P.2026/49 Amdt 36

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 D Goy
Seconded by: Deputy G Collins

To insert an additional proposition as follows:

"To direct the Policy & Resources Committee to investigate the financial yield and legal framework required to implement a High-Net-Worth Residency Scheme (HNWRS) for new high-net-worth individuals who, on or after 1 January 2028, use an Open Market (Part A) property as the basis for taking up their own residency in Guernsey, with eligibility based on a minimum global net worth of £5 million, excluding the primary residence, or sustainable annual global income of £750,000; requiring qualifying participants to make a minimum annual personal income tax contribution of £150,000 and the applicable Social Security contribution; and to lay a comprehensive report before the States of Deliberation no later than June 2027 detailing the legislative, administrative and enforcement mechanisms required for its operation, including the matters set out in the Explanatory note."

Rule 4(1) Information

a) The proposition contributes to the States' objectives and policy plans by directing an investigation into the financial yield, mechanism and legal framework required to establish a High-Net-Worth Residency Scheme, including consideration of a mandatory £150,000 annual tax floor and Class 3 Social Security requirement for new prospective Open Market (Part A) residents taking up residency on or after 1 January 2028. The investigation is intended to assess the potential for generating recurring revenue to support public services and address structural deficits.

b) In preparing this proposition 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 implications to the States of carrying the proposal into effect are limited to the cost of investigating and reporting on the proposed scheme, with any future financial implications arising from the implementation of a High-Net-Worth Residency Scheme to be determined following that investigation.

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

Explanatory note

For the avoidance of doubt, this Amendment concerns residency and population management, not immigration or visa policy. The proposed High-Net-Worth Residency Scheme (HNWRS) would therefore operate only in relation to the residency aspect of the process, specifically the conditions attached to taking up and retaining residence through an Open Market (Part A) property. It would not alter the existing immigration, visa, nationality or entry requirements applicable to any applicant. An individual would still need to satisfy all applicable immigration and visa requirements independently of the residency conditions proposed by this Amendment.

Clarifying the Difference: High-Income Earners vs. High-Net-Worth Individuals

Before examining the structural flaws in Guernsey's Open Market framework, it is important to distinguish between a *high-income earner* and a *high-net-worth individual (HNWI)*.

A high-income earner is not necessarily a HNWI. The key difference between the two is the extent to which they can structure and optimise their financial affairs to legally minimise their income tax liability.

High-income earners typically derive their income primarily from salaries, wages or professional fees. This earned income is assessed directly under the standard 20% income tax rules, meaning they cannot legally reduce their tax liability to zero. As a result, they contribute substantial and recurring amounts to the public purse, making them a clear net benefit to Guernsey.

By contrast, many HNWIs have the ability to fund their lifestyles primarily from accumulated capital and assets rather than earned income. Because Guernsey imposes 0% Capital Gains Tax and 0% Wealth Tax, a HNWI may be able to fund a lavish lifestyle through capital drawdowns, asset sales or other lawful tax-planning arrangements while legally reporting £0 in assessable taxable income.

The subject matter addressed here is therefore **HNWIs, not high-income earners.**

<u>Problem</u>

The Opportunity Cost of Finite Island Land

Guernsey's two most valuable and non-renewable assets are *human capital* and *land*. As a compact island jurisdiction, Guernsey can accommodate only a strictly limited population because of severe constraints on housing capacity.

When considering population management policies, it is therefore vital that Guernsey attracts people who provide a high level of economic and social value relative to the amount of physical space they occupy. In other words, Guernsey needs to be highly selective about who it welcomes to live on the island as residents.

After decades of the finance industry being the dominant sector of the island's economy, Guernsey's human capital has become relatively concentrated. We have a wealth of financial expertise, but comparatively less talent in many other fields. If we are to successfully diversify the economy, we therefore need to either develop or import talent in areas where there are significant skills shortages (e.g. in science, technology, engineering and mathematics).

Moreover, as a mature, developed economy, we have inevitably had to rely on importing key workers in sectors where businesses struggle to recruit sufficient staff locally.

Our limited land should therefore be managed with this reality in mind when considering new arrivals. This principle becomes particularly important when considering High-Net-Worth Individuals (HNWIs).

What kind of HNWIs should Guernsey seek to attract? This is a critical question.

Unlike ordinary professionals or essential key workers, HNWIs can consume an exceptionally large physical footprint by acquiring some of the largest residential estates available on the island.

A single large estate occupied by a HNWI household could instead provide housing for dozens of essential health workers, carers and other skilled professionals. These are people who pay standard rates of tax while performing vital roles that local employers often struggle to fill. The opportunity cost becomes even greater when the HNWI household is economically inactive and contributes little or nothing to government coffers through legal tax avoidance.

