P.2026/49 Amdt 4

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 A Sloan
Seconded by: Deputy M Malik

To insert two additional propositions as follows:

"3A. To direct the Policy & Resources Committee to introduce a Child Responsibility Tax Allowance (as defined in the explanatory memorandum) in respect of each dependent child for the purposes of income tax, with effect from implementation of the wider tax reform package, or as soon as reasonably practicable thereafter, and

3B. to direct the Policy & Resources Committee, in developing the detailed proposals, to undertake fiscal and distributional analysis using Revenue Service data, including consideration of the interaction of the proposed allowance with existing child-related tax provisions and the overall impact of the measure within the wider tax reform package.".

Explanatory Memorandum

Child Responsibility Tax Allowance: a non-means-tested income tax allowance available in respect of each qualifying dependent child. The allowance is intended to recognise the financial responsibilities of raising children and to supplement existing Family Allowance payments. It is distinct from existing child-related allowances under the Income Tax Law, the detailed interaction with which will be determined when the necessary legislation is brought forward.

Qualifying dependent child means a child recognised as a dependent child under the Income Tax (Guernsey) Law, including any age, education, disability or dependency criteria prescribed under that Law.

This Amendment seeks to improve the fairness of the proposed tax reform package by recognising, within the tax system, the financial responsibilities of households raising dependent children.

The distributional analysis accompanying the Policy Letter demonstrates that, in many cases, households with dependent children, including lone-parent households, are expected to experience a worse change in their financial position than other households within the same income decile. This reflects the reality that income alone is an imperfect measure of a household's ability to contribute. Families with dependent children face significant unavoidable expenditure that is not borne by households without dependants. Treating households with the same income but markedly different financial responsibilities in the same way risks producing outcomes that are inequitable in practice. This Amendment seeks to correct that imbalance by recognising the costs of raising dependent children within the tax system.

A fundamental principle of taxation is that taxpayers should contribute according to their ability to pay. Households with dependent children do not have the same disposable income as households without dependants on equivalent earnings. The costs of raising children are substantial, unavoidable and materially reduce a family's capacity to contribute. A tax system that does not recognise those costs risks imposing a disproportionate burden on working families.

This is not a new principle. Guernsey already recognises the additional costs associated with dependent children in two important respects. The Income Tax Law provides a Charge of Child Allowance for qualifying lone parents, whilst the Income Support Scheme incorporates child Requirement Rates when assessing household need. This Amendment builds upon those existing principles by recognising the responsibilities of raising dependent children more consistently within the wider tax system.

The Amendment also supports the States' long-term demographic objectives. Guernsey faces the challenge of an ageing population and increasing dependency ratios. Whilst tax policy alone will not determine family decisions, neither should it create unnecessary financial barriers to family life. Families raising today's children are making a substantial private investment that delivers a wider public benefit. Those children will become tomorrow's workforce, taxpayers, entrepreneurs, carers and community leaders upon whom the Island's future prosperity depends.

This Amendment therefore improves the fairness of the proposed reforms, better reflects taxpayers' ability to pay, supports working families, contributes to the Island's long-term demographic resilience and recognises that raising the next generation is not only a private responsibility but an investment in Guernsey's future prosperity.

Rule 4(1) Information

a) This Amendment contributes to the States' objectives and policy plans by ensuring that Guernsey's tax system more fairly reflects taxpayers' ability to contribute, recognises the financial responsibilities associated with raising dependent children, and supports the States' long-term demographic and economic objectives. The Amendment builds upon principles already recognised within Guernsey's tax and social security systems and seeks to ensure that the implementation of tax reform does not place a disproportionate burden upon working families with dependent children.

b) In preparing this proposition consultation no consultation has taken place on the basis this is a whole States matter.

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

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