P.2026/49 Amdt 45

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 M Leadbeater
Seconded by: Deputy A Cameron

To substitute in Proposition 1 the word “and” for the full stop and to insert, immediately after Proposition 1, the following additional Proposition:

“1A. To direct, notwithstanding Proposition 1, the Policy & Resources Committee:

a) to continue not with “the Reserved Measures”, so defined as:
   i. the introduction of a goods and services tax (“GST”)
   ii. the proposed International Services Entity arrangements insofar as those arrangements are dependent upon, or form part of, the introduction of GST; and
   iii. any reductions or restructuring of personal income tax, any associated payments, allowances or mitigations, which are intended to offset or redistribute the effects of GST;

b) to continue with the development and implementation of the remainder of the tax reform package provided those measures are capable of proceeding independently of the Reserved Measures;

c) to report to the States by October 2027 with regard to:

   i. the receipts from Pillar Two arrangements and the best available estimate of the recurring annual revenues arising from them;

ii. recurring expenditure reductions and efficiencies which have been implemented, including but not limited to progress against the approximate £20 million assumption incorporated within the financial forecasts;

iii. an updated assessment of the States' financial position, including the General Revenue Reserve, investment performance, infrastructure requirements, financing commitments and debt-repayment obligations;

iv. updated demographic, workforce and public service demand projections;

v. progress in addressing the outstanding operational, staffing, systems and administrative issues within the Revenue Services, together with an assessment of its readiness to implement and administer any additional taxes;

vi. updated implementation and administration costs associated with the Reserved Measures, including expenditure already incurred and any avoidable, unavoidable or abortive costs;

and that the original propositions of this report shall not seek approval for the Reserved Measures;

d) put not before the States any proposals in relations to the Reserved Measures until after the report outlined in 1A(c) has been considered by the States.".

Rule 4(1) Information

a) The proposition contributes to the States' objectives and policy plans by ensuring the tax system is fair and proportionate.

b) In preparing this proposition the Policy & Resources Committee was consulted.

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

d) The financial implication of carrying out this amendment would be the reduction in expected income from 2028 of not introducing the Reserved Measures.

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

Explanatory Note

This amendment inserts an additional proposition which discontinues the implementation of GST and its associated mitigations, and tax changes referred to as the Reserved Measures. The wording of the secondary proposition shall insert wording to the original proposition which prevents Proposition 1 and 1A from being voted on separately but ensures that the two resolutions shall complement each other. This amendment is intended to separate the elements of the Tax Reform 2026 package which are directly connected with the introduction of a goods and services tax (GST) from the measures and workstreams which can proceed independently and which should be progressed before the States is asked to consider the GST-linked package again.

The Reserved Measures are intended to comprise the introduction of GST; the International Service Entity (ISE) arrangements and associated charges insofar as they are dependent upon, or form part of, the GST structure; and the proposed restructuring of personal income tax and associated mitigations which are designed to operate alongside GST. For the avoidance of doubt, the proposer's intention is that the proposed 15% standard rate of personal income tax forms part of the Reserved Measures and should not be implemented separately while the GST-linked package remains reserved.

The amendment is not intended to stop the remainder of the reform programme. Measures which are capable of standing independently of the Reserved Measures should continue to be developed and, where approved, implemented. This includes the proposed transport taxes and the separate corporate tax measures contained within the Tax Reform 2026 package, including any Registry fee or levy changes which form part of those corporate tax measures. The intention is that an otherwise independent measure should not be delayed merely because the GST-linked elements of the package have been reserved.

Alongside those measures, the period before any renewed consideration of the Reserved Measures is intended to be used to establish a materially clearer evidence base on the underlying structural funding requirement. In particular, the proposer intends that the States should have much greater certainty as to the recurring receipts from Pillar Two; the extent to which the States has delivered sustainable recurring expenditure reductions and efficiencies, including the approximate £20 million annual assumption incorporated within the financial forecasts; and the resulting scale of any residual recurring funding gap.

The same period should also provide evidence that Revenue Services is operationally ready to administer any additional tax which the States may subsequently approve. This includes progress in addressing backlogs and outstanding operational, staffing, systems and administrative issues, and evidence that the necessary systems, staffing and processes are sufficiently robust to administer a GST if the States were later asked to approve one.

The October 2027 report is therefore intended to bring together both the progress of the non-reserved measures and the evidence needed for a future decision. It should report on Pillar Two receipts and the best available estimate of their sustainable recurring annual value; recurring expenditure reductions and efficiencies actually implemented and the extent to which the approximate £20 million annual savings assumption has been delivered on a sustainable basis; the updated financial position of the States, including reserves, investment performance, infrastructure requirements, financing commitments and debt-repayment obligations; updated demographic, workforce and public-service demand projections; Revenue Services' operational and systems readiness; and the updated implementation and administration costs associated with the Reserved Measures, including expenditure already incurred and any avoidable, unavoidable or abortive costs.

Taken together, that information is intended to provide the States with a substantially firmer assessment of the continuing structural funding gap before it is asked to revisit GST, the 15% income-tax structure or the GST-dependent ISE arrangements. The report is not intended to create an automatic trigger for the Reserved Measures. Rather, it is intended to ensure that any later proposal is considered against

updated evidence about revenues already secured, savings actually delivered, the remaining funding requirement and the practical capacity of Revenue Services to administer an additional tax.

No separate direction is required in the amendment for the Policy & Resources Committee to undertake ordinary preparatory or contingency work which already falls within its mandate. The amendment therefore does not seek to prevent such work where the Committee considers it appropriate. Its purpose is to allow the independent parts of the package and the associated financial and operational work to proceed, while reserving the GST-linked package until the States has considered the updated evidence required by the amendment.

The overall intention is therefore twofold: first, to continue with revenue-raising and reform measures that can proceed independently, including the transport taxes and separate corporate tax measures; and second, to use the intervening period to demonstrate what recurring revenue is being generated by Pillar Two and those measures, what sustainable recurring savings have actually been achieved, whether Revenue Services is demonstrably ready, and what residual structural funding gap remains. Only after the States has considered that updated position would the Reserved Measures be capable of returning for further political consideration.