P.2026/49 Amdt 42

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 an Underutilised Property Levy (UPL) applying to underutilised residential and commercial property, based on:

(a) residential property being treated as underutilised where it is used as a secondary or holiday home for fewer than 183 days per calendar year, or remains substantially vacant and unused for more than 12 months, subject to defined exemptions;

(b) commercial property being treated as underutilised where it remains vacant, unleased or non-operational for more than 12 months, subject to defined exemptions; and

(c) liability being calculated by applying a policy-determined multiplier to the property's existing Tax on Real Property (TRP) assessment;

with the detailed framework, including exemptions, anti-avoidance safeguards, administrative and enforcement arrangements, and transitional provisions, to be developed in accordance with the details outlined in the Explanatory note; and to lay a comprehensive report before the States of Deliberation no later than June 2027 detailing the financial yield, legislative framework and enforcement mechanisms required for its operation."

Rule 4(1) Information

a) The proposition contributes to the States' objectives and policy plans by directly supporting the 2026–2029 Government Work Plan's super priority of delivering tax reform, by undertaking due diligence to explore options for optimising the use of finite land to alleviate housing pressures, and by investigating whether properties retained as passive stores of wealth could make a fair and compensatory contribution to public finances.

b) In preparing this proposition consultation has taken place 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 it directs the Policy & Resources Committee to investigate and report back, which can be undertaken within existing departmental resources. The resulting report will assess the operational implications, administrative costs and potential financial yield of any future framework.

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

Explanatory note

1. Executive Summary & Purpose

1.1 This amendment submits proposals for the introduction of a targeted fiscal mechanism: the *Underutilised Property Levy (UPL)*. Operating within the existing Tax on Real Property (TRP) framework, the levy seeks to address a critical structural issue within Guernsey's housing and commercial sectors: the use of scarce land and property as passive wealth storage and for speculation.

1.2 Based on States data from 2025, approximately 183 residential properties on the island have been identified as vacant, based on electricity consumption. This figure represents a conservative baseline; the true scale of underutilisation is likely significantly higher when factoring in holiday homes, vacant commercial sites, and broader utility indicators.

1.3 On an island encompassing just 24 square miles, land is a finite and premium resource. By introducing a deterrent financial mechanism, the levy intends to incentivise owners of idle property to return these assets to the active market either via leasing or sale, thereby easing the island's housing shortage or, alternatively, to make a substantial financial contribution via an enhanced TRP rate should they choose to retain the property in its underutilised state.

2. The Rationale: From Passive Wealth Storage to Productive Use

2.1 The practice of purchasing high-value real estate to act as an un-rented, unoccupied passive store of wealth is an established global trend. However, while larger jurisdictions can absorb a degree of idle property, Guernsey faces unique spatial constraints. Because our housing stock consists predominantly of standalone houses and bungalows rather than high-rise apartment units, an idle property does not simply represent a vacant room - it represents an entire physical plot of scarce island land being withheld from the community. Consequently, every empty home or shuttered commercial building directly reduces local economic vitality and worsens housing inflation.

2.2 The UPL serves a dual purpose: it is designed not only as a revenue-raising measure but also as a critical regulatory deterrent. The framework establishes a clear choice for property owners:

- Return the asset to productive use as housing or active commercial space, or
- Find a reasonable market exit by selling the property, or
- Absorb a significant, proportionate financial contribution to compensate the community for withholding a scarce resource

3. The Occupancy Declaration Framework

3.1 To keep administration simple and prevent the growth of public sector bureaucracy, enforcement will rely on a statutory *Occupancy Declaration* administered via existing tax-return streams.

3.2 Accountability for completing the annual declaration will be governed by the property's legal ownership structure:

- **Direct Individual Ownership:** The declaration must be completed by the legal owner as part of their annual personal income tax return.
- **Fiduciary, Corporate, or Trust Structures:** For properties held via local or offshore corporate bodies, trusts, or foundations, the declaration must be submitted by the locally appointed resident agent, corporate service provider, or licensed fiduciary via the Revenue Service's online portal.

  Ultimate Responsibility: Regardless of the administrative submission route or the layer of corporate structuring used, ultimate legal and financial liability for the veracity of the *Occupancy Declaration* remains strictly with the registered legal owner.

4. Property Status Classifications

Property owners or their agents will be required to declare one primary occupancy status for the preceding calendar year. The framework distinguishes explicitly between residential and commercial assets.

4.1 Residential Property Matrix

Status	Definition	Levy Status	Verification Baseline
Principal Residence	Owner-occupied for a minimum of 183 days per calendar year.	**Exempt**	Cross-matched to the owner's personal income tax profile and registered address.
Actively Leased	Occupied by legitimate third-party tenants under a formal lease for ≥183 days.	**Exempt**	Disclosure of tenant identity, lease terms, and arm's-length rental consideration.
Exempt Status	Temporarily vacant due to approved extenuating or structural conditions.	**Exempt**	Subject to defined category rules (e.g., active marketing, probate, medical transition).
Secondary / Holiday Home	Habitable but used primarily for seasonal	**Liable**	Subject to the UPL following a 12-month

Status	Definition	Levy Status	Verification Baseline
	or occasional occupation (<183 days).		initial grace period.
Long-Term Vacant	Substantially unoccupied and unused for >12 months without an approved exemption.	**Liable**	Subject to the UPL following a 12-month initial grace period.

