P.2026/49 Amdt 56

THE STATES OF DELIBERATION

Of the

ISLAND OF GUERNSEY

30 September 2026

Proposition No. P.2026/49

Policy & Resources Committee

TAX REFORM 2026

AMENDMENT

Proposed by: Deputy H. Camp
Seconded by: Deputy G. Collins

To insert the following additional Propositions:

"1 To agree that the States' response to the financial position described in the Policy Letter shall combine additional revenue with coordinated action on economic growth, expenditure control and the sustainable provision of public services.

2. SHOULD PROPOSITION 1 NOT CARRY

To direct the Policy & Resources Committee, insofar as this has not already been required by another resolution of the States:

i. to cease further development and implementation of GST, the GST-dependent ISE arrangements, and the personal income tax changes, social security contribution changes, payments and other mitigations proposed specifically in connection with the introduction of GST, except for the employer contribution measures expressly retained by 1(c) herein;
ii. to incur no further expenditure or commitments on those discontinued measures, other than that reasonably necessary to close the work in an orderly manner, preserve records and meet or lawfully terminate existing obligations;
iii. within three months, to report to the States on expenditure incurred, outstanding commitments, closure costs and funding no longer required; and
iv. that those measures shall not be resumed without a subsequent express resolution of the States.

3. SHOULD PROPOSTION 1 NOT CARRY

To agree that the following measures shall proceed independently of GST, subject to any modifications expressly approved by the States under this item:

i. the transport taxation measures described in the Policy Letter, including the proposed reduction in fuel duty;
ii. the proposed extensions of corporate income taxation and changes to company registration fees, subject to the removal of GST-dependent provisions and reconciliation with the International Services Levy described below; and
iii. the employer social security contribution measures specified in Appendix 7, including the phased increase to 7.6% by 2029, removal of the lower earnings limit for employers and the additional 2.5% contribution on earnings between the Upper Earnings Limit and £300,000.

4. To direct the Policy & Resources Committee and the Committee for Employment & Social Security to identify the annual yield and allocation between the relevant funds of the employer contribution measures, distinguishing additional receipts from increases already approved or included in the existing financial baseline.

5 To direct the Policy & Resources Committee, working with the Committee for Economic Development, taking advice from His Majesty's Procureur and consulting the Guernsey Financial Services Commission, representatives of the finance industry and domestic businesses, to develop and submit proposals to the States by 30 June 2027 for a legally deliverable scheme of annual contributions to General Revenue, independent of GST, with the objective of implementation from 2028.

i. The proposals shall seek, insofar as legally and practically achievable, to establish a scheme similar in character to the proposed ISE arrangements, as an alternative to a uniform levy on all Guernsey-registered companies, securing a proportionate contribution from the international financial services sector while avoiding undue additional costs for local domestic businesses.

ii. In developing those proposals, the Committee shall:

a) examine differentiated charges according to the nature, category and scale of a business or entity, including an appropriate combination of provider-level and entity-related charges;
b) examine whether, and on what lawful basis, a charge payable by a person carrying on business in or from Guernsey could be calculated by reference to the number or categories of entities or arrangements administered, managed or otherwise serviced by that person,

including those established outside Guernsey, without presuming that those overseas entities or arrangements may themselves be made liable;

c) consider a combination of targeted financial services charges and differentiated corporate charges, with exemptions, thresholds or reliefs designed to protect small businesses and businesses predominantly serving the domestic economy;

d) assess the likely incidence of the charges, including their potential to be passed on to domestic customers, and their effects on competitiveness, employment and the retention of business in Guernsey;

e) identify the proposed persons liable, charging basis, rates, collection arrangements, safeguards against avoidance and unintended duplication, legislative requirements, implementation and administration costs, and estimated recurring net revenue;

f) explain how the proposed scheme would interact with existing corporate taxes, registration fees and other levies, and with any corresponding ISE or equivalent scheme subsequently introduced alongside GST, including arrangements to avoid duplicate charges; and

g) where an approach similar in character to the proposed ISE arrangements cannot lawfully or practicably be delivered, identify the relevant constraints and recommend the closest deliverable alternative consistent with the objectives above.

iii. The proposals shall be submitted for approval by the States before implementation. This paragraph does not itself approve a particular charging mechanism or impose liability on any person, entity or arrangement.

<u>Transition to any future ISE scheme</u>

iv. To direct that the legislation establishing the International Services Levy or differentiated corporate levy shall provide for its replacement, in respect of corresponding charges, by an ISE or equivalent scheme if such a scheme is subsequently approved and brought into operation alongside GST.

