

# The Income Tax (Guernsey) (Budget) Ordinance, 2025

THE POLICY & RESOURCES COMMITTEE, in pursuance of the Resolutions of the States of the 4<sup>th</sup> November, 2025<sup>a</sup>, and in exercise of the powers conferred on the States by sections 39A, 203A and 208C of the Income Tax (Guernsey) Law, 1975<sup>b</sup> and on the Committee by Article 66A of the Reform (Guernsey) Law, 1948<sup>c</sup>, and all other powers respectively enabling the States and the Committee in that behalf, hereby orders:-

## **Amendment of 1975 Law.**

1. The Income Tax (Guernsey) Law, 1975 is further amended as follows.
2. In section 8(2) after "subject to subsection (2A) of this section" insert "and section 8A".
3. After section 8 insert the following section -

### **"Share award and share option schemes.**

8A. (1) This section applies in relation to a benefit within the meaning of section 8(2B) which consists of -

- (a) the awarding of shares under a share award scheme, or

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<sup>a</sup> Annual Budget for 2026 (propositions 1, 4, 6 and 7).

<sup>b</sup> Ordres en Conseil Vol. XXV, p. 124; the Law has been amended.

<sup>c</sup> Ordres en Conseil Vol. XIII, p. 288; the Law has been amended.

(b) the granting of an option to purchase shares under a share option scheme.

(2) In this section -

"**shares**" includes stock and other instruments of ownership, any interest of a capital nature and any capital interest of a member in a company limited by guarantee,

"**share award scheme**" means a scheme whereby shares are awarded or allocated to or acquired for an employee at no cost to the employee or at a price below value,

"**share option scheme**" means a scheme whereby an employee is granted an option to acquire shares at no cost to the employee or at a price below value,

"**value**" in relation to shares means actual market value on an arm's length basis,

"**vested**", in relation to shares, means that the shares are vested unconditionally in the employee's name;

and the Committee may by regulation amend this subsection by adding any definition to it or by removing or varying any definition specified in it.

(3) In the case of -

(a) a share award scheme -

(i) the benefit is considered to arise (and is therefore taxable) when the shares are vested in the employee, and not at the time of the award, and

(ii) the amount of the benefit, when it arises, is the value of the shares at the time of the award, after deduction of any consideration contributed by the employee,

(b) a share option scheme -

(i) the benefit is considered to arise (and is therefore taxable) when the option to acquire the shares is exercised by, and the shares are vested in, the employee, and not at the time of the grant of the option, and

(ii) the amount of the benefit, when it arises, is the value of the shares at the time of the grant of the option, after deduction of any consideration contributed by the employee.

(4) Notwithstanding the provisions of subsection (3), if on

the expiration of a period of 7 years -

- (a) beginning, in the case of a share award scheme, on the date of the award of the shares, the shares or any of them have not been vested in the employee,
- (b) beginning, in the case of a share option scheme, on the date of the grant of the option -
  - (i) the option has not been exercised in respect of the shares or any of them, or
  - (ii) the option has been exercised in respect of the shares or any of them but the shares have not been vested in the employee,

then (irrespective of any longer period stipulated by the scheme) the shares -

- (A) which, at the time of the expiration of that period, have not been vested in the employee, or, as the case may be,
- (B) in respect of which the option has not been exercised or the option has been exercised but have not been vested in the employee,

shall be deemed to have been vested in the employee, or to have been acquired pursuant to the option and vested in the employee, at that time, and tax under this Law shall be payable accordingly on the basis set out in subsection (3)(a)(ii) or (3)(b)(ii).

(5) Subsection (4) applies only to awards of shares under share award schemes or grants of options under share option schemes occurring after the 31<sup>st</sup> December, 2025; and in respect of awards of shares or grants of options occurring on or before that date, the provisions of this Law as they had effect on or before that date (subject, where applicable, to Statement of Practice No. E43, "Profit sharing and other share option schemes") shall continue to have effect and tax under this Law shall be payable accordingly.

