P.2026/49 Amdt 29

THE STATES OF DELIBERATION
of the
ISLAND OF GUERNSEY

30th September, 2026

Proposition No. P. 2026/49

Policy & Resources Committee

Tax Reform 2026

AMENDMENT

Proposed by: Deputy A Sloan
Seconded by: Deputy M Helyar

To substitute in Proposition 1 the word "and" for the full stop and to insert, immediately after Proposition 1, the following additional Proposition:

"1A. To agree, notwithstanding Proposition 1, that the Essential Cost Relief Payment shall not form part of the Tax Reform 2026 package and, accordingly:

a) to rescind resolution I 1(b)(ii) of Billet d'Etat III of 2026 made on 26th February 2026, insofar as it provides for the implementation, administration, uprating and review of an Essential Cost Relief Payment scheme;

b) to rescind that part of Resolution 1 2 of Billet d'Etat III of 2026 made on 26th February 2026 that requires proposals for any future increase in the standard rate of a goods and services tax to include a compensatory adjustment to the level of the Essential Cost Relief Payment; and

c) to direct the Policy & Resources Committee and the Committee for Employment & Social Security to make such consequential changes to the implementation of the Tax Reform 2026 package as are necessary to give effect to this resolution.".

Rule 4(1) Information

a) The proposition contributes to the States' objectives and policy plans by relating to the Tax Reform 2026 package.

b) In preparing this proposition no consultation has been undertaken.

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 to remove the expenditure associated with the Essential Cost Relief Payment. Appendix 7 of the Policy Letter estimates the cost of the scheme to approximate £1 million per annum.

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

Explanatory Note

The purpose of this Amendment is to remove the Essentials Cost Relief Payment from the Tax Reform 2026 package.

The creation of a new welfare payment to mitigate the impact of a new tax represents poor fiscal design. It adds another layer of complexity to the tax and benefits system, creates additional administrative costs and bureaucracy, and requires the government to establish and administer a new payment mechanism simply to compensate households for the effects of a tax introduced at the same time. The Amendment therefore seeks to avoid creating an additional welfare payment as part of the implementation of GST.

On 26th February 2026 the States resolved, as part of Tax Reform: Workstream 1 (P.2026/7), that if Workstream 1 is subsequently adopted, an Essentials Cost Relief Payment scheme should be implemented for qualifying lower-income households not receiving Income Support. Resolution I.1(b)(ii) provided for the implementation, administration, uprating and periodic review of that payment.

Resolution I.2 further provided that any future proposal to increase the standard rate of GST must include a compensatory adjustment to the level of the Essentials Cost Relief Payment, alongside adjustments to other specified mitigations.

The Tax Reform 2026 Policy Letter retains the Essentials Cost Relief Payment as part of the revised package, with the payment adjusted to reflect the proposed 3% GST rate. Appendix 7 estimates the cost of the revised scheme at approximately £1 million per annum.

This Amendment removes the Essentials Cost Relief Payment and the associated provisions of the February 2026 Resolutions. It does not remove or alter the other compensatory measures in the Tax Reform 2026 package.