

THE STATES OF DELIBERATION
of the
ISLAND OF GUERNSEY

15th July, 2026

Proposition No. P. 2026/

Policy & Resources Committee

Tax Reform 2026

AMENDMENT

Proposed by: Deputy G A St Pier

Seconded by: Deputy T Rylatt

1. To insert an additional proposition:

“To direct the Policy & Resources Committee and the Committee *for* Employment & Social Security to recommend to the States of Deliberation annually uprating:

- the personal income tax allowance;
- the social security contributions allowance;
- the threshold at which income tax at the higher rate of 20% is applied;
- the level of the payment under the Essentials Cost Relief Payment; and
- the rates of the States Pension, Income Support and any other impacted benefits

by a minimum of RPIX with a view to ensuring that the real value after inflation of the protection incorporated in the package of reform is maintained.”

Rule 4(1) Information

- a) The proposition contributes to the States’ objectives and policy plans by providing clear policy direction to protect the policy objectives set out in the policy letter.
- b) Consultation has taken place with the Policy & Resources Committee and the Committee *for* Employment & Social Security.
- c) The proposition has been submitted to His Majesty’s Procureur for advice on any legal or constitutional implications.

- d) There are no financial implications to the States of carrying the proposal into effect.
- e) Drafting advice has been sought from the States Greffier and advice was sought from officers of the Policy & Resources Committee and the Committee for Employment & Social Security.

Explanatory Note

The effect of this amendment is to strengthen the policy in respect of the mitigations associated with the introduction of GST.

The package is being proposed by the Policy & Resources Committee on the basis that it is generally progressive. It seeks to protect lower and middle-income households through compensatory measures, including changes to the personal income tax allowance, a higher-rate income tax threshold, the Essential Costs Relief Payment, the States Pension, Income Support and other impacted benefits.

Those mitigations are central to its fairness and are the basis on which members are being asked to support the introduction of GST.

In February 2026, the States passed the following resolution:

“To agree that the GST legislation must provide that should the States at any time in the future wish to increase the standard rate of GST, proposals must include compensatory adjustments to:

- *the personal income tax allowance;*
- *the threshold at which income tax at the higher rate of 20% is applied;*
- *the level of the payment under the Essentials Cost Relief Payment; and*
- *the rates of the States Pension, Income Support and any other impacted benefits*

in order to ensure that the protection incorporated in the package of reform is maintained.”

However, that resolution only protects the mitigations in the event of an increase in the standard rate of GST.

Therefore, the purpose of this amendment is to allow the States to make a policy commitment to prevent 'fiscal drag' (by which tax revenues are increased by allowing inflation to erode away the value of the mitigations with below inflationary increases in the specified allowances and thresholds) whilst allowing the States the flexibility to determine the appropriate annual change in light of the economic and fiscal environment.

This amendment is supported by Forward Guernsey.