(6) Notwithstanding the provisions of subsection (3), and in addition to the provisions of subsection (4), if an employee to whom an award of shares has been made under a share award scheme or to whom an option to acquire shares has been granted -

- (a) dies,
- (b) retires or otherwise ceases to be employed by the employer, or
- (c) ceases to be resident in Guernsey,

then any shares -

- (i) which have not been vested in the employee, or, as the case may be,
- (ii) in respect of which the option has not been exercised or the option has been exercised but have not been vested in the employee,

at the time of the event specified in or under paragraphs (a) to (d) shall (unless the award or option is forfeited or otherwise terminated by the event) be deemed to have been vested in the employee, or to have been acquired pursuant to the option and vested in the employee, at that time, and tax under this Law shall be payable accordingly on the basis set out in subsection (3)(a)(ii) or (3)(b)(ii).

(7) If an employee ("E") to whom an award of shares has been made under a share award scheme or to whom an option to acquire shares has been granted becomes liable to tax under this section and section 8 in respect of the award or option, but the shares or any of them have never been vested in E, E may request the Director to revise E's assessment for the year of charge in which the liability arose.

(8) Upon receipt of a request under subsection (7), and without prejudice to any other power conferred on the Director by this Law, the Director may -

- (a) request such information and documents from the employee, the employer and the trustees or

other persons having management of the scheme, and

(b) make such inquiries,

as the Director thinks fit and, if satisfied that the employee never received or benefitted from the shares in question or any of them, may revise the assessment for the relevant year of charge accordingly."

4. In section 13(1) after the words "If in respect of any year of charge" insert "prior to 2026".

5. After the proviso to section 13(1) insert the following proviso -

"And provided also that, in respect of any year of charge after 2025 -

(a) the owner of the land or building ("A") may, if A proves that the cost to A of the maintenance, repairs, insurance and management of the land or building has, in any single year of charge after 2025, exceeded the amount to be deducted from the annual rental value on account of repairs as provided in section 12, A shall, in addition to the authorised deductions, be entitled to have the income of that year of charge which would otherwise be assessable in respect of the land or building on which the expenditure has been incurred reduced by the amount of the excess,

(b) the first proviso to this subsection, and the other

provisions of this Law, shall apply with appropriate modifications to a claim under paragraph (a) of this proviso,

(c) a claim under this subsection based on the average of the cost to A of the maintenance, repairs, insurance and management of the land or building in the five years preceding that year of charge may not be made, but this paragraph (c) is without prejudice to -

(i) for the avoidance of doubt, any such claim under this subsection in respect of any year of charge prior to 2026, and

(ii) the provisions of any transitional regulations of the Committee under paragraph (d), and

(d) the Committee may by regulation make provision for effecting the transition from the provisions of this section as they had effect immediately before the 1<sup>st</sup> January, 2026 to the provisions of this section as they have effect (subject to the provisions of the regulations) immediately thereafter; and regulations under this paragraph may, without limitation -

(i) make such modifications to the provisions of this section as the Committee thinks appropriate for the purposes of effecting the transition, and

- (ii) authorise the Director to make such adjustments and apportionments as respects the liability of any person to tax under this section as may in the Director's opinion be appropriate."

6. For section 62AA(1) substitute the following subsection -

"(1) For the purposes of this Law a "**distribution**" includes -

- (a) any distribution made out of the assets of a company including a dividend, but does not include any repayment of capital to the member or the amount of value of any new consideration given by the member for that distribution, and
- (b) any transfer of the assets of the company for the repayment of, or otherwise, in respect of, an advance of money to the company by a member of the company or by a person connected to a member (whether or not the advance is secured), but does not include the repayment of commercial loans made to trading companies,

and for the purposes of paragraph (b) -

- (i) "**commercial loan**" means a loan advanced on an arm's length basis on terms and conditions that would be available from an unconnected third

party, carrying a commercial rate of interest, and

- (ii) "**trading company**" means a company deriving income from business."

**Amendment of 2007 Tax Relief Ordinance.**

7. In the table in section 1(2)(b)(ii) of the Income Tax (Tax Relief on Interest Payments) (Guernsey) Ordinance, 2007<sup>d</sup>, for the entries relating to years of charge 2025, 2026, 2027, 2028, 2029 and subsequent years of charge, substitute the following -

£3,500	£0	2025
£3,500	£0	2026
£3,500	£0	2027
£3,500	£0	2028
£3,500	£0	2029 and subsequent years of charge

**Citation.**

8. This Ordinance may be cited as the Income Tax (Guernsey) (Budget) Ordinance, 2025.

**Commencement.**

9. This Ordinance shall come into force on the 1<sup>st</sup> January, 2026.

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<sup>d</sup> Ordinance No. I of 2008; the Ordinance has been amended.