Transitional credits or apportionment shall prevent duplicate charges for the same entity or arrangement and period. Liability under the Levy shall continue until the corresponding replacement arrangements take effect.

6. To direct the Committee for Economic Development, working with the Policy & Resources Committee, to submit visitor levy proposals by 30 June 2027, with the objective of implementation from 2028, the proposals shall:

i. assess the basis and deliverability of the Committee's reported estimate of approximately £6 million annually;
ii. specify the charging basis, rates, exemptions, collection arrangements, implementation and administration costs, and expected effects on visitor demand and the visitor economy; and
iii. provide for receipts to be paid into General Revenue, with any allocation for additional tourism expenditure requiring separate approval through the ordinary budget process, unless otherwise expressly resolved by the States under this item.

7. To direct the Policy & Resources Committee to submit, by 30 June 2027, a consolidated implementation and financial assessment of the alternative measures, compared on a consistent basis with the package proposed in the Policy Letter and identifying the effects of other relevant resolutions made under this item, which shall:

i. show the annual effects for each year from commencement to 2030, together with the expected recurring position once the measures are fully implemented;
ii. distinguish General Revenue from each affected social insurance fund, identifying receipts, expenditure and transfers between them without double-counting;
iii. identify gross receipts, tax reductions, allowances, benefit changes, implementation expenditure, recurring administration costs and any additional expenditure intended to be funded from the measures;
iv. distinguish one-off implementation cash requirements from any separately presented annualised cost comparison;
v. assess the direct and subsequent economic effects of each package, including effects on prices, public sector pay, pensions, benefits, procurement and capital expenditure, together with associated effects on tax receipts, identifying assumptions, timing and any amounts already included in the financial forecasts;
vi. distinguish additional savings from savings already incorporated in the baseline, showing their expected delivery timetable, implementation costs and the consequences of partial or delayed delivery;
vii. reconcile overlapping revenue measures and assess uncertainty in chargeable populations, collection, behaviour and implementation, using appropriate ranges and sensitivity analysis;
viii. assess household and business effects, distinguishing compensation for additional taxation from real improvements in support, and identifying the distribution of benefits from allowances, reduced tax rates and targeted payments;
ix. show separately the fiscal and household effects of retaining existing fuel duty, including an option for adjusting the proposed vehicle

charges, without changing the measures approved under 1(c) above unless the States subsequently so resolve; and

x. specify the implementation programme, staffing requirements and further funding approvals required;

neither unverified savings nor speculative future receipts shall be presented as secured income.

8. To establish, in accordance with Rule 53 of the Rules of Procedure of the States of Deliberation and their Committees, a States' Investigation & Advisory Committee to be known as the Appropriations Committee, with its members elected or appointed within six weeks of this resolution.

<u>Mandate of the Appropriations Committee</u>

i. To agree that the Appropriations Committee's mandate shall be to investigate the sustainable provision and funding of public services across government, giving priority to the largest areas of expenditure, particularly health, education and social care, including relevant expenditure administered through social insurance funds, and the application of approved government strategies.

Its work shall include:

a. identifying the principal causes of expenditure growth and opportunities for prevention, improved outcomes, productivity and more effective use of staff, procurement, technology and public assets;
b. examining which services should be delivered directly by the States, commissioned from others, delivered jointly, funded wholly or partly through user contributions, redesigned or discontinued;
c. assessing the consequences for service quality, accessibility, statutory obligations, households, the workforce, economic participation, wellbeing and long and healthy lives;
d. comparing priorities and resource requirements across Committees, including dependencies and opportunities for collaboration; and
e. recommending sustainable expenditure changes and identifying their implications for future revenue requirements.

<u>Nature of recommendations and existing mandates</u>

ii. To direct the Appropriations Committee to distinguish between recurring cash savings, one-off savings, avoided future expenditure, redeployment of resources and transfers of cost to other bodies or households, identifying implementation costs, risks, responsibilities and delivery timetables.

iii. The Committee shall investigate and advise. Its establishment shall not transfer existing Committees' mandates, budgets or operational responsibilities, nor authorise changes to services, taxation or statutory entitlements without the approvals otherwise required.

Membership of the Appropriations Committee

iv. To agree that the Appropriations Committee shall comprise seven voting members:
   a. a Chair and three other States Members elected by the States, none of whom shall be a member of the Policy & Resources Committee, the Committee for Health & Social Care, the Committee for Education, Sport & Culture or the Committee for Employment & Social Security; and
   b. one member appointed by each of the Committee for Health & Social Care, the Committee for Education, Sport & Culture and the Committee for Employment & Social Security.
   c. Committee Presidents shall be eligible subject to those membership requirements.
   d. Members shall act in the interests of the States as a whole.
   e. The Policy & Resources Committee shall nominate a liaison member, who may be its President, to attend without a vote when invited by the Chair. The Appropriations Committee may obtain independent specialist advice.

