

UPDATE

Partnerships to be brought within scope of Guernsey's economic substance requirements

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The Guernsey Revenue Service (GRS) has announced the intention to bring partnerships carrying on a relevant activity within scope of the economic substance framework.

In response to commitments made by the States of Guernsey to the EU Code of Conduct Group, the GRS has announced that economic substance requirements which apply to companies will be extended to include partnerships.

Which partnerships are within scope?

The intention is that the economic substance requirements will apply to all partnerships which are carrying on a **relevant activity**, other than those which may be exempt (as set out below).

The term **partnerships** includes:

- general partnerships formed in Guernsey;
- limited partnerships (both with and without legal personality) formed under the Limited Partnerships (Guernsey) Law, 1995;
- limited liability partnerships formed under the Limited Liability Partnerships (Guernsey) Law, 2013; and
- foreign partnerships (including limited partnerships and limited liability partnerships) formed outside of Guernsey which have their place of effective management in Guernsey and carry on business activity in Guernsey.

Notably collective investment schemes regulated by the Guernsey Financial Services Commission **continue to be out of scope** (unless self-managed); and any person who is a partner of the partnership is not required to meet the economic substance requirements (rather it will be considered at the partnership level).

Exemptions under review

The EU Commission is considering the following exemptions:

- partnerships made up of individual partners where all partnership income will be subject to personal income tax in Guernsey;
- wholly domestic partnerships, ie solely operating in Guernsey and not part of a group of multinational enterprises; and
- partnerships with a nexus ('place of effective management') outside of Guernsey, comparable to a company that is not tax resident in Guernsey.

What will the reporting requirements be for partnerships?

Reporting requirements are anticipated to change, including a requirement that **all partnerships** register with the GRS and file an annual confirmation of whether they need to file economic substance information. The tax return filing deadline will be the same as that for companies which must be filed online together with the partnership's financial statements.

When will the requirements come into force?

Partnerships in existence as at 30 June 2021 will be in scope for accounting periods commencing on or after 1 January 2022 and partnerships formed on or after 1 July 2021 will be in scope from the date of formation.

The GRS circular published on 11 May 2021 announcing these key changes can be found [here](#). We do not have any further detail at this stage. We understand that the draft legislation setting out the granular detail is under consideration and, as noted above, we wait to see what the EU Commission accepts as exempt partnerships.

For further details on economic substance, including which activities are **relevant activities** for economic substance purposes, refer to our Legal Guide [here](#).

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