

SOCIAL INSURANCE

The Guernsey Revenue Service (GRS) is responsible for the determination and administration of certain state benefits. This includes the collection of social insurance contributions. Although there is no direct connection between the GRS and the Department of Social Security (DSS) in the United Kingdom, there is a reciprocal agreement with the United Kingdom and it is possible that National Insurance contributions which have been paid in the United Kingdom while an individual was resident there may be taken into account when calculating certain benefits available in Guernsey to that same person, once they have become resident in Guernsey. Similarly, contributions paid in Guernsey will affect the level of benefit received in the United Kingdom. Note that there are similar reciprocal arrangements with other countries including France, Switzerland and the USA.

The Island operates a compulsory health scheme and this applies to anyone who has been resident in Guernsey for 26 weeks or more. The scheme covers specialist consultations, procedures and treatment in the United Kingdom, but not primary care provided by General Practitioners.

The contributions for the scheme are made by 1% deduction from salary or 1% payment of income assessed by the GRS, depending on the individual's circumstances. For individuals in employment, half of the contributions will be made by the employer. For a married couple, both partners make separate contributions.

An individual should register with the GRS within 26 weeks of arriving on the Island although employed persons must register immediately. Contributions are payable by any individual who is resident in the Island and is over the age of 18. The contributions vary according to whether the individual is employed, self-employed or non-employed.

Newly resident self-employed and non-employed individuals become liable to pay contributions after 26 weeks of residence. However, contributions can voluntarily be paid immediately on arrival in the Island for permanent residence. There is no liability to pay contributions during any continuous period of absence of 13 weeks or more. Individuals who are "resident only" for tax purposes are only liable to pay contributions in the weeks that they are physically present in the Island.

Class 1 - Employed Persons

Contributions are payable by both the employee (7.0%) and the employer (6.8%). Contributions are calculated as a percentage of the gross earning and are restricted according to the level of an individual's earnings. They are deducted by the employer and are submitted to the Department on the employee's behalf.

No contributions are due if the employee earns less than £163 per week or £706 per month. The highest level of earnings in 2023 on which contributions are calculated is (for both employers and employees contributions) £3,240 per week or (for both employers and employees) £14,040 per month.

Class 2 - Self Employed Persons

The upper earnings limit for a self-employed person is £168,480 for 2023. This amount is calculated on the basis of an individual's net earnings after deduction of all allowable expenses. The Class 2 contribution per week cannot exceed 1/52 of this limit. Class 2 contributions are calculated at a rate of 11.6% of net earnings and are payable on a quarterly basis.

Class 3 - Non-Employed Persons

In 2023 the weekly contribution for an individual with annual income exceeding £168,480 is £336.25 (full rate) and £110.04 (specialist and long term care cover). The full rate covers contributions for pension rights, health cover and specialist care cover. Persons over pension age are required to contribute for specialist and long term care cover only). If annual income is less than the upper income limit contributions are calculated on annual income at the rate of 11.0% in relation to the full rate and 3.6% of income in relation to specialist and long term care cover.

There is a Class 3 income allowance of £9,527 per annum which is deducted from the individual's income before applying the relevant percentage to calculate the level of contributions payable. Where annual income is lower than £21,190, no contributions are payable.

Contacts

If you would like further advice or information in relation to the issues outlined within this document, please do not hesitate to get in touch with your usual BDO contact or any of the individuals listed below:

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