



Global Reward Update Guernsey

Changes to taxation of share award
schemes and options

October 2025



Headline

New rules effective 1 January 2026 (subject to the approval of the States of Guernsey following a debate on 4 November 2025) will change the timing of the payment of tax and social security on share award and share option schemes in Guernsey from grant to vest/exercise.

The value of the benefit arising will still be calculated at the point of grant.

What has changed

In the 2026 Guernsey Budget published on 7 October 2025, the Policy and Resources Committee recommended changing the point of payment of tax arising on benefits in kind in relation to share award and share option schemes.

The point of payment has changed from the date on which the share award or share options are granted to the date on which the award vests or the options are exercised, subject to certain conditions.

This makes redundant the existing concessionary treatment under Statement of Practice E43, under which it was possible to defer payment from grant until vest/exercise where the vesting period was three years or less and prior approval was received from the Director of the Revenue Service.

The change, subject to approval by the States of Guernsey, takes effect for all share or option grants from 1 January 2026.

Historic position

For awards prior to 1 January 2026, employers have been required to withhold tax and social security on the benefit in kind arising at the date of grant of a share award or share options. This is calculated based on the difference between the arm's length market value of the shares on that date and any contribution paid or payable by the recipient of the award or options.

This has created a dry tax charge on individuals, who have had tax withheld on remuneration they have not yet received. This has also meant that where an award has been forfeited or options have not been exercised, the individual's tax assessment for the year of grant has needed to be amended at the time of forfeiture to remove the award or options from taxable income.

Statement of Practice E43 has made it possible to defer payment of the tax and social security until the award vests or the options are exercised, but only where the vesting period is three years or less and the Director of the Revenue Service has been satisfied that the employer has procedures in place to ensure that tax will be paid forthwith (if the award or options are not forfeited) if an employee leaves their employer, retires, leaves Guernsey or dies.

New position

From 1 January 2026, the calculation of the taxable benefit in kind will remain, but the date of payment will be deferred to the time of vest or exercise in most cases, preventing the dry tax charge.

Payment will not be deferred to vest in cases where the vesting period is greater than seven years; where the vesting period is greater than seven years, the tax becomes payable at the seven year point. It has not yet been confirmed what will happen in cases where an award is taxed at the seven year point but is later forfeited, but it would be consistent with the historic position for an individual's assessment to be revised in such cases.

As was the case where E43 was used, if an employee leaves their employer, retires, leaves Guernsey or dies the tax becomes payable immediately, so employers will need to have procedures in place to monitor this.

Reporting

Reporting of benefits in kind in Guernsey should be done through the Employees Tax Instalment ("ETI") Scheme used for all employment remuneration in Guernsey, which is done quarterly by the 15th of the month following the end of the calendar quarter. The amount of the taxable benefit will need to be included in the gross income declared for the quarter in which the tax is payable.

Deloitte's view

Employers should familiarise themselves with the new rules and be prepared to update their processes and scheme documentation to reflect the changes. Upon publication of any more detailed guidance by the Guernsey Revenue Service, we will share further updates.

Who to contact

If you would like our assistance with updating your processes and/or scheme documentation to reflect the changes, or have any further questions, please speak to your usual Deloitte contact or any of the contacts listed below.

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