4.2 Approved Residential Exemptions

- **Actively Marketed:** Property is actively listed for sale or lease through a recognised agent at a reasonable, verifiable market rate (capped at a maximum of 12 months).
- **Structural Renovation / Awaiting Planning:** Property is undergoing major structural works or is awaiting formal determination of a planning application.
- **Probate / Estate Administration:** Occupancy is legally prevented due to ongoing probate, executorship duties, or estate litigation.
- **Medical or Care Transition:** The legal owner has transitioned into long-term hospitalisation or a registered residential care facility.

4.3 Commercial Property Matrix

- **Actively Occupied (Owner-Operated):** The premises are actively utilised by the owner's business for commercial, industrial, retail, hospitality, or professional operations. *Verified via corporate tax reference numbers.* (**Exempt)**
- **Actively Leased:** Premises are leased to an independent, arm's-length commercial tenant actively trading from the site. *Requires lease dates and tenant tax reference tracking*. **(Exempt)**
- **Strategic or Institutional Reserve:** Properties temporarily held out of use due to long-term infrastructure integration, phased estate management, or major town-centre redevelopment schemes. *Requires an approved Strategic Development Plan endorsed by the Development & Planning Authority and is subject to periodic review.* **(Exempt)**
- **Long-Term Vacant / Non-Operational:** Commercial properties left vacant, unleased, or non-operational for more than 12 months without securing a specific exemption. **(Liable to UPL following a 12-month grace period)**.

4.4 Approved Commercial Exemptions

- **Actively Marketed:** Listed via commercial agents under terms reflecting prevailing market realities (maximum 12 months).
- **Material Change of Use / Awaiting Planning:** Vacant due to a pending, formally validated application with the Development & Planning Authority.
- **Structural Refurbishment:** Undergoing major remediation, environmental cleanup, or specific tenant fit-out schedules.

5. Compliance Verification & Planning Integrity

5.1 The Revenue Service will maintain system integrity through occasional, targeted, risk-based compliance checks rather than continuous monitoring or universal physical inspections. Compliance checks may involve cross-referencing occupancy claims against data such as:

- Electricity and water consumption profiles.
- Waste disposal service records.
- Telecoms and internet usage records obtained through established lawful processes where necessary.

These checks would be carried out on an occasional, risk-based basis and would not involve continuous monitoring of individual properties.

5.2 Preventing Misuse of the Planning Process

To ensure owners do not abuse planning or renovation exemptions as an artificial loophole to delay levy liability, the following three safeguards will be enacted:

1. **The 12-Month Hard Stop (The No-Reset Rule):** A property may only claim an "Awaiting Planning" exemption for a maximum cumulative period of 12 months within any rolling three-year window. The clock begins when the first application is formally lodged; subsequent minor amendments, appeals, or entirely new submissions for the same site do not reset this timeline.
2. **The "Real and Realistic" Test:** The application must demonstrate a commercially or structurally viable effort to bring the asset back into active use. Speculative or unviable proposals deemed by the Revenue Service to be primary instruments of tax avoidance will see their exemption revoked retroactively.
3. **The "Progress" Test:** To maintain an exemption during active renovations, owners must provide clear evidence of physical momentum upon request (e.g., building

control notices, contractor invoices, active works schedules). Stalled or abandoned developments will be reclassified as vacant.

6. Levy Calculation and Liability Protocol

6.1 The Formula

The levy functions by applying a policy-calibrated multiplier directly to the property's baseline Tax on Real Property (TRP) assessment.

$$UPL = D \times TRP$$

Where:

- *UPL* is the final Underutilised Property Levy liability.
- *TRP* is the standard annual Tax on Real Property billing for the asset.
- *D* is the policy-determined deterrence multiplier.

  To ensure this fiscal measure acts as an absolute deterrent rather than an easily absorbed operational cost for ultra-high-net-worth owners, it is recommended that the multiplier *D* be set at a minimum value of 50 (i.e. UPL = 50 x TRP). Because TRP scales in accordance with property size and value, the UPL naturally remains highly progressive and proportional.

6.2 Enforcement and Liability Isolation

To eliminate the administrative friction of unravelling complex, multi-layered offshore corporate structures or discretionary trusts, the levy attaches directly to the property asset itself.

Liability rests entirely with the legal entity or person recorded in the *Central Property Cadastre*. For trust arrangements, billing is directed to the licensed fiduciaries or trustees in their representative capacity, payable directly out of trust capital or income assets. Failure to settle the levy will result in statutory surcharges, interest, and the eventual registering of a charge against the physical real estate.

7. Transitional Arrangements

7.1 To avoid abrupt market disruption and give owners ample opportunity to adjust their arrangements, a transitional framework could be deployed. Upon initial implementation, the States may offer a transitional grace period of up to 24 months before full levy liability is enforced.

7.2 As behavioral patterns stabilize and empirical market data emerges, this grace period may be systematically compressed down to 12 months or fewer via subsequent committee regulations, giving the States an adjustable policy lever to manage the speed of real estate re-integration.