P.2026/49 Amdt 7

THE STATES OF DELIBERATION
of the
ISLAND OF GUERNSEY

15th July, 2026

Proposition No. P. 2026/49

Policy & Resources Committee

Tax Reform 2026

AMENDMENT

Proposed by: Deputy A Matthews
Seconded by: Deputy A Sloan

In Proposition 1, immediately after the words “Appendix 7” insert the following words “subject to zero rating food and non-alcoholic drink for any goods and services tax”.

Rule 4(1) Information

a) The proposition contributes to the States’ objectives and policy plans by ensuring Guernsey’s tax system remains fair and just.

b) In preparing this proposition members of Policy and Resources have been informed but no formal 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 financial implication of carrying out this amendment is to reduce the revenue raised from a goods and services tax.

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

Explanatory Note

This amendment seeks to introduce a 0% rate for food and non-alcoholic drink.

Resolutions of November 2024 instructed the Policy & Resources Committee to consider the zero-rating of food for GST. However, in February 2026 resolutions relating to “Tax Reform: Workstream 1” directed that if introduced, GST should be applied at a standard rate of 5% and that all foodstuffs should be subject to the 5% rate.

Subsequently, the “Workstream 2” element of tax reform has concluded without recommending significant increase in the contribution of corporate tax. Furthermore, the current “Tax Reform 2026” Policy Letter specifies a standard rate of 3% for GST, as set out in Appendix 7, Figure A7.1.

A component part of the decision to forgo the zero-rating element for food from GST proposals was that a differing 6% rate requirement would exceed that of Jersey’s GST rate of 5% and could be seen as uncompetitive or more difficult to administer.

A crude estimation of the revenue difference can be obtained by considering the February 2026 Policy Letter, which indicated that a 6% standard rate for GST without food, when compared to a 5% rate with food included, such that the food element represented approximately one-sixth of the base consumption revenue. Applying this ratio to the revised revenue projection set out in Appendix 7 for GST only, and excluding the ISE Scheme revenue since this is not affected by a zero-rate for food, would result in a one-sixth decrease in the projected £46m revenue, or approx.. -£7.7m annual difference with the unamended propositions.

This amendment does not propose a compensatory increase in the standard rate of GST to balance the shortfall. For example, an increase to 4% would exceed the projected revenue when compared to the unamended propositions. The Committee *for* Policy and Resources would of course be at liberty to bring changes to revise the standard rate to address a shortfall at any time.

This amendment also does not alter the Essentials Cost Relief Payment scheme. The scheme was modelled on a similar scheme in applied in Jersey which was initially designed to compensate for the application of food to GST in Jersey. With food set to a zero rate, a revised calculation of “Minimum Income Standards” to address households with an income above the threshold for income support but which would be negatively affected by the imposition of GST to a basket of “essential” goods may be considered. The mandate for amending the rates of the Essential Cost Relief scheme would rest with the Committee *for* Employment and Social Security.