



**KEY THINGS
TO CONSIDER**

Guernsey Secondary Pensions

TAX UPDATE

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Guernsey Secondary Pensions

Over recent years it has been well documented that Guernsey is facing an ageing population, many of whom may not have been given the opportunity to make adequate provision for their retirement. Although some employers offer a workplace pension others do not and this may place their employees at a disadvantage. Therefore, the States of Guernsey have sought to address this concern by approving the establishment of a secondary pension scheme into which employees will be automatically enrolled.

- All Guernsey employers will be required to establish suitable pension arrangements for their employees so that everyone has access to a high-quality, affordable pension product. This is due to be phased in on 1 October 2023, depending on the number of employees (see Chart 1).
 - Both employer and employee will be required to make contributions. The percentage of contributions will increase over an 8 year period until eventually total contributions will reach 10%. (see Chart 2). (However, the employer may be prepared to pay sufficient contributions to cover the employee's share but not vice versa).
 - The scheme must be offered to all Guernsey resident employees, within 3 months of their date of employment, between the ages of 16 and State pension age. However, employees of pensionable age may choose to opt into the scheme up to the age of 75. Employees in full time education are not required to be automatically enrolled but may opt in*.
 - Flexibility is an important element of these new regulations and employees may choose to opt out of the scheme, in which case the employer is not required to make any contributions. They should be automatically re-enrolled every 3 years but may then choose to opt out again. If they wish they can opt in at any time more than 6 months after they last opted out (with employer contributions recommencing).
 - The contributions will be calculated based on income for Social Security purposes. If the income is below the lower limit (£7,904 for 2022) the employee will not be required to be automatically enrolled in the scheme but may still choose to opt in*. Contributions will only be payable up to the upper limit for Social Security (£157,404 for 2022).
 - Both the employer and employee may choose to make additional voluntary contributions.
 - Employers will be entitled to tax relief for their contributions. Individuals may also be entitled to tax relief on their contributions depending on their circumstances (BDO can provide assistance in establishing whether tax relief is available).
 - The employer may have an existing pension scheme in place for employees and may continue to operate this rather than the new pension scheme as long as it is an approved pension scheme and meets the parameters set out by the States of Guernsey. As an alternative, the employer may set up a new qualifying pension scheme.
 - For those employers that don't wish to offer their own scheme, the States of Guernsey are setting up a scheme called 'Your Island Pension' and are appointing external trustees to administer it. The scheme will be legally separate from the States of Guernsey and the States will have no access to it. Self employed and non-employed individuals will also be able to join this scheme.
 - Employers will be monitored to ensure that they comply with these new regulations.
- *In these circumstances where employees opt in there is no obligation for the employer to make contributions.

Chart 1

DUTY COMMENCEMENT DATE	NUMBER OF EMPLOYEES AS OF 1 OCTOBER 2023
01/10/2023	26 +
01/01/2024	11 – 25
01/04/2024	6 – 10
01/10/2024	2 – 5
01/01/2025	1

Chart 2

	Launch Year	+1	+2	+3	+4	+5	+6	+7
Employee	1%	1.5%	2%	3%	4%	5%	6%	6.5%
Employer	1%	1%	2%	2%	3%	3%	3%	3.5%
Total	2%	2.5%	4%	5%	7%	8%	9%	10%



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