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 G A St Pier
Seconded by: Deputy S Rochester

1. 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 agree, notwithstanding Proposition 1, the following:

i. to implement the package of tax reforms to make Guernsey and Alderney more financially sustainable as set out in sections 9 and 10 with the rates and thresholds as described in Appendix 7 in the first year of implementation SUBJECT TO the rates and thresholds progressing as follows:

with effect from 24 months following the implementation of changes to Income Tax and Social Security contributions and the introduction of a GST:

- Social Security contributions allowance: £12,600 (provisional*);
- Higher rate of Income Tax threshold: £30,500 (provisional*);
- Pre-emptive increase in pensions and other benefits: 0.6%;

- Essentials Costs Relief Payment: set to reflect the estimated impact of a 4% GST on a basket of essential goods as described in Billet d'État No III of 2026;
- GST: 4%; and,

with effect from 48 months following the implementation of changes to Income Tax and Social Security contributions and the introduction of a GST:

- Social Security contributions allowance: £13,000 (provisional*);
- Higher rate of Income Tax threshold: £33,000 (provisional);
- Pre-emptive increase in pensions and other benefits: 0.6%;
- Essential Costs Relief Payment: set to reflect the estimated impact of a 5% GST on a basket of essential goods as described in Billet d'État No III of 2026;
- GST: 5%.

*monetary thresholds to be adjusted for inflation prior to implementation

ii. with the Committee *for* Employment & Social Security to recommend to the States of Deliberation annually uprating:

- the personal Income Tax allowance;
- the Social Security contributions allowance;
- the Higher Rate of Income Tax threshold;
- the Essentials Cost Relief Payment; and
- the rates of the States Pension, Income Support and any other impacted benefits

by a minimum of RPIX to ensure that the real value after inflation of the protection incorporated in the package of reform is maintained.".

iii. to include within the Fiscal Policy Framework a fiscal rule that GST shall not exceed 5%.".

2. To delete Proposition 3 and replace it with:

   "To direct that before any increase in the rate of GST from 3% to 4%, or from 4% to 5% shall take effect, the Policy & Resources Committee shall publish an assurance review from the independent Fiscal Policy Panel affirming that in the Panel's opinion the increase is consistent with the Fiscal Policy Framework and is necessary and appropriate having regard to the island's fiscal, economic and inflationary environment and the impact of economic conditions and the proposed increase on lower- and middle-income households. In the event that the Fiscal Policy Panel's assurance review concludes that the scheduled increase in the rate of GST does not satisfy the requirements herein, the scheduled increase shall not take effect and shall instead be deferred for at least 12 months until the Panel concludes that the requirements have been met.".

3. In Proposition 4, to insert after the words "to give effect to the above decisions" the following:

   ", and to direct that such legislation include provision requiring that any resolution to approve legislation that seeks to vary or repeal the legislative protections referred to in paragraph 10.4, and outlined in Resolution I. 2 of Billet d'État No III of 2026 made on the 26th February 2026, shall be deemed to have carried only if not less than two-thirds of the Members present vote in favour.".

4. To insert an additional Proposition:

   "To direct the Policy & Resources Committee to take all such steps as are necessary to ensure that the States are provided with the opportunity to consider in the 2028 Budget Report options for an additional lifetime tax allowance (an Additional Earnings Allowance) in respect of otherwise taxable earned income to incentivise younger earners to remain, return or establish in the island.".

5. To insert an additional Proposition:

> "To direct the Policy & Resources Committee and the Committee *for* Housing to take all such steps as are necessary to ensure that the States are provided with the opportunity to consider in the 2028 Budget Report options to introduce a tax-free Guernsey Property Savings Account (GPSA) to incentivise and better enable saving by first-time buyers for the purposes of buying a home in Guernsey or Alderney.".

6. To insert an additional Proposition:

> "To direct the inclusion within the scope of longer-term work (envisaged in Appendix 3 of the Tax Review Sub-committee's report) an examination of the role of Social Security contributions in Guernsey's revenue base.".

7. To replace the additional proposition to be inserted by Amendment 24 with the following:

> "To direct the Policy & Resources Committee, in consultation with the Committee *for* Employment & Social Security, as part of the Government Work Plan Super Priority 'Shape and Strengthen the Focus on Early Years and Families,' to consider the re-introduction of child tax allowances or credits, alternative tax or Social Security measures, and existing measures including, but not limited to, Family Allowance, charge of child and dependent relative tax provisions, reporting as soon as practical to the States of Deliberation with recommendations which should include costed, targeted measures that most effectively support families with the costs of raising children.".

