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Changes to Guernsey's document duty

NOVEMBER 2022

Introduction

New document duty rates applicable to certain transactions came into effect on 2 November 2022 in Guernsey. These rates will apply to all transactions registered from that date.

So, what has changed?

The changes target two areas:

- Non-principal private residences
- Downsizing

Non-principal private residences

If a residential property is purchased by someone, and is not utilised as their main home, or the main home of someone associated with them (such as a close family member), document duty is payable at higher rates.

An uplift of 2% additional duty is payable on top of the standard rate.

By way of illustration, the revised rates for these purchases are set out below (and our document duty calculator has been updated to assist you):

	From	To	Present Rate of Duty	New Rate of Duty
Tier 1	£0.00	£250,000.00	2.25%	4.25%
Tier 2	£250,000.01	£400,000.00	3.50%	5.50%
Tier 3	£400,000.01	£750,000.00	4.00%	6.00%
Tier 4	£750,000.01	£1,000,000.00	4.25%	6.25%
Tier 5	£1,000,000.01	£2,000,000.00	4.50%	6.50%
Tier 6	£2,000,000.01	£999,999,999.00	5.50%	7.50%

Downsizing

Those who are downsizing will benefit from a reduction of document duty, subject to certain criteria.

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On a qualifying purchase of a replacement principal residence (or 'main home'), the first £400,000.00 of the property value will be exempt from the payment of document duty (i.e. document duty is only payable on that part of the value that exceeds £400,000.00).

This relief is subject to satisfaction of the following conditions:

1. There must be a reduction in the Tax on Real Property rating of at least 25% between the property being purchased compared to that being sold – to demonstrate the downsize;
2. The property being sold must have been the individual's main home for at least two years; and
3. The scheme may only be utilised once by buyers (i.e. if a couple sells a jointly owned property, and intend to separately purchase a qualifying smaller property each, the reduction would apply on the first property purchased).

The downsizing provisions will no longer apply from 1 January 2025.

If you have any questions on the criteria for the new document duty rates with regards to downsizing, please contact Collas Crill's Guernsey Property Team.

Transitional relief

Relief is available for a transitional period, in the form of refunds of the additional duty paid, in the case of:

- downsizing transactions concluded between 3 October and 2 November 2022; or
- non-principal residential purchases, which were legally-binding prior to the 3 October 2022.

Collas Crill's view

Paul Nettleship, Partner and Head of Collas Crill's Guernsey Property Team said: 'The States of Guernsey are encouraging the freeing up of larger homes, and apply a punitive tax on second homes/buy-to-lets. Market interference can have unintended consequences but hopefully this 'carrot and stick' approach will have a positive effect.'

Jason Green, Partner in Collas Crill's Guernsey Property Team said: 'The downsize relief is a useful tool to encourage those people with homes too large for them to downsize, but only time will tell as to what real difference this will achieve in the States' aim to ease the housing issues that Guernsey is experiencing.

'Likewise, it will be interesting to see if the numbers of people buying buy-to-let properties will reduce singly due to an increased level of duty. Whilst the sentiments are admirable, will it help the housing crisis?'

For further information, please contact Collas Crill's Guernsey Property Team.

About Collas Crill's property team

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Collas Crill's Guernsey property team is rated as 'Top Tier' in both Legal 500 and Chambers, the leading international legal directories. It is one of the largest teams in Guernsey and includes a dedicated UK real estate offering. The team has more than 100 years of collective experience and is known for our practical, problem-solving approach. The team advises on all aspects of Guernsey property law, and has a proven track record for planning matters, including initial advice, running all the way through to successful planning appeals.

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