As property demand from wealthy buyers increases, it can also place systemic pressure on Guernsey's regulatory framework to convert valuable Local Market housing stock into Open Market properties. HNWIs may also have the financial capacity to acquire multiple Local Market dwellings as passive stores of wealth, speculative assets or buy-to-let investments. This can directly push up property values and price local workers out of the market, even when those properties are not physically occupied by their owners.

Unchecked HNWI demand in the property market can artificially increase both land and rental values. This forces local workers to spend an unsustainable proportion of their income on housing, reducing the amount they have available to spend elsewhere in the domestic economy. In turn, this can weaken local consumption and place further pressure on household finances.

In short, HNWIs can have a disproportionately large land footprint compared with other immigrants. The type of HNWI Guernsey chooses to attract should therefore be carefully curated, with particular consideration given to the economic and social value they provide relative to the scarce land and housing resources they consume.

The HNWI Spectrum: Economic Drivers vs. Passive Tax Avoiders

Not all high-net-worth arrivals have the same impact on the island. The type of HNWIs Guernsey attracts depends very much on how its population policies are designed.

A population policy acts as a *filter*. If the objective is to attract the right type of person, the system must be deliberately designed to select for the desired economic and social outcomes.

Ideal HNWIs: Economic Drivers - These are economically active individuals who make a meaningful contribution to the island by:

- establishing local businesses;
- investing capital in the domestic economy;
- creating substantial local employment; and/or

- paying a fair and proportionate share of annual income tax.

A competent government should ensure that a HNWI's economic contribution significantly outweighs the amount of land, housing and other finite public resources they consume.

Non-Ideal HNWIs: Passive Tax Avoiders - Just as there are ideal HNWIs, there are also non-ideal HNWIs. These are economically inactive individuals whose *primary motivation is the legal minimisation of their tax liabilities*.

They may structure their global wealth in ways that result in little or no taxable income being generated. Consequently, they can contribute virtually nothing through income tax or social security while still consuming substantial amounts of finite housing stock and making use of public infrastructure and services.

At present, Guernsey's framework does not effectively distinguish between these two groups or filter arrivals according to the economic and social value they provide.

As a result, we effectively leave the outcome to the roll of a dice, crossing our fingers and hoping that we attract the ideal kind of HNWI.

That is not how a competent government should design population policy.

How Guernsey Compares with Benchmark Jurisdictions

The following comparison considers five areas: jurisdiction, financial and capital requirements, minimum tax floor, social security obligations, and enforcement.

Jurisdiction	Financial & Capital Requirements	Minimum Tax Floor	Social Security Obligation	Enforcement / Residency Link
Singapore	Substantial mandatory investment: Under the Global Investor Programme (GIP), applicants must choose between investing at least S$10 million in a Singapore business, S$25 million in a GIP-	No single GIP minimum tax payment. Singapore instead uses its ordinary tax system plus targeted tax incentives.	Central Provident Fund (CPF) obligations apply where the individual or relevant entity employs employees who are subject to CPF.	Strong investment and renewal conditions. GIP investments must be evidenced and maintained, while renewal of the five-year Re-Entry Permit requires continued compliance with the relevant investment,

Jurisdiction	Financial & Capital Requirements	Minimum Tax Floor	Social Security Obligation	Enforcement / Residency Link
	select fund, or establishing a Singapore-based Single Family Office with at least S$200 million asset under management, of which at least S$50 million must be transferred into Singapore and deployed in specified investments.			employment and residence criteria.
Jersey	High Value Residency (HVR) financial threshold: New 2(1)(e) applicants are expected to have net assets of at least £10 million, excluding their principal residence, and to purchase a property worth more than £3.5 million for a house or £1.75 million for an apartment.	£250,000 minimum annual income-tax contribution for new HVR applicants. Where the applicant's actual taxable income would produce less than £250,000 of tax, Jersey applies a top-up/deemed-income of £1,250,000 per annum to reach the minimum.	Social Security obligations apply according to the individual's employment, self-employment and contribution status. These are separate and on top of the £250,000 per annum HVR income-tax contribution.	Residency is specifically linked to HVR status and its conditions. The scheme is subject to continuing requirements and applicants can be removed from the HVR programme.
Guernsey (current)	No equivalent HNWI capital or net-worth requirement: Open Market residence is principally linked	No mandatory minimum annual tax contribution.	Social Security obligations depend on the person's circumstances and contribution category. There is	Ordinary tax debt is dealt with through the tax system rather than through a Jersey-style HVR minimum-tax

Jurisdiction	Financial & Capital Requirements	Minimum Tax Floor	Social Security Obligation	Enforcement / Residency Link
	to qualifying for residence through an Open Market Part A property, subject to the applicable housing and immigration rules. Guernsey does not require the incoming Open Market residents to demonstrate a minimum personal net worth (unlike Jersey, which expects £10 million) or make a mandatory capital deployment (unlike Singapore's Global Investor Programme).		no special HNWI Social Security contribution designed to guarantee a minimum public contribution. That means a HNWI with zero taxable income can also pay zero Social Security contribution.	condition attached to residential status.