Rule 4(1) Information

a) The proposition contributes to the States' objectives and policy plans consistent with the States' Government Work Plan's Super Priority to 'Decide and deliver tax reform' and 'A Place to Grow and Succeed' within the 'Foundations of our Future' Area of Focus.

b) 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 position of the States will be improved as set out paragraph 1 in the Explanatory Note.

e) Drafting advice has been sought from the States Greffier and advice was sought from officers of the Policy & Resources Committee.

Explanatory Note

This amendment is designed to grow the economic capacity of the island, helping to deliver wider tax reform and ensure its fairness, particularly for low- and middle-income households, younger earners and those seeking to save to be able to buy their own home.

This amendment also consolidates a number of previously lodged amendments with a view to expediting debate, whilst allowing Members to individually support or oppose these additional propositions in the final votes at the end of the debate.

EXECUTIVE SUMMARY

This amendment:

1. ***Makes provision for increases in GST to 4% in 2030 and 5% after 24 and 48 months respectively, conditional upon:***
   - ***1.1. Ensuring the progressive restructure for lower- and middle- income households (i.e. increased Social Security allowances, higher rate of Income Tax threshold, pensions and benefits changes etc.) are anchored into any such increases; (para. 1Ai)***
   - ***1.2. Ensuring the progressive restructure for lower- and middle-income households is not whittled away by inflation, with a legal provision that it would need a vote of two-thirds of the States to separate the rate of GST from the accompanying progressive reforms; (para. 1Aii and b))***
   - ***1.3. A legal requirement that P&R shall be required to publish an assurance review from the independent Fiscal Policy Panel that in the Panel's opinion the increase in GST is consistent with the Fiscal Policy Framework and is necessary and appropriate having regard to the island's fiscal, economic and inflationary environment. (para b)***
2. ***Introduces a maximum cap of 5% on GST as a fiscal rule for inclusion in the Fiscal Policy Framework and all future States' financial planning. (para. 1Aiii)***

3. ***Requires P&R to consider a number of ongoing tax reforms:***
    3.1. ***An Additional Earnings Allowance helping to grow the island's economic capacity by creating an incentive and reward for young people to remain, return or establish long-term in Guernsey, whilst allowing them to save; (para. d)***
    3.2. ***Making it easier and more attractive for people to stay in, return or relocate to the island by supporting home ownership; (para. e)***
    3.3. ***A long-term review of the role of Social Security contributions in the island's revenue base; (para.f)***
    3.4. ***A range of financial support measures which most effectively support families with the costs of raising children. (para. g)***

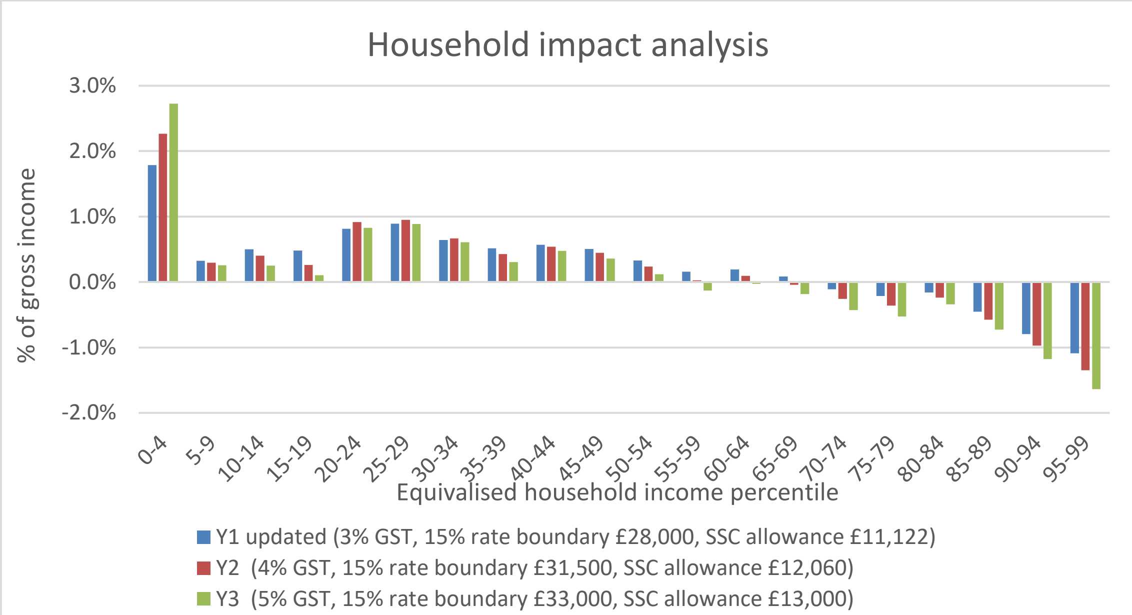
Enhanced progressive restructure for lower- and middle-income households