Cooperation and support

v. To direct all Committees to cooperate with the Appropriations Committee and provide information and reasonable officer assistance necessary for its work, subject to applicable legal duties. Where information cannot lawfully be supplied, the reason and any practicable alternative shall be explained.

vi. To direct the Policy & Resources Committee to arrange dedicated secretariat and financial analysis support, accountable to the Appropriations Committee for delivery of its approved work programme.

Funding

vii. To approve additional expenditure of up to £500,000 for the Appropriations Committee's work to 31 December 2028, excluding existing staff costs made available herein, and:
   a. to authorise an initial allocation of £200,000 from the uncommitted Budget Reserve;
   b. to direct the Policy & Resources Committee to release further funding within that ceiling against a costed work programme approved by the Appropriations Committee, subject to applicable financial controls and availability of funds, without

requiring a further decision on the merits of the approved investigation;

c. where the necessary funding cannot be provided from the Budget Reserve, to direct the Policy & Resources Committee promptly to seek an alternative or subsequent-year appropriation from the States; and

d. the Appropriations Committee shall report expenditure and commitments alongside its progress reports. Funding above the ceiling shall require further States approval.

<u>Reporting and coordination</u>

viii. To direct the Appropriations Committee:

a. to publish its work programme within three months of its establishment;

b. to submit its first substantive report within nine months, with further reports at intervals not exceeding six months;

c. to bring forward recommendations as they become ready and submit its final report by 31 December 2028;

d. to coordinate with relevant investigations, economic plans and reviews approved by the States, including work undertaken through the Government Work Plan and Major Projects Portfolio, avoiding unnecessary duplication; and

e. affected Committees shall provide a reasoned response to recommendations within eight weeks, identifying agreed action, resource implications and delivery timetables.

9. To direct that the Assurance Review to be submitted by the Policy & Resources Committee in 2030 shall retain the relevant requirements otherwise approved by the States and shall additionally draw together:

a. the actual revenue, costs and economic effects of the approved measures, assessed against the forecasts and assumptions reported under Proposition 9;

b. the Appropriations Committee's findings and recommendations, the States' decisions upon them, and the extent to which resulting actions and savings have been delivered;

c. the findings, recommendations and implementation status of every other relevant report, review or plan commissioned or required by resolutions arising from this Tax Reform debate;

d. evidence of economic growth, productivity, workforce participation and progress in addressing constraints on the economy;

e. the amount, reliability and expected persistence of Pillar Two receipts and other prospective revenue sources; and

f. an updated assessment of the remaining structural funding requirement, expressed as a range and supported by sensitivity analysis.

i. The Review shall explain how that evidence informs the scale, composition and timing of any further revenue or expenditure measures proposed. Where a required report or review remains outstanding, it shall identify the reason, expected completion date and implications for the conclusions reached.

10. To agree that the final Proposition directing the preparation of legislation shall apply to these additional resolutions and shall be read subject to any cessation requirements in the above Propositions."

Rule 4(1) Information

a) The propositions contribute to the States' objectives by ensuring that the States is able to generate sufficient new revenue sufficient to partially meet a projected funding, supporting a period of intense review into the workings and efficacy of the States designed to place the States into a better informed and evidenced position from which to address future revenue-raising needs and measures.

b) In preparing the proposition, they have been shared with the Policy & Resources Committee and any committee named herein.

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

d) The financial implications to the States of Guernsey in carrying out this proposal are designed to be net positive, through introducing some new revenue-raising measures whilst also recognising that there will be costs to their implementation and administration and also to the investigative items contained herein.

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

EXPLANATORY NOTE

Relationship with other amendments

This amendment adds to the decisions made during the debate. It preserves other amendments and resolutions, including any requirements for investigations, reports, reviews, economic planning and expenditure savings, and brings their relevant findings into the 2030 Assurance Review.

Its express exception concerns authority to develop or implement GST and the associated measures identified in Paragraph 1(b) herein. Those authorities must be brought into line with the decision to halt that work. The amendment does not otherwise set aside decisions already made by the Assembly.

Purpose

The amendment proposes a coordinated response to the States' financial position, combining measured additional revenue with investigation of expenditure and the economic conditions that determine long-term financial sustainability.

It does not claim that the revenue measures alone will close the structural deficit. Its purpose is to secure additional receipts while requiring government to address service delivery, spending priorities and economic growth alongside taxation.

