P.2026/49 Amdt 14

THE STATES OF DELIBERATION
of the
ISLAND OF GUERNSEY

15th July, 2026

Proposition No. P. 2026/49

Policy & Resources Committee

Tax Reform 2026

AMENDMENT

Proposed by: Deputy H Camp
Seconded by: Deputy G Collins

To delete Propositions 1 to 3 and substitute therefor:

"1. To agree that neither the proposed Goods and Services Tax nor the associated Income Tax and Social Security contribution reforms detailed in the Policy Letter shall be introduced as part of the Tax Reform Programme.

2. To agree that the proposed Transport Taxes shall proceed as set out in this Policy Letter at Paragraph 9.7 and as more specifically described therein.

3. To agree that the proposed Corporate Tax amendments shall proceed as set out in Paragraph 9.21 of this Policy Letter and as more specifically described therein, excepting that at the third bullet point of paragraph 9.21, the term "ISE" shall be substituted with "Corporate Levy" (and this substitution shall take effect wherever relevant).

4. To direct the Policy & Resources Committee to develop and bring before the States proposals, for implementation on the same timetable as the tax measures proposed in this Policy Letter where reasonably practicable, for the introduction of a Corporate Levy payable by registered Guernsey companies, having regard to the work previously undertaken by the Tax Review Sub-Committee, and including consideration of whether such levy should comprise:
   a) a fixed annual levy payable by each registered company;
   b) a levy differentiated according to the size or scale of the undertaking, including consideration of whether existing company classifications may provide an appropriate and proportionate basis for differentiation; or
   c) such other structure as the Committee considers best achieves the objectives of fairness, administrative simplicity and efficient revenue collection.

5. To direct the Committee for Economic Development, in consultation with the Policy & Resources Committee, to develop and bring before the States, on the same timetable where reasonably practicable, proposals for the introduction of a Visitor Levy in accordance with the extant States Resolution, with all revenues arising from such levy to be paid into the General Revenue Account and not hypothecated for expenditure by any particular Committee or industry sector.

6. To direct the Policy & Resources Committee to revise the implementation programme and associated implementation budget for Tax Reform to reflect the removal of the proposed Goods and Services Tax and associated Income Tax and Social Security contribution reforms, including the consequential reduction in implementation cost, implementation activity, systems development, staffing and administrative requirements.

7. To direct the Policy & Resources Committee to return to the States with:
   a) a revised implementation programme;
   b) a revised implementation budget;
   c) revised estimates of one-off implementation costs;
   d) revised estimates of ongoing administration costs;
   e) revised estimates of annual recurring revenues; and
   f) revised staffing assumptions,

   reflecting the alternative package approved under this Proposition within a period that results in the States being capable of meeting the proposed implementation timetable as proposed within the Policy Letter.

8. To direct the Policy & Resources Committee to return to the States with an assurance review in 2030 as set out in section 12 of the Policy Letter, the scope of which shall be adjusted, where necessary, to take account of the removal of GST and Social Security measures from the package under these proposals and the application of those measures considered herein.".

Rule 4(1) Information

a) The proposition contributes to the States' objectives and policy plans by creating future revenue streams and diversifying those obtained through vehicle taxation into longer-term sustainable measures in a manner that is proportionate to the immediate financial needs of the Island.

b) Some limited consultation has taken place with the Policy & Resources Committee.

c) The proposition has been submitted to His Majesty's Procureur for advice on any legal or constitutional implications.

d) There are no intended financial implications to the States of carrying the proposal into effect beyond those already in contemplation by the Policy Letter.

e) Drafting advice has been sought from the States Greffier.

Explanatory Note

i. This amendment does not necessarily support the premise that the need for tax reform is now, particularly given that this Assembly has not had sufficient time to make inroads into the need for a realistic government-wide economic growth strategy nor for a fundamental review of the way in which the public sector spends public money in the manner in which it delivers public services. It also recognises that, in the main, the proposals put forward by the Policy & Resources Committee demonstrate that there is time to delay a discussion on real tax reform, given the relatively minor real impact of their proposals on either the ultimate tax take or efforts to diversify the tax-base (owing to the many mitigations sought).

ii. Its purpose is to demonstrate to the Assembly that there is a credible alternative package capable of delivering the majority of the additional revenues cited within the Policy & Resources Committee's Tax Reform 2026 Policy Letter (the "Policy Letter") now whilst minimising inflationary impacts, implementation costs, administrative complexity and ongoing compliance burdens.

iii. The objective of the amendment is to secure sustainable recurring revenues whilst preserving flexibility for future fiscal reform, which appears to be capable of discussion in 2030 on an interpretation of the Policy Letter, 2030 being the date the Assurance Review is designed to be concluded and presented to the States for further consideration.

iv. Rather than asking Members to decide simply whether or not to introduce GST, this amendment invites comparison between two tax reform packages capable of delivering additional recurring revenues by different means and utilising elements already included in or explored as part of the Policy Letter.