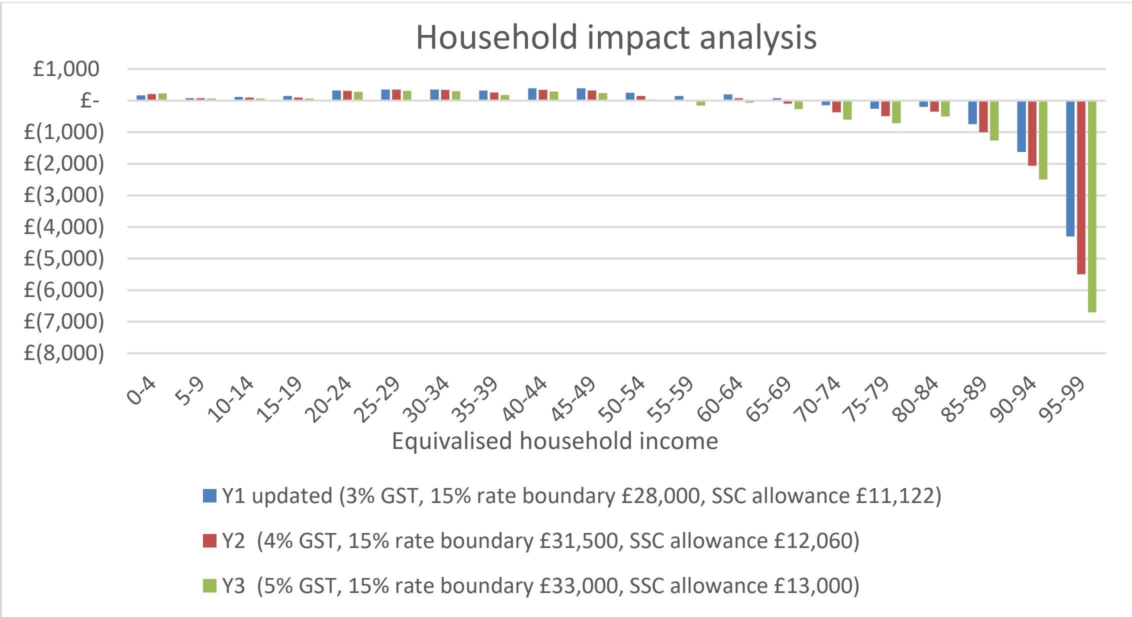
1. Paragraph a)i) of this amendment would increase the net revenue raised whilst protecting the net financial position for most lower- and middle-income households by providing for the phased introduction of higher Income Tax allowances, Social Security allowances and other changes and a 15% headline Income Tax rate, funded by the phased introduction of GST at 3% in 2028, 4% and 5% 24 and 48 months later respectively. The amendment recognises the costs of implementing GST with effect from 2028 both for government and businesses are the same whatever the rate of GST and there will be very minimal additional implementation costs incurred with subsequent increases. Lower- and middle-income households would be protected from a negative outcome whilst it would also improve the financial position of the States by £7m and £15m respectively after each 1% increase (at 2026 values.) Future projections show - bar a windfall from Pillar II, offshore wind, the Finance Sector Growth Strategy or AI productivity etc – that the structural deficit or funding gap will continue to widen. The risks to revenue are greater the higher our dependence on income-based taxation - a vulnerability that is reduced by the phased reduction of Income Tax and Social Security contributions on individuals (with increased additional revenue generated by corporates, international finance clients, visitors and wealthier residents through a modestly higher consumption tax).