Revenue measures

The amendment halts GST and its associated mitigation programme while retaining specified transport, corporate tax and employer contribution measures, subject to modifications approved during the debate. Existing benefits, allowances and ordinary uprating arrangements remain unaffected.

The employer contribution provisions are retained expressly. Appendix 7 of the Policy Letter estimates approximately £10 million additional employer receipts, whereas the approximately £2 million overall social security figure combines those receipts with changes affecting other contributors. Neither amount should be treated as unrestricted General Revenue. The allocation between funds and the yield against the existing baseline must be established.

Paragraph 1(d) directs the development of a legally deliverable alternative to a uniform corporate levy. It seeks to draw on the differentiated character of the proposed ISE arrangements, while recognising that a standalone levy without GST requires its own legal basis.

The intention is to work with the finance industry on a proportionate contribution to General Revenue, using an appropriate combination of provider-level, entity-related or differentiated corporate charges. The design should avoid undue additional costs for small businesses and businesses predominantly serving the domestic economy.

The paragraph does not presume that Guernsey can impose liability directly on overseas entities or arrangements. It instead requires examination of the available legal mechanisms, including whether a charge on a person carrying on business in or from Guernsey may lawfully be calculated by reference to the nature and scale of its administered business.

Protection of domestic businesses must address both direct liability and the possibility of charges being passed on through higher fees or prices. The proposals must therefore assess the economic incidence of the scheme as well as its formal scope.

The States would retain the decision on the eventual scheme. If the preferred approach cannot be delivered, the Committee must explain the constraints and recommend the closest lawful and practical alternative. No particular yield is assumed before the charging population, rates and costs have been assessed, however published estimates in both the Policy Letter and the Tax Review Sub Committee's 2026 report identify a broad and substantial universe for exploration.

Economic Development's approximately £6 million annual visitor levy estimate, reported in the Guernsey Press on 16 September 2026, provides a basis for assessment. The amendment requires its assumptions, collection costs and expected yield to be demonstrated. Subject to any express decision made during this debate, receipts would support General Revenue, with additional tourism expenditure considered separately through the budget process, inline with the general practices of the States.

A consistent financial comparison

The amendment requires the alternative and the Policy Letter package to be compared using the same accounting basis, implementation years and treatment of uncertainty.

The assessment must distinguish social insurance receipts from General Revenue, gross receipts from net revenue, one-off implementation spending from recurring costs, and additional savings from those already included in the financial baseline. Savings should be recognised according to their delivery timetable and evidence of achievement.

The transport provisions retain the proposed fuel-duty reduction, subject to decisions made during the debate. Retaining existing fuel duty would alter both the revenue and household effects. A separately costed option is therefore required rather than assuming those effects are negligible.

The States' estimated 1.9% GST-related consumer-price effect does not, by itself, establish an equivalent increase across all public expenditure. Nevertheless, the consequences for pay, benefits, pensions, procurement and construction are relevant to the net fiscal result. Those effects should be assessed alongside associated revenue effects and reconciled with costs already included in the forecasts.

The alternative also has implementation costs and economic effects. Employer contributions and sectoral levies may affect prices, wages, employment and business behaviour. The comparison should examine those effects rather than assume they are absent.

Household comparisons must distinguish measures compensating for GST from real improvements in support. Any alternative approach to targeting assistance should identify its cost, distributional effects and practical consequences.

Expenditure investigation and coordination

The Appropriations Committee would provide a focused, joined-up investigative function across government, starting with health, education and social care.

Its remit recognises the intrinsic value of those services and their contribution to economic participation, productivity, wellbeing and long and healthy lives. It would examine the effective use of public resources without presuming that a particular service should be reduced, charged for or transferred to another provider.

Its membership would ensure that key spending Committees communicate directly and that their priorities and resource requirements can be independently assessed. Four members drawn from outside the specified Committees would provide a useful level of independence. Committee Presidents would remain eligible to serve within the membership arrangements.

The Committee would not prevent existing Committees from fulfilling their mandates. It would provide an additional layer of investigation, comparison, advice and communication, while their significant operational responsibilities and ordinary approval requirements remained in place.

The proposed funding would support financial analysis and specialist investigation proportionate to the expenditure under review. The ceiling would not be a spending target.

An informed decision in 2030

The Assurance Review would bring together the actual performance of the revenue measures, evidence of expenditure reform and economic growth, and the work commissioned by the States during this debate.

It would distinguish recommendations from action, forecast receipts from realised income, and proposed efficiencies from delivered savings. This would give the States a clearer basis for deciding what further measures were necessary, in what form and on what timetable.