P.2026/49 Amdt 47

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 R Curgenven
Seconded by: Deputy H Camp

To insert, immediately after Proposition 3 the following Proposition, and to renumber the subsequent Proposition accordingly:

> "To agree that there should be no increase in the rate of goods and services tax above the rate at which that tax is first introduced, before the assurance review set out in section 12 has been presented to the States, and no increase in the rate thereafter unless both -
>
> (a) robust evidence - based upon such being assessed in a similar (or not substantively dissimilar) method than currently presented by P&R - shows that a funding gap exists; and
>
> (b) the 1% real terms saving to be incorporated in the public expenditure budgets for 2027, 2028 and 2029, equivalent to annual expenditure reductions of £20m by 2029 as set out in paragraphs 5.2 and 5.14, has been delivered through efficiencies."

Rule 4(1) Information

a) The proposition contributes to the States' objectives and policy plans by determining, as a decision of the States, the circumstances in which the rate of goods and services tax may be increased, so that the commitment stated at paragraph 1.4 and the conditions upon which any later increase may proceed are settled by the States and not by the Committee alone.

b) In preparing this proposition no consultation has taken place.

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

d) The amendment alters no rate, threshold or revenue estimate in the Policy Letter. The revenue figures in Appendix 7 assume a rate of goods and services tax of 3%, so the proposition does not change the revenue on which the package is costed. It would prevent any increase in the rate before the assurance review has been presented to the States and, thereafter, until both of the stated conditions are satisfied. The Policy Letter does not quantify the revenue from any increase in the rate; paragraph 12.3 refers to rates of 4% or 5% without stating a figure. The condition in paragraph (b) is measured against figures the Policy Letter itself provides: the 1% real terms saving and the equivalent reduction of £20m a year by 2029 are stated at paragraphs 5.2 and 5.14, and paragraph 4.4 states that reduction as a base assumption of the Committee's forecasts. Paragraph 12.1 requires the assurance review to assess the financial situation "giving particular consideration to public sector efficiencies and savings that have been implemented".

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

Explanatory Note

Paragraph 1.4 of the Policy Letter lists, among the elements of the package, "A commitment not to increase the rate of GST ahead of the assurance review in 2030, and only then if robust evidence shows that a funding gap persists."

That sentence is the only place in the Policy Letter where the commitment appears. Section 12, which sets out the assurance review, does not contain it. Paragraph 12.3 addresses the same question in the opposite direction: "should the next Committee recommend any increase to the rate of GST to, say, 4% or 5%, there would likely be only a modest inflationary impact and there would be legislation in place to protect the relative value of the mitigations." Section 15 does not contain it either.

The commitment is therefore stated to the Assembly but is not among the matters the Assembly is asked to decide. None of the four Propositions gives effect to it. A commitment which the States is not asked to resolve binds nobody: it is a statement of the present Committee's intention, and a later Committee may depart from it without returning to the States for authority to do so.

The States has already asked for a limit of this kind and has not been given one. By Proposition 3 of P.2026/7, adopted in February 2026, the States directed the Committee "to give detailed consideration to the requirement for a two-thirds parliamentary majority to approve any future increase in the rate of GST, and present this for consideration by the States in the second quarter of 2026". Paragraph 15.6 records that the Committee "does not recommend this measure", and offers in its place the legislation protecting the proportional value of the mitigating measures. That protection governs the value of the mitigations if the rate rises. It does not govern whether the rate rises.

A Proposition of this kind is not novel. By Proposition 2 of P.2026/7 the States resolved "To agree that the GST legislation must provide that should the States at any time in the future wish to increase the standard rate of GST, proposals must include compensatory adjustments" to the personal income tax allowance, the higher rate threshold, the Essentials Cost Relief Payment and the rates of the States Pension, Income Support and any other impacted benefits. The States has therefore already resolved as to what the goods and services tax legislation must provide about future increases in the rate. This Proposition is of the same kind and addresses the same subject.

The rate of goods and services tax would be set by legislation which has not been drafted. Proposition 4 directs the preparation of such legislation as may be necessary to give effect to the decisions of the States. Neither Policy Letter states by what instrument the rate would afterwards be varied, or by whom. A Resolution of the States fixing the limit now therefore governs what that legislation may provide and what may be done under it, and it does so before the legislation is made rather than after the rate has been changed.

The opening words of this Proposition state the Committee's commitment in its own terms, and so does paragraph (a), which carries over the condition stated at paragraph 1.4 that a later increase follow only where robust evidence shows that a funding gap persists. Paragraph (b) is drawn from the Committee's own account of the expenditure programme. Paragraph 5.2 records that the States resolved upon "a 1% real-terms annual reduction in public expenditure for three years", equivalent to "annual expenditure reductions of £20m by 2029", and paragraph 5.14 that the budgets for 2027, 2028 and 2029 "will incorporate a 1% real terms saving, to be delivered through efficiencies". What paragraph (b) adds is not the programme, which is the States' own, but the requirement that it has been delivered before the rate may be increased.

The two conditions are cumulative. Evidence of a funding gap would not by itself permit an increase in the rate. The Committee's forecasts already assume that the expenditure reductions have been made: paragraph 4.4 states as a base assumption "£20m per annum reduction in baseline spending by 2029 through delivery of 1% efficiency savings agreed by the States", and paragraph 5.12 records that the reduction "is already incorporated into the baseline". A funding gap demonstrated at the assurance review is therefore either a gap arising after those savings have been made, or a gap arising because they have not been. Paragraph (b) distinguishes between the two, and permits an increase in the rate only in the first case. The case for a higher rate of tax falls to be made after the expenditure side has been addressed, and not before.

Rule 26B(4) of the Rules of Procedure provides that where a Proposition is rejected which had proposed that a particular action not be taken, the rejection is not a positive instruction for the action to be undertaken. If this Proposition is not carried, no increase in the rate is thereby authorised; the position is that the States has not resolved upon the matter.

The new Proposition is placed immediately after the Proposition directing the assurance review, and before the Proposition directing the preparation of such legislation as may be necessary to give effect to the above decisions, so that the direction to prepare legislation extends to it.