Paragraph b) also provides that **before any increase in GST shall take effect** there will be a legal requirement that P&R publish an assurance review from the independent Fiscal Policy Panel that in the Panel's opinion the increase in GST is consistent with the Fiscal Policy Framework and is necessary and appropriate having regard to the island's fiscal, economic and inflationary environment and the impact of economic conditions and the proposed increase on lower- and middle-income households. In the event that the Fiscal Policy Panel's assurance review concludes that the scheduled increase in the rate of GST does **not** satisfy the requirements herein, the scheduled increase shall not take effect and shall instead be deferred for at least 12 months until the Panel concludes that the requirements have been met.

	After 24 months £m	After 48 months £m
Net change in Income Tax (reduced)	**-31**	**-35**
Net change in Social Security contributions	**-1**	**-3**
*Employer**	*10*	*10*
Employee (reduced)	*-10*	*-12*
*Self-employed**	*0*	*0*
*Non-employed**	*-1*	*-1*
GST revenues	**67**	**81**
Household GST	*51*	*64*
Visitor GST	*5*	*6*
ISE	*11*	*11*
Motor Taxes*	***7***	***7***
Corporate Taxes*	**6**	**6**
Corporate TRP*	***-1***	***-1***
Total Tax changes	**47**	**55**
Administration*	-3	-3
Benefits (real increase)	-1	-2
	43	**50**

** the amendment does not change these proposals in the policy letter*





Note that this amendment does not reinstate the package agreed in November 2024. It retains the smaller increase in **employer** Social Security contributions to 7.6% (rather than 8.0%) and does **not** bring unearned income into liability for Social Security contributions for employed or self-employed individuals. To reflect this, the proposed Social Security contributions allowance after 48 months does not fully align with the personal Income Tax allowance.

2. Paragraph a)ii) of this amendment also incorporates into the main proposition the protections sought in Amendment 10 previously lodged. As outlined in the explanatory note to that amendment – which will not be laid if this amendment is carried – the package is being proposed by the Policy & Resources Committee on the basis that it is generally progressive. It seeks to protect lower- and middle-income households through compensatory measures, including changes to the personal Income Tax allowance, a higher-rate Income Tax threshold, the Essential Costs Relief Payment, the States Pension, Income Support and other impacted benefits.

The progressive restructure is central to fairness and is the basis on which members are being asked to support the introduction of GST.

In February 2026, the States passed the following resolution:

> "*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 threshold at which Income Tax at the higher rate of 20% is applied;*
> - *the level of the payment under the Essentials Cost Relief Payment; and*
> - *the rates of the States Pension, Income Support and any other impacted benefits*
>
> *in order to ensure that the protection incorporated in the package of reform is maintained*."

However, that resolution only protects the progressive restructure in the event of an **increase in the standard rate** of GST.

Therefore, the purpose is to allow the States to make a policy commitment to prevent 'fiscal drag' (by which tax revenues are increased by allowing inflation to erode away the value of the progressive restructure with below inflationary increases in the specified allowances and thresholds) whilst allowing the States the flexibility to determine the appropriate annual change in light of the economic and fiscal environment.

3. Paragraph a) iii) of this amendment is a direction to P&R to include a rule in the Fiscal Policy Framework that GST shall be capped at 5%. This would be the adoption of a strong policy position by anchoring that cap into all future States' financial planning, with the further assurance of legally compelling P&R to publish the assurance reviews from the independent Fiscal Policy Panel that any proposed increase in GST is consistent with the Fiscal Policy Framework.

Enhanced protection (previously Amendment 12)

3. Paragraph c) of this amendment proposes a change to Proposition 4 by incorporating into the main propositions the protections sought in Amendment 12, previously lodged. As outlined in the explanatory note to that amendment – which will not be laid if this amendment is carried – notes that **the effect is to provide greater protection for the progressive restructure associated with the introduction of GST, by requiring a two-thirds majority to approve legislation that would seek to vary or repeal them.**

Incentive for younger earners

4. Paragraph d) of this amendment would insert an additional proposition directing P&R to consider and return with options in the 2028 Budget Report for an additional 'lifetime tax allowance' (an Additional Earnings Allowance) for younger earners in respect of otherwise taxable earned income.

At this stage, the States would **not** be committing to the introduction of such an allowance until they have a full understanding all the implications, including the costs.

