P.2026/49 Amdt 38

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 A Matthews

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 progressive Premium Road Levy (PRL) comprising:

(a) a one-off First Registration Premium on private motor vehicles entering the Guernsey fleet for the first time, based on the vehicle's On-the-Road purchase value, with vehicles valued at £65,000 or less exempt from the premium;

(b) an Annual Luxury Vehicle Registration Fee based on maximum net power output, applying progressively to private motor vehicles within the top 10% of the Guernsey fleet by maximum net power output;

and to require that the investigation consider the exemptions, protections and other details outlined in the Explanatory note, including the progressive rate structures for both components; and to lay a comprehensive report before the States of Deliberation no later than June 2027 detailing the financial yield, legislative framework and mechanisms required for its implementation."

Rule 4(1) Information

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

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 estimated to be minimal, as the investigation can make use of the administrative and IT systems already being established to implement the Policy & Resources Committee's own transport tax proposals.

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

<u>Explanatory note</u>

1. Executive Summary

1.1 The proposed Premium Road Levy (PRL) 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 vehicles entering the local fleet for the first time.
- An Annual Luxury Vehicle Registration Fee calculated via dynamic, data-driven fleet power percentiles.

1.3 Together, these instruments ensure that those choosing to import or operate luxury 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 fee, the States can secure a highly progressive and resilient revenue stream. This methodology ensures that luxury vehicles contribute proportionately to our infrastructure, while remaining entirely tech-neutral as the local fleet transitions toward hybrid and electric powertrains.

3. Part I: First Registration Premium

3.1 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.

3.2 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.

3.3 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:

$$S = \sum(VBand \times Mband)$$

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

3.4 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	0.00%
Band 1	Next £30,000 (£65,001 to £95,000)	5.00%
Band 2	Next £45,000 (£95,001 to £140,000)	10.00%
Band 3	Any residual value above £140,000	20.00%

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 x 0% = £0
Band 1: £30,000 x 5% = £1,500
Band 2: £45,000 x 10% = £4,500
Band 3: £180,000 (the amount exceeding £140,000) x 20% = £36,000

Total Surcharge (*S*) = £42,000

4. Part II: Annual Luxury Vehicle Registration Fee

4.1 To capture ongoing infrastructural impact, a recurring annual fee 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 accessible by the DVL.

4.2 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 maximum power output. The top 10% of the most powerful vehicles on Guernsey roads are targeted under this measure.

4.3 Fiscal Formula

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

$$FL = K \times \sum(Pmi \times MTi)$$

Where:

FL = Total Annual Luxury Fee
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*

4.4 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
PM2	Power between the 95th and 99th percentiles	2.5
PM3	Power at or above the 99th percentile	5

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 x 0.0 = 0.0 kW *(Exempt Fleet boundary)*
- **PM1** (Next 55 kW, up to 275 kW): 55 kW x 1.0 = 55.0 kW
- **PM2** (Remaining 85 kW, up to 360 kW): 85 kW x 2.5 = 212.5 kW
- **PM3** (Amount at or above 375 kW): 0 kW x 5.0 = 0.0 kW

Cumulative Indexed Power = 0.0 + 55.0 + 212.5 + 0.0 = 267.5 kW

Total Annual Fee (FL) = £20 x 267.5 = £5,350 per annum

5. Collection, Administration, and Enforcement

5.1 **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.

5.2 **Recurring Billing:** For the Annual Luxury Vehicle Registration Fee, the DVL shall dynamically recalculate the active fleet's percentile benchmarks on an annual basis. The calculated fee 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 fees.

6. Exemptions and Protections

6.1 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.

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

- 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.

6.3 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 Fee upon reaching 30 years of age from its verified date of manufacture.