P.2026/49 Amdt 32

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 T Bury
Seconded by: Deputy J Ozanne OBE

In the additional proposition inserted by Amendment 23, immediately after the words "from that principle" insert the following wording:

"subject to excluding expenditure under:

a) The Social Insurance (Guernsey) Law, 1978;
b) The Long-term Care Insurance (Guernsey) Law, 2002; and
c) The Income Support (Guernsey) Law, 1971.".

Rule 4 Information

a) This Amendment contributes to the States' objectives by fostering a compassionate, cohesive and aspirational society in which responsibility is encouraged and individuals and families are supported through schemes of social protection.

b) In preparing the Propositions, informal engagement has taken place with the President and Vice-President of 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 savings which may result from the adoption of Amendment 23 are unknown and therefore it is not possible to further estimate the impact of this Amendment.

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

Explanatory note

While the States of Deliberation has voted to amend the Propositions to include a fiscal principle that seeks to limit overall expenditure growth to inflation, these three areas of expenditure must be treated as necessary exceptions because they are statutory obligations, fundamentally driven by factors beyond the inflation rate and designed to protect some of the most vulnerable members of the community.

First, contributory social insurance benefits should be exempt because they are earned entitlements, not discretionary spending. Benefits such as the States pension, incapacity benefit, unemployment benefit and parental benefits are funded through compulsory social security contributions paid by workers and employers throughout an individual's working life. When a claimant satisfies the statutory eligibility criteria, the States is legally obliged to pay the benefit. Applying an inflationary expenditure cap would therefore not reduce demand; it would simply require benefit rates to rise by less than inflation in order to offset increasing claimant numbers. This would amount to a real-terms cut in benefits and would undermine the contributory contract on which the social insurance system is based. In the case of the States pension, it would erode the value of an earned entitlement that islanders have contributed towards for decades, increasing financial hardship among pensioners and potentially driving greater reliance on means-tested support.

Second, Long-term care benefits should be exempt because care costs consistently rise faster than inflation and the States has only recently adopted a policy to recognise this reality. In 2025, the States approved a guideline uprating policy of RPIX +1% specifically because care costs in the private care sector had historically increased above inflation. Reversing that policy after only one year would recreate the funding gap that the States sought to address. If expenditure growth were constrained to inflation, benefit rates would fail to keep pace with both rising care costs and growing demand from an ageing population. The result would be higher costs for care home residents and their families, or increased financial pressure on care providers. At a time when Guernsey needs additional care capacity to meet future demand, such a policy risks destabilising the private care home sector and discouraging investment and expansion.

Third, income support should be exempt because it is the ultimate safety net and is entirely demand-led, albeit with clear scrutiny to ensure that recipients meet the eligibility criteria. The Committee has a legal obligation to provide support to anyone who meets the eligibility requirements, regardless of the budget position. As with social insurance and long-term care benefits, demand cannot simply be restricted by an expenditure cap. Instead, compliance would require below-inflation increases in income support rates, reducing the real spending power of households in Guernsey and Alderney with the lowest incomes. Furthermore, if other benefits are constrained by the inflationary cap and lose value in real terms, more individuals will require income support and existing claimants will need larger top-ups. In other words, the fiscal policy itself is likely to increase demand for income support, making exemption not only justified but essential to ensure the system can continue to fulfil its statutory purpose.

In summary, these three categories of expenditure differ fundamentally from most areas of public spending. They are not discretionary programmes that can be adjusted to meet a fiscal target; they are legal entitlements driven by demographic, economic and social pressures. Applying an inflationary cap to these budgets would not reduce underlying demand but would instead transfer the burden onto pensioners, disabled people, carers, low-income households and those requiring long-term care. Exempting these areas would protect vulnerable islanders, uphold commitments previously made by the States, and avoid creating greater social and financial costs elsewhere in the system.