P.2026/49 Amdt 18

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 D Goy
Seconded by: Deputy A Matthews

To delete all the propositions and substitute the following:

"To direct the Policy & Resources Committee to investigate the implementation of a targeted Premium Road Levy framework based on the details outlined in the Explanatory Note; and to lay a report before the States no later than June 2027 detailing the mechanisms required to collect such levies."

Rule 4(1) Information

a) The proposition contributes to the States' objectives and policy plans by establishing a progressive, technology-neutral revenue stream that funds public infrastructure while ensuring Guernsey's highest-value vehicles contribute proportionately to the island's fiscal sustainability.

b) In preparing this proposition no 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) The financial implication of carrying out this amendment would be negligible, as the levy directly leverages the administrative and IT systems already being established to implement the Policy & Resources Committee's own transport tax proposals, resulting in immediate net-positive revenue.

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

Explanatory Note

Premium Road Levy

1. Executive Summary

1.1 The proposed Premium Road Levy introduces a two-part progressive luxury motoring framework designed to align fiscal contribution with vehicle asset values and performance capacities.

1.2 The framework comprises two core elements:

- A one-off First Registration Premium applied to high-value assets entering the local fleet for the first time.
- An Annual Luxury Vehicle Registration Surcharge calculated via dynamic, data-driven fleet power percentiles.

1.3 Together, these instruments ensure that those choosing to import or operate luxury, high-resource vehicles make a fair, proportionate contribution to the island's capital infrastructure projects. Concurrently, the framework strictly shields low-to-middle income households, essential utility transport, and local motoring heritage from any additional administrative or financial burden.

2. Background and Policy Objectives

2.1 The structural maintenance and strategic evolution of Guernsey's road network demand sustained investment. However, alternative proposals to generate revenue via blanket annual charges based on weight and emissions cast too wide a net, penalising everyday motorists without achieving true fiscal progressivity. To avoid placing a broad financial burden across the community, road-user revenue measures must cleanly isolate and target high-value, luxury automotive assets.

2.2 The Premium Road Levy delivers this targeted approach through a balanced, two-part framework. By combining a one-off value premium at the point of initial registration with a recurring, performance-indexed annual surcharge, the States can secure a highly progressive and resilient revenue stream. This methodology ensures that high-resource vehicles contribute proportionately to our infrastructure, while remaining entirely tech-neutral as the local fleet transitions toward hybrid and electric powertrains.

2.3 The First Registration Premium operates as a progressive, one-off entry surcharge. It is assessed strictly when a high-value vehicle enters the Guernsey fleet for the first time, ensuring that middle-market or standard family transport remains entirely unaffected.

2.4 Administrative Assessment

Upon initial importation or first local commercial sale, the vehicle's commercial purchase invoice must be presented to the Driver and Vehicle Licensing Authority (DVL) for validation. This surcharge is a mandatory condition of initial registration and applies in addition to any standard administrative registration fees or relevant customs duties.

2.5 Fiscal Formula

To eliminate regressive "cliff-edge" effects and reduce structural incentives for artificial invoice manipulation, the surcharge is calculated using cumulative marginal bands rather than a single flat rate. Liability scales smoothly across the asset's On-The- Road (OTR) price according to the following formula:

$S = \sum(V\text{Band} \times M\text{Band})$

Where:

- S = Total First Registration Premium Surcharge
- VBand = The specific financial portion of the vehicle's OTR price falling within a designated band
- MBand = The marginal tax rate percentage assigned to that designated band

2.6 Premium Marginal Rate Bands

The proposed financial bands and their corresponding marginal rates are structured as follows:

Band	Vehicle Value Boundaries	Marginal Rate
Band 0	First £65,000 of OTR price	0%
Band 1	Next £30,000 (£65,001 to £95,000)	5%
Band 2	Next £45,000 (£95,001 to £140,000)	10%
Band 3	Any residual value above £140,000	20%

Practical Application Example:

For an ultra-luxury hypercar with a declared OTR price of £320,000, the First Registration Premium is calculated cumulatively:

- Band 0: £65,000 × 0% = £0
- Band 1: £30,000 × 5% = £1,500
- Band 2: £45,000 × 10% = £4,500
- Band 3: £180,000 (the amount exceeding £140,000) × 20% = £36,000
- Total Surcharge (*S*) = £42,000

3. Part II: Annual Luxury Vehicle Registration Surcharge

3.1 To capture ongoing infrastructural impact, a recurring annual surcharge is established based on a vehicle’s certified performance capability. Performance is measured uniformly by Maximum Net Power Output (kW), a metric already permanently recorded for each vehicle and stored within the DVL database.