Guernsey's "Free Lunch" Policy

Compared with its peer jurisdictions, Guernsey currently offers what can effectively be described as a "free lunch".

Jersey guarantees a substantial, minimum recurring annual contribution of £250,000 to its public finances from qualifying residents. Singapore, meanwhile, requires direct capital investment into its domestic economy.

Guernsey currently requires neither.

The only guaranteed contribution of scale from a new HNWI arrival via the Open Market (Part A) route is the one-off Document Duty paid upon purchase (alongside a modest annual TRP contribution thereafter).

After that initial transaction, the States of Guernsey even provides HNWIs with generous tax caps. New HNWI arrivals can cap their tax liability at £60,000 per year for their first four years in case they're not able to sufficiently minimise their taxable income for that year.

When a jurisdiction offers significant residency benefits while demanding so little economic contribution in return, it naturally risks attracting HNWIs whose primary objective is legal tax avoidance.

So how do we know whether a HNWI has chosen Guernsey primarily for tax avoidance? One way is to examine their response when asked to make a fair and proportionate annual contribution to public revenue.

If an individual immediately threatens to leave the island when asked to make such a contribution, that reaction can provide useful evidence about the nature of their connection to Guernsey.

It may indicate that:

- they have no meaningful local business operations anchoring them to the economy;
- they have few or no genuine social, community or family ties to the island; and
- **their presence in Guernsey depends primarily on maintaining a tax environment in which they can make little or no contribution to public finances.**

While some HNWIs donate generously to local charities, and that philanthropy is undoubtedly valuable, voluntary charitable donations are not a substitute for paying a fair share of income tax. Donations do not fill the gap in public finances created by legal tax avoidance. Anyone can afford to be generous to local charities when they are exempted from paying their fair share of income tax.

Some HNWIs may also spend significant amounts of money in restaurants, employ gardeners and use other local services. Such consumption can provide some economic benefit, but consumption is not a substitute for paying a proportionate income tax. Many ordinary residents also spend money on restaurants, tradespeople and other services, yet they do not receive special tax breaks simply for doing so. Why should HNWIs be treated differently?

Moreover, given the relatively small number of HNWIs involved, their routine day-to-day spending is unlikely to make a meaningful difference to the overall economy; rich or poor, there is a natural limit to how much a person can consume on a day-to-day basis. Nor would their once-in-a-blue moon large expenditures, such as major house renovations move the needle of Guernsey's economy.

A population policy should be designed to attract residents who contribute to the long-term prosperity and well-being of Guernsey, not residents whose principal value to the island depends on their ability to avoid contributing to the public purse.

The Cost of Setting the Bar Too Low for HNWIs

It is an established fact, and one that has been repeatedly acknowledged by the Policy & Resources Committee when making the case for GST, that some of Guernsey's wealthiest residents pay little or no income tax.

In fact, 2026 data showed that approximately 560 households living in the top 10% of the island's largest properties pay less in combined income tax and social security contributions than the median household.

To exacerbate the problem, Guernsey's Social Security contributions for non-employed people are calculated strictly according to their taxable assessable income.

A HNWI reporting zero taxable income can therefore qualify for a 100% exemption under the Lower Income Exemption threshold, resulting in a contribution of £0 to the Social Insurance Fund.

Incoming HNWIs who make no contribution to public revenue are therefore, in effect, being subsidised by ordinary working islanders.

Guernsey cannot simply revoke the established rights of existing residents without creating significant legal difficulties.

However, it can, and should, require **new HNWI arrivals** to make a compulsory and fair contribution towards the public services they will use as a condition of being granted residency.

The principle is straightforward: if Guernsey is prepared to grant new residents access to its limited housing, infrastructure and public services, it should also require them to make a meaningful contribution towards the cost of providing them.

<u>Proposed Solution: The High-Net-Worth Residency Scheme (HNWRS)</u>

Securing Guaranteed Economic Return from Future Arrivals

To close the "free lunch" loophole and ensure that Guernsey obtains a guaranteed, recurring public benefit from attracting new high-net-worth residents, the proposed Amendment would establish a Jersey-style High-Net-Worth Residency Scheme (HNWRS).

The scheme would apply strictly to new high-net-worth individuals who use an Open Market (Part A) property as the basis for taking up their own residency in Guernsey on or after 1 January 2028.

The scheme would not apply to Open Market residents generally. The purpose is to distinguish new HNWIs who use the Open Market as their route to residency from other people who may lawfully live in or be accommodated within Open Market properties.

The value or type of Open Market property would not, in itself, determine whether the HNWRS applies. The scheme would instead be concerned with the financial status of the individual and the route through which that individual establishes their own residency in Guernsey.