Principles of the Alternative Package

v. The amendment has been developed against six guiding principles:
   a. to provide additional recurring revenues;
   b. to minimise the costs of collection;
   c. to minimise administrative burdens on businesses and Government;
   d. to provide certainty for those business sectors most likely to be impacted by GST;
   e. to avoid unnecessary inflationary impacts; and

f. to preserve flexibility for future fiscal reform.

Comparison with the Policy Letter

vi. This amendment accepts much of the overall direction of the Policy Letter, which seeks to plug an immediate gap in public finances whilst bigger preparatory work is completed about future new revenue streams and efforts to streamline the public sector, its services and the way in which they are delivered within reasonable and proportionate limits and through a limited extant efficiency savings directive.

vii. It retains the proposed transport taxation measures and extensions to corporate taxations, continues work on a Visitor Levy previously directed by the States, and replaces the proposed International Services Entity annual charge with a broader Corporate Levy capable of generating comparable recurring revenues.

viii. The principal difference between the two packages therefore lies in the proposed introduction of GST together with the associated Income Tax and Social Security reforms.

ix. The question for Members is therefore not whether additional revenue should be raised, but whether the additional revenue expected to arise from GST and the associated Social Security reforms justifies the significantly greater implementation costs, administrative complexity, compliance obligations and inflationary consequences associated with those measures, either on an ongoing basis or even up to the 2030 Assurance Review period.

Corporate Levy

x. The Tax Review Sub-Committee (constituted by this Policy & Resources Committee) considered a Corporate Levy within an indicative range of £250–£500 per registered Guernsey company.

xi. Its work suggested that such a levy could reasonably generate annual revenues broadly within the range of approximately £5 million to £10 million, with a midpoint estimate of approximately £7.5 million per annum.

xii. This amendment deliberately leaves the detailed design of the levy to the Policy & Resources Committee. The Committee is invited to consider whether the levy should comprise a fixed annual amount, a differentiated levy reflecting the size or scale of companies, or another structure which best achieves fairness, administrative simplicity and efficient revenue collection.

xiii. Importantly, the Corporate Levy replaces the proposed International Services Entity ("ISE") annual charge already contained within the Policy Letter. The amendment therefore substitutes one recurring corporate charge for another rather than introducing an entirely new concept.

xiv. Admittedly, the Corporate Levy will capture more companies than the ISE, which is aimed at financial services businesses in the main. Consultation undertaken by the former Tax Review Sub-Committee indicated that smaller businesses expressed greater reservations regarding a Corporate Levy than larger businesses. Members are now, however, in a position to compare that proposal against the alternative of ongoing GST compliance obligations and the uncertainty it creates in respect of future rate-hikes and iterative changes, which appear feasible from 2030 onwards.

xv. Whilst a Corporate Levy represents a direct annual cost, it is likely to impose materially lower ongoing administrative and compliance burdens than GST, particularly for smaller businesses which would otherwise incur continuing obligations associated with registration, record-keeping, reporting and compliance. It also avoids the opportunity costs associated with management time being diverted towards tax administration or the risk that GST becomes the "straw that broke the camel's back" for many of our small businesses.

Visitor Levy

xvi. The States has already resolved that work should continue on the development of a Visitor Levy.

xvii. The current Policy Letter assumes that visitors would contribute approximately £5 million annually through GST. Whilst the Visitor Levy proposed by this amendment is not expected to generate revenues of that magnitude, it provides a realistic and proportionate mechanism through which visitors can make a direct contribution towards the public services and infrastructure they utilise during their stay.

xviii. Previous work undertaken for the States concluded that a Visitor Levy is capable of generating meaningful recurring revenues and could reasonably be introduced in Guernsey. Such levies are now a standard feature of many established tourist destinations internationally and are becoming increasingly commonplace.

xix. The amendment continues work already directed by the States whilst providing that any revenues generated should be paid into the General Revenue Account rather than being hypothecated to a particular sector.

xx. Importantly, a Visitor Levy is not incompatible with any future decision to introduce GST. Many jurisdictions successfully operate both a broad-based consumption tax and a Visitor Levy. Accordingly, introducing a Visitor Levy now does not prejudice future fiscal choices available to the Assembly.

