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 viability, financial yield, and legal framework required to implement a Fair Contribution Levy based on the principles outlined in the Explanatory Note; and to lay a comprehensive report before the States of Deliberation no later than June 2027 detailing the legislative and enforcement infrastructure required for its operation, including robust data-matching protocols utilising existing Revenue Service infrastructure."

Rule 4(1) Information

a) The proposition contributes to the States' objectives and policy plans by introducing basic fiscal due diligence to our personal tax system, restoring structural equity while protecting ordinary families.

b) In preparing this proposition consultation has taken place with the Policy & Resources Committee.

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

d) The financial implication of carrying out this amendment would be highly positive, generating recurring net revenue for public finances with administrative set up costs, as the framework relies entirely on existing States databases and data matching protocols.

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

Explanatory Note

Fair Contribution Levy

1. Executive Summary & Purpose

1.1.The FCL introduces a structural corrective framework designed to address a profound and growing anomaly within the Bailiwick's personal tax system. Under current arrangements, a clear disconnection has emerged between substantial wealth, high standards of living, and actual contributions to Guernsey's public finances.

1.2.The Fair Contribution Levy (FCL) establishes a minimum contribution floor for households occupying premium residential property whose combined income tax and social security payments fall significantly below what is expected for their apparent standard of living.

1.3.This framework does not penalise wealth; rather, it ensures basic fiscal due diligence. By default, it establishes a direct, streamlined mechanism to recover fiscal shortfalls based on property values. It further provides the States with the enabling authority to introduce, at its discretion, a voluntary Transparency Pathway for asset disclosure or an Economic Contribution Credit scheme to encourage local job creation.

2. The Case for Change: The Fiscal Anomaly

2.1.Guernsey's current tax framework allows certain high-net-worth individuals to structure their financial affairs so that substantial inflows are classified as non-personal income. On paper, these individuals appear to have minimal personal earnings, resulting in little to no income tax and negligible social security contributions. Meanwhile, ordinary islanders pay a standard 20% tax rate on their everyday earnings, alongside mandatory social security contributions deducted directly from their wages.

2.2.Official data confirmed by the States in 2026 highlights the scale of this structural mismatch:

The High-Wealth Cohort: Between 500 and 560 households sit within the top 10% of Tax on Real Property (TRP) values but contribute less in combined income tax and social security than the median household across the Bailiwick.

The Pensioner Demographic: Between 380 and 390 of these households are registered as pensioners. While data does not specify if these are pension-only households or individuals with uncaptured alternative inflows, it remains statistically anomalous how multi-million-pound properties can be sustainably maintained solely on standard pension income.

The Working-Age Cohort: Crucially, this leaves between 110 and 180 working-age households occupying the island's most expensive premium estates while contributing less to public finances than an ordinary working family.

2.3.In any private enterprise, an internal anomaly of this scale would trigger an immediate audit. When public finances face structural deficits, middle-income families are routinely exposed to higher charges or reduced services. The fact that households in premium properties can legally contribute less to public finances than typical working families highlights a structural misalignment in our current framework that now requires correction.

3. The Fair Contribution Assessment Framework

3.1.Property choice serves as a consistent, objective indicator of overall financial means. The FCL will utilise existing TRP, income tax, and social security data to identify eligible households.

3.2.Data-Matching Protocol: The Revenue Service will first filter the housing register to isolate exclusively active, inhabited principal primary residences. Vacant properties, empty plots, and commercial lets are completely excluded. From this refined pool, the top 10% highest-value properties by TRP will be isolated for annual assessment based on beneficial occupancy (the adults actually residing in the home, regardless of whether ownership is personal, corporate, or held via a trust).

3.3.The Safeguard: Any future adjustment to this 10% threshold will require explicit approval by the States of Deliberation, guaranteeing long-term certainty for residents.

3.4.The Target Contribution Formula: The system will calculate a household's Target Contribution using the following formula:

Target Contribution = $N \times A \times K$

Where:

A is the Benchmark, representing the median combined income tax and social security contribution of ordinary resident Guernsey households.

K is the Policy Lever, a multiplier determined by the States to adjust the target where necessary (minimum value of 1.0).

N is the Scaling Factor, derived from the property's TRP rating relative to the median residential TRP value in the Bailiwick:

Example of Scaling Factor (N):

For a high-value property rated at 1200 TRP against a median family home of 150 TRP:

Assessed Property TRP

N = Median Residential TRP

N = 1200 = 8

150

This conservative baseline means a household in a 1200 TRP property is expected to contribute 8 times the tax of a median family home.

3.5.Shortfall Determination: If a household's Total Tax Contribution is equal to or greater than the Target Contribution, the requirements are satisfied and no further action occurs. If it falls below, the shortfall is captured as:

FCL Shortfall = Target Contribution − Total Tax Paid

4. Exemptions and Due Process

4.1.Prior to any levy liability being enforced, each adult beneficial occupant will receive an FCL Assessment Notice and have the opportunity to submit a sworn declaration to secure an exemption for that year.