It is essential that this work be considered in the context of tax reform: it seeks to grow the island's economic capacity by creating an incentive and reward for young people to remain, return or establish long-term in Guernsey, whilst allowing them to save, including to meet future housing costs consistent with 'A Place to Grow and Succeed' within the 'Foundations of our Future' Area of Focus in the Government Work Plan.

Helping first time buyers to save

5. Paragraph e) of this amendment would insert an additional proposition directing P&R (working with the Committee *for* Housing) to consider and return with options in the 2028 Budget Report to enable the introduction of a tax-free savings account to incentivise and better enable saving by first time buyers for the purposes of buying a home in Guernsey or Alderney. This supports the work already being undertaken by the Committee *for* Housing in this area.

It is essential that this work be considered in the context of tax reform: it eases the tax burden on individuals and boosting the island's financial resilience and sustainability by making it easier and more attractive for people to stay in, return or relocate to the island by supporting home ownership. The amendment also ties tax reform to the three areas of focus of the Government Work Plan: Foundations for Our Future, Island Resilience and Sustainable Wellbeing, and the Super Priority of Support for Early Years and Families.

At this stage, the States would **not** be committing to the introduction of any option, including the Guernsey Property Savings Account, until they have a full understanding all the implications, including the costs.

The social and economic benefits of assisting first-time buyers are well-documented and particularly relevant to Guernsey as a small island jurisdiction. Over recent years housing supply and affordability challenges have seen young people and families moving away.

This incentive will encourage young people to stay on island or return from study abroad, which will help to balance the island's demographics, strengthening the economic capacity of the island as well as enabling young local people to see a future in their island home.

The cost of rental housing in Guernsey has risen significantly – both in real and nominal terms as well as a proportion of earnings. Consequently, young adults are finding it more and more difficult to save for a house deposit, making the prospect of a house purchase feel like it is less and less accessible to them.

The Committee *for* Housing is working hard to increase supply of properties of all tenures, and they are seeing some level of success in this area, however there is a long lead-in time until a significant number of new properties are available on the market.

The concept of a tax-free savings account for a specific purpose is not new. It is a tried and tested method in used in many jurisdictions to incentivise and encourage saving, in particular the Lifetime Individual Savings Account (LISA) in the UK.

By introducing a tax-free savings account for the purpose of encouraging saving for a deposit for first time buyers, we can demonstrate that we are serious about helping our community onto the housing ladder. It should encourage a culture of saving regularly and help prepare purchasers for the time when supply increases.

A number of local banking providers have indicated that they are keen to facilitate such an account.

Longer-term review of role of Social Security contributions (previously Amendment 11)

6. Paragraph f) of this amendment also incorporates Amendment 11 previously lodged. As outlined in the explanatory note to that amendment – which will not be laid if this amendment is carried – this amendment would insert an additional proposition directing an examination of the role of Social Security contributions in Guernsey's revenue base. It is envisaged that the subject matter experts within the Committee *for* Employment & Social Security would be required to discharge this work.

The Security system has undergone substantial change since its first introduction, both in terms of the application of Social Security contributions and the nature and scale of benefits supported. This includes significant changes to contributions applied following the introduction of the Zero-10 corporate tax regime in 2008. In short, Social Security contributions have consciously become more akin to an income-related tax.

As developing a model of sustainable healthcare is a super priority in the GWP, it is timely and appropriate that consideration be given to one of the key funding streams – Social Security contributions.

The 'GST+' package approved by the States of Deliberation in November 2024 included proposals to extend the scope of Social Security contributions to unearned income. These proposals have been deferred until the 2030 'assurance review' set out in Section 12 of the policy letter. Prior to that review, this amendment directs that consideration should be given to the role of Social Security contributions within our revenue base as part of the work envisaged by the Tax Review Sub-committee in its next report.

Shape and Strengthen Focus on Early Years and Families

7. Paragraph g) of this amendment would insert an additional proposition directing P&R, in consultation with the Committee *for* Employment & Social Security to consider a range of financial support measures which most effectively support families with the costs of raising children.

It is intended that this amendment would provide a more pragmatic alternative to Amendment 24 which directed P&R "*to introduce a Child Responsibility Tax Allowance […] 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…*" before any consideration has been given to the financial implications of such a direction and whether any more effective policy alternatives exist.

One of the super priorities of the approved Government Work Plan 2026-29 is to 'Shape and Strengthen Focus on Early Years and Families' and this is the appropriate route to consider all the policy options.

This amendment is supported by Forward Guernsey.