies - conditional support

Option 3b is materially different from 3a. Retaining alignment with the other Crown Dependencies is a fundamental condition for any adjustment to the Zero-10 rate. If Jersey and the Isle of Man were to move to Zero-15 simultaneously, the competitive case against Guernsey doing likewise would be considerably weakened.

The Chamber considers Option 3b acceptable, subject to full and genuine coordination with the other Crown Dependencies. We would expect any agreement to be formalised before implementation and to include substantive commitments from all parties, not simply aspirational alignment.

We note that even in the aligned scenario, the revenue generated is limited - Pillar 2 already absorbs much of the potential uplift. Any move to 3b should therefore be considered as part of a broader fiscal framework, not as a standalone revenue measure.

Option 4 — Territorial Regime (4a and 4b)

Views on impacts

The Chamber recommends that Options 4a and 4b are not progressed further. A territorial regime represents a fundamental structural shift in Guernsey's corporate tax framework. The complexity, uncertainty and compliance costs it would introduce are disproportionate to the projected revenue yield.

Guernsey's current regime already produces largely territorial outcomes in practice. Formalising a territorial system would nonetheless require clear source attribution rules, transfer pricing provisions, expanded economic substance requirements and ongoing anti-avoidance oversight. Each of these elements adds regulatory burden, professional advisory costs and uncertainty - particularly around the definition of permanent establishment and the attribution of profits.

Critically, a territorial regime is highly likely to attract external scrutiny.

Business confidence and planning

The Chamber rates confidence in both 4a and 4b as very low. Businesses considering investment or relocation prioritise stability and predictability. A wholesale redesign of the tax framework — particularly one perceived as politically motivated rather than economically necessary —

undermines both. The uncertainty created by major regime change is itself a cost, even before any tax is collected.

Impact on competitive position

The impact on Guernsey's competitive position would be significant. Regime instability, the prospect of international review and the introduction of complex compliance requirements would all damage Guernsey's standing as a stable and predictable jurisdiction. This reputational dimension should not be underestimated.

Opportunities or benefits

The Chamber does not identify material benefits in either Option 4a or 4b that could not be achieved through less disruptive means. The revenue projections are modest and subject to significant behavioural uncertainty.

Recommendation

Option 4 in both variants should not be explored further. It makes Guernsey uncompetitive, creates investor uncertainty, invites external scrutiny and delivers limited fiscal return. The risk-reward profile is unacceptable.

Option 5 — Levy

Views on impacts

The Chamber appreciates the administrative simplicity that a flat annual levy offers and acknowledges that predictable revenue collection has genuine appeal from a public finance perspective. However, we have significant reservations about applying a blanket levy to all registered Guernsey companies.

A flat fee is inherently regressive in its impact. A levy of £250 to £500 per company bears the same absolute cost on a dormant holding structure as it does on a profitable trading business, and the same on a start-up as on an established firm. This cannot be justified on grounds of fairness or proportionality.

The Registry is already perceived by many businesses as a revenue mechanism rather than a cost-recovery service. Layering an additional levy on top of Registry fees, TRP, regulatory charges and other fixed costs will reinforce that perception and add to the cumulative burden on SMEs.

If introduced alongside GST, there is a further risk of policy interaction, particularly where schemes such as ISE intersect with corporate structures. These measures should not be considered in isolation.

Targeted application: A more proportionate approach

The Chamber's position is that if a levy is introduced, it should not be applied universally to all registered businesses. Instead, it should be targeted at entities not already captured within the direct corporate tax framework - for example, partnerships, limited liability partnerships and other structures that currently fall outside the income tax net but benefit from the legal infrastructure Guernsey provides.

Local trading companies - particularly SMEs and start-ups - should be excluded. These businesses operate with thin margins, carry significant employment obligations and already contribute through

a range of perimeter costs. There is no equivalent to Guernsey Finance or Jersey Business supporting non-finance sector businesses with dedicated promotional activity and resource. That asymmetry should be reflected in how costs are distributed.

Confidence and obstacles

For businesses currently subject to a levy, the impact on business planning would depend significantly on the rate applied and the overall cumulative burden at the time of introduction. We would rate the obstacle as moderate to significant for SMEs, particularly in sectors operating at lower margins.

Opportunities and benefits

The primary benefit is revenue certainty without requiring structural tax reform. It is also unlikely to trigger external review. These are genuine advantages. However, they are mechanical benefits and do not address underlying issues of tax design, fairness or long-term sustainability.

Mitigations

If Option 5 is progressed, the Chamber strongly recommends exempting local trading companies, particularly SMEs and start-ups. A tiered approach that mirrors the existing Registry fee structure, scaling the levy to the size and activity of the business, would be considerably fairer than a flat universal charge.

Further Comments

The Chamber notes that the revenue projections across most of the options presented are relatively modest. This inevitably points towards broader fiscal measures, most notably GST, as the only instruments capable of generating material and sustainable revenue. The Chamber encourages the Sub-Committee to consider any corporate tax reform as part of that broader strategic framework, rather than as a standalone response to fiscal pressure.

If corporate rates are to be adjusted, this should ideally be done in coordination with Jersey and the Isle of Man to preserve competitive alignment. Reform should be strategic, coordinated and transparent about trade-offs, not a series of incremental adjustments layered onto an already complex system.

The Chamber also notes that the personal tax cap warrants consideration as part of any comprehensive review. Guernsey's flat cap of £300,000 remains highly competitive compared to Jersey's graduated structure. Considered alongside GST and any corporate reform, a calibrated adjustment to the personal cap could demonstrate that contribution is being shared more broadly, strengthening both fiscal credibility and public confidence.

The Chamber stands ready to engage further with the Sub-Committee and welcomes the opportunity to provide supplementary evidence or participate in further dialogue on any of the options discussed above.

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