4.2.Eligible Exemptions:

Genuine Pensioners: Individuals whose primary income consists solely of State or recognised occupational pensions.

Dependants: Individuals who rely financially on another beneficial occupant in the household.

No Monetary Inflows: Individuals confirming under oath that they receive no alternative or "stealth" inflows (e.g., trust distributions, capital receipts structured as corporate loans, investment yields, or consultancy earnings) beyond what is declared on their tax return.

4.3.Verification Condition: All applicants for exemptions must consent to a Revenue Service review. If spending or asset accretion is found to be inconsistent with declared means, the exemption will be denied, and standard surcharges or penalties will apply.

5. Resolution Framework & Pathways

If one or more adult occupants are non-exempt, joint and several liability for the shortfall rests with the FCL Liable Entity (the registered legal owner, or the principal leaseholder in a bona fide arm's-length tenancy).

5.1.The Default Pathway (Standard Baseline)

By default, the framework operates strictly as a direct fiscal floor to ensure structural integrity. Where no discretionary options are activated by the States, the levy payable by the Liable Entity is calculated directly from the assessed fiscal shortfall:

FCL Payable = max(0, Target Contribution − Total Tax Paid)

5.2. Discretionary Option: The Transparency Pathway

The States may, at its sole discretion, choose to offer an alternative compliance route known as the Transparency Pathway.

Where this pathway is made available by the States, the FCL Liable Entity may elect, in lieu of paying the default levy, to voluntarily disclose previously uncaptured personal inflows (such as trust distributions or capital receipts structured as loans) to the Revenue Service. These discovered assets will be subject to:

The standard 20% income tax rate applied via their next personal tax return.

A Transparency Adjustment calculated as a percentage surcharge on the household's assessed FCL liability, at a rate set by the States to incentivise active disclosure.

Verification Condition: Choosing this path requires explicit consent to a Revenue Service review of the household's structural financial arrangements.

5.3.Discretionary Option: The Economic Contribution Credit Scheme

The States may also choose, at its sole discretion, to activate an optional Economic Contribution Credit scheme, recognising that direct investment in the local workforce can yield equivalent social value to direct tax receipts. Where this scheme is actively offered by the States, the baseline formula is updated to allow liabilities to be offset via job creation:

FCL Payable = max(0, Target Contribution − Total Tax Paid − C)

The credit, C, is calculated as:

$C = K \times E \times S$

Where:

K is an economic policy lever determined by the States (e.g., 1.0 for neutral, 1.2 for growth incentives, or 0.5 for revenue focus).

E represents total eligible employment costs, comprising gross salaries paid to local residents together with employer social security contributions.

S represents the Household Equity Share, defined as the combined legal or beneficial ownership percentage held by all adult occupants of the flagged household in the hiring entity (expressed as a decimal up to 1.0).

5.4.Demonstrating Corporate Control: To successfully claim Economic Contribution Credits under this discretionary framework, the FCL Liable Entity must provide a valid Guernsey Corporate Tax Reference Number, a Certified Beneficial Ownership Extract from the Guernsey Registry, and an Audited Payroll Declaration.

5.5.Exclusion of Connected Persons: To prevent artificial compliance or local manipulation, employment costs paid to any household occupant, the FCL Liable Entity, or any Connected Person (spouses, civil partners, children, parents, or legal dependants) are strictly excluded from earning credits.

6. Administrative and Financial Implications

6.1.Rather than creating an expensive new bureaucracy, the FCL will be administered entirely within the existing Revenue Service framework.

6.2.By deploying existing TRP, tax, and social security data-matching systems, implementation costs and administrative complexity are minimised. Debts under the FCL will be recovered using the same statutory enforcement procedures as ordinary income tax liabilities.

7. Anti-Avoidance Safeguards

The FCL is intended to operate as a minimum contribution floor, rather than an elective tax regime. When preparing the implementing legislation, the Committee for Policy & Resources and the Revenue Service should ensure that robust anti-avoidance provisions are included. Such provisions should include the following principles:

7.1.Look-Back Assessment

Where a beneficial occupant's total tax contribution falls by more than X%, where X is a percentage prescribed by the States, in any year compared with the preceding three-year rolling average, and that reduction does not correspond to a verified material change in circumstances (such as retirement, redundancy, or a documented business cessation), the Revenue Service may assess the FCL shortfall by reference to the higher of:

(i)the current year's tax contribution; or

(ii)the three-year rolling average.

7.2.General Anti-Avoidance Rule

Any arrangement entered into primarily for the purpose of reducing standard income tax or social security contributions in order to trigger or reduce FCL liability shall be disregarded for the purposes of assessing the FCL. The Revenue Service may look through any trust, corporate, or nominee structure to determine the underlying economic substance of the arrangement.

7.3.Non-Elective Status

The FCL is an administrative corrective levy, not an alternative tax regime. No taxpayer may elect to pay the FCL in place of standard income tax where their standard tax liability would otherwise exceed the Target Contribution.