3.2 Dynamic Fleet Percentiles

Rather than setting fixed, static kilowatt thresholds that risk rapid obsolescence due to technological advancements, the framework organises the active Guernsey fleet into dynamic, data-driven percentiles. This methodology ensures the system remains completely technology-neutral, treating internal combustion engines, hybrids, and pure electric vehicles equitably based on total power demand. The top 10% of the most powerful vehicles on Guernsey roads are targeted under this measure.

3.3 Fiscal Formula

The annual surcharge is calculated using a baseline financial multiplier across progressive performance tiers:

$$S_L = K \times \sum(P_{Mi} \times M_{T\,i})$$

Where:

- *SL* = Total Annual Luxury Surcharge
- *K* = Baseline financial rate (£ per kW), to be set annually by the States
- *PMi* = The portion of maximum net power output (kW) falling within the boundaries of Tier *i*
- *MTi* = The specific multiplier applicable to Tier *i*

3.4 Tier Multipliers & Power Band Percentiles

The operational tiers and multipliers recommended for the framework are detailed below:

Power Band	Percentile Definition	Tier Multiplier (*MTi*)
PM0	Power below the 90th percentile	0.0 (Exempt Fleet)
PM1	Power between the 90th and 95th percentiles	1.0
PM2	Power between the 95th and 99th percentiles	2.5
PM3	Power at or above the 99th percentile	5.0

Practical Application Example:

Consider a high-performance sports car with a certified maximum net power output of 360 kW, assuming a baseline financial rate (*K*) set at £20 per kW, and the following annual DVL fleet benchmarks:

- 90th percentile benchmark = 220 kW
- 95th percentile benchmark = 275 kW
- 99th percentile benchmark = 375 kW

The dynamic calculation distributes the 360 kW across the bands as follows:

- PM0 (First 220 kW): 220 kW × 0.0 = 0.0 kW *(Exempt Fleet boundary)*
- PM1 (Next 55 kW, up to 275 kW): 55 kW × 1.0 = 55.0 kW
- PM2 (Remaining 85 kW, up to 360 kW): 85 kW × 2.5 = 212.5 kW
- PM3 (Amount at or above 375 kW): 0 kW × 5.0 = 0.0 kW Cumulative Indexed Power = 0.0 + 55.0 + 212.5 + 0.0 = 267.5 kW Total Annual Surcharge (*SL*) = £20 × 267.5 = £5,350 per annum

4. Collection, Administration, and Enforcement

4.1 Point of Entry: The First Registration Premium shall be collected directly by the DVL. No imported or newly acquired luxury vehicle falling into Bands 1 to 3 may be assigned Guernsey registration plates or legally operational validation marks until this premium has been paid in full.

4.2 Recurring Billing: For the Annual Luxury Vehicle Registration Surcharge, the DVL shall dynamically recalculate the active fleet's percentile benchmarks on an annual basis. The calculated surcharge liability will be fully integrated into the existing motor registration renewal workflow. It will appear as a transparent, dedicated line item on automated electronic renewal notices. Standard non-compliance penalties and registration enforcement procedures will apply to unpaid surcharges.

5. Exemptions and Protections

5.1 To protect the island's productive economy, safeguard everyday consumer choices, and preserve local motoring heritage, strict statutory exemptions shall apply to both components of the Premium Road Levy.

5.2 The following categories are explicitly excluded from the scope of both the upfront premium and the annual surcharge:

- Certified commercial utility vehicles, heavy goods vehicles (HGVs), and freight haulage units.
- Scheduled public transport and community transit vehicles.
- All blue-light emergency service fleet vehicles.
- Agricultural machinery and specialised primary production implements.
- Private motor vehicles with an original purchase value below the luxury asset floor (£65,000) that have attained a high kilowatt output solely via subsequent aftermarket modifications.

Furthermore, to support the preservation of historic machinery, any private motor vehicle shall automatically and permanently cease to be subject to the Annual Luxury Vehicle Registration Surcharge upon reaching 30 years of age from its verified date of manufacture