Removal of GST, Income Tax and Social Security Reforms

xxi. The proposed Income Tax and Social Security reforms are an integral component of the GST package.

xxii. Removing GST correspondingly removes the need for those reforms together with the implementation work, systems changes and ongoing administration required to support them.

xxiii. It provides Guernsey with time to consider the ongoing viability of new revenue-streams, currently identified as uncertain, in line with the timeline established by the Policy & Resources Committee in this Policy Letter, Crucially, it allows for the decision on the introduction of GST to be taken with the benefit not only of these prospective inputs being better understood but also the States' success in improving economic conditions for the population, such as through economic growth or a cooling-off of the over-heated residential property market.

Reduced Implementation Costs

xxiv. The introduction of GST requires the creation of an entirely new taxation regime supported by significant investment in legislation, information technology, communications, taxpayer education, registration systems, compliance activity, audit functions, enforcement capability and additional public sector resources.

xxv. It also requires consequential changes to Income Tax and Social Security systems and associated administrative processes.

xxvi. By contrast, the Corporate Levy would largely utilise existing company registration and administrative infrastructure, whilst the Visitor Levy and transport taxation measures are comparatively straightforward fiscal measures.

xxvii. Importantly, because this amendment replaces the proposed International Services Entity annual charge with a Corporate Levy, the principal additional complexity contained within the Policy Letter relates to the introduction of GST and the associated Income Tax and Social Security reforms themselves.

xxviii. The accompanying financial comparison demonstrates that, once the International Services Entity charge is replaced in this way, the incremental fiscal benefit derived from GST and the associated Income Tax Social Security reforms becomes materially narrower than comparison of gross revenues alone would suggest.

xxix. Members are therefore invited to consider whether that additional revenue justifies the creation of a wholly new tax regime together with the associated implementation costs, ongoing administrative requirements, business compliance obligations and inflationary consequences.

xxx. Rather than attempting to prescribe revised implementation costs within this amendment, the amendment directs the Policy & Resources Committee to revise the implementation programme and associated budget to reflect the reduced scope of implementation.

Inflationary Consequences

xxxi. The States' own economic advice anticipates that GST would result in a one-off increase in inflation.

xxxii. That increase would in turn contribute to higher public expenditure through index-linked benefits, pensions and other inflation-sensitive costs, as well as increasing costs more generally across the economy.

xxxiii. By removing GST, the alternative package avoids those inflationary impacts together with the need for many of the associated mitigation measures proposed within the Policy Letter. This is particularly vital for an economy where the realities are stagnation of its major industry, a cost-of living crisis and a housing crisis all contributing to people feeling poorer and less able to withstand significant taxation change.

Comparative Financial Position

xxxiv. When taken side by side, there is considerable inference that the financial differences between the competing packages are considerably narrower than a comparison of gross tax revenues alone would indicate, particularly when taking into consideration the implementation costs of the GST elements of the package and the inflationary impacts the introduction of a GST would have.

xxxv. The alternative package offsets much of the difference through:

a. lower implementation costs;
b. lower ongoing administrative costs;
c. the removal of GST-related Revenue Service and Border Agency staffing requirements;
d. the removal of Social Security implementation costs;
e. lower compliance costs for businesses;
f. the avoidance of GST-related inflationary impacts; and
g. the avoidance of associated mitigation measures.

xxxvi. The amendment therefore invites Members to consider the overall net fiscal outcomes of the competing packages rather than focusing solely upon the gross revenues attributable to GST.

Conclusion

xxxvii. This amendment recognises that the Policy Letter provides measures to raise additional revenues in a fairly short period of time to help shore-up Guernsey’s fiscal position against upcoming demographic and other pressures. It differs only in the means by which those revenues are generated.

xxxviii. It proposes that the Assembly should adopt a package which raises substantial additional recurring revenues whilst avoiding the creation of a wholly new consumption tax regime, thereby reducing implementation costs, administrative complexity, compliance burdens and inflationary impacts.

xxxix. It does not preclude the introduction of a GST at a later date, potentially the 2030 point identified by the Policy Letter through its recommendation of an independent assurance review. But it does allow for revenue-generation to be implemented whilst considering the impacts of those elements discussed within the Policy Letter as unknown or speculative:

a. Wind farm generation revenues;
b. Pillar 2 tax receipts, both in terms of quantum and longevity;
c. The ability to deliver savings against the 1% extant resolution referenced in the Policy Letter; and
d. A credible, co-ordinated and measurable plan for economic growth and sustainability that sits as a whole-government priority and not merely a concern for the Committee for Economic Development.

xl. It is respectfully submitted as a credible and proportionate alternative package for the Assembly's consideration.