The proposal is based on four structural pillars:

Pre-Entry Financial Vetting

If a new, non-resident person:

1. wants to buy or rent an Open Market property and establish residency in Guernsey through that property; and

2. is seeking to establish that residency through the Open Market rather than through an Employment Permit, family connection or other applicable route to residency;

then, in order to establish residency through the Open Market, they would have to apply and qualify through the HNWRS.

They would have to demonstrate either:

- a verified global net worth of at least a specified amount, for example £5 million, excluding their primary residence; or
- a sustainable annual global income of at least £750,000.

Meeting one of these thresholds would be a prerequisite for residency through the HNWRS.

This is necessary to ensure that applicants have the financial means to meet the mandatory annual tax floor outlined below.

Once an applicant has passed this HNWRS financial eligibility clearance and otherwise satisfies the applicable Population Management and property requirements, they could proceed with an Open Market (Part A) property transaction and take up residency through that property.

Once a qualifying HNWI has used an Open Market (Part A) property as the basis for taking up their own residency, that individual would become subject to the statutory annual fiscal obligations of the HNWRS.

These obligations would remain in force for as long as the individual remains resident in Guernsey under the HNWRS.

Mandatory £150,000 Annual Income Tax Floor

Every new qualifying HNWI who uses an Open Market (Part A) property as the basis for taking up their own residency would be required to contribute at least £150,000 per year in personal income tax.

This would be enforced through a statutory "Deemed Income" assessment. The individual would be deemed to have £750,000 of assessable income, which would then be taxed at the standard 20% rate, producing the £150,000 annual tax floor.

If an HNWRS participant declared worldwide taxable income below £750,000, the tax system would nevertheless legally deem their assessable income to be £750,000.

The £150,000 tax floor would apply only to the qualifying HNWI who has been admitted to the HNWRS and who uses an Open Market (Part A) property as the basis for their own residency.

In accordance with independent taxation principles, dependent spouses, civil partners and children living in the same household would not be subject to separate individual tax floors.

Mandatory Social Security Contribution

The Class 3 Lower Income Exemption for non-employed people would be explicitly removed for qualifying HNWIs admitted to the HNWRS.

This would prevent a qualifying HNWI who is not employed or self-employed from avoiding a Social Security contribution solely because their taxable income is low or nil.

The Class 3 contribution would apply to the qualifying HNWI admitted to the HNWRS.

Interlocking Housing and Fiscal Enforcement

Full payment of the annual tax and Social Security liabilities applicable under the HNWRS would become an explicit statutory condition of retaining residency under the HNWRS and the applicable Population Management framework.

Failure to meet these obligations could result in the loss of the residency entitlement provided under the HNWRS, subject to the applicable legal safeguards, rights of appeal and any compassionate or long-residence provisions established by law.

Any outstanding tax liability would continue to be pursued as an enforceable civil debt.

Exemptions

Grandfathering Existing Residents

The scheme would apply only to new qualifying HNWIs who take up residency through an Open Market (Part A) property on or after 1 January 2028.

Existing Open Market (Part A) residents would retain their current statutory arrangements.

This would preserve legal certainty, respect legitimate expectations and protect the States from potential retroactive legal challenges.

Alignment with Independent Taxation

Spouses and civil partners living in the same household would continue to file independent tax returns as required by law.

The HNWRS tax floor would apply only to the qualifying HNWI admitted to the scheme. A spouse or civil partner would not become subject to a separate £150,000 tax floor merely by living with an HNWRS participant.

Genuine Financial Ruin or Asset Collapse

The scheme would also provide protection for HNWRS participants who subsequently suffer severe and genuine financial hardship, such as through a catastrophic business collapse or market insolvency.

1. **Forensic Hardship Audit**

   The taxpayer could petition the Revenue Service for a Hardship Reassessment.

   The Revenue Service would carry out a comprehensive forensic audit of the individual's global assets and financial affairs to establish whether the loss of wealth was genuine rather than the result of an artificial tax-avoidance arrangement.

2. **Fallback Assessment**

   If genuine financial impoverishment were verified, the Revenue Service could suspend or terminate the £150,000 HNWRS tax floor and move the individual to the standard income tax system, under which tax would be assessed at 20% of actual reported income.

3. **Housing Reclassification**

The individual’s case would then be referred to Population Management for review under the standard compassionate or long-residence provisions.

This would provide protection against genuine hardship while continuing to prevent abuse of the system.

Safeguards

Anti-Avoidance Measure

The £150,000 tax floor would operate through an irreducible statutory “deemed income” assessment of £750,000, taxed at 20%.

As a result, complex trust structures, capital drawdowns and other arrangements designed to recategorise monetary inflows as non-taxable income could not be used by an HNWRS participant to reduce the annual baseline tax liability below £150,000.