P.2026/49 Amdt 8

THE STATES OF DELIBERATION
of the
ISLAND OF GUERNSEY

15th July 2026

Proposition No. 2026/49

Policy & Resources Committee

Tax Reform 2026

AMENDMENT

Proposed by: Deputy M Helyar
Seconded by: Deputy A Sloan

At the end of Proposition 1 insert the words ", subject to excluding the following:

"a) the income tax and social security contribution proposals set out in section 10; and

b) the changes to the current rates and thresholds for income tax and social security contributions set out in Appendix 7".

Rule 4(1) Information

a. The proposition contributes to the super priority set out in the States' Government Work Plan (Billet d'Etat II of 2026) to 'Decide and deliver tax reform'. This forms part of the 'Island Resilience' area of focus.

b. There has been no consultation 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. It is estimated that if carried into effect, the proposal would increase net revenues from the Tax Reform 2026 package by £25m as a result of increasing Income Tax Revenues from the package by £28m, reducing Social Security Contributions from the package by £2m and increasing the costs of Income Support by £1m.

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

Explanatory note

The purpose of this Amendment is to ensure that the Tax Reform package remains focused upon its original objective: restoring the long-term sustainability of the Island's public finances by addressing the structural deficit.

The projections accompanying the Policy Letter demonstrate that the current package does not achieve that objective. On the Committee's own projections, the public finances remain in deficit at the time of the planned "assurance" review in 2030, with the fiscal position continuing to deteriorate thereafter. In particular, the long-term projections set out in Figure 18 (page 47) show that the proposed reforms do not place the Bailiwick on a sustainable fiscal trajectory.

The practical consequence is that the proposed package is unlikely to represent the final form of tax reform. If the objective remains to restore fiscal balance, further increases in taxation are likely to be required in due course. Indeed, the Committee's own analysis suggests that a substantially higher rate of Goods and Services Tax would ultimately be required to achieve the stated fiscal objective. This Amendment therefore seeks to avoid introducing a package that is unlikely to prove sufficient and which may simply defer more difficult decisions for a later date.

The Amendment also reflects a different philosophy regarding the distribution of the burden of tax reform. The proposed P&R package concentrates a significant proportion of the additional burden on a relatively small proportion of taxpayers through higher income tax and social security contributions, whilst reducing the rate of GST to a level that raises substantially less revenue than originally envisaged.

This Amendment proceeds on the principle that restoring the Island's finances is a collective responsibility. A broad-based tax system, in which the burden of reform is shared across the community while appropriate protection is maintained for those on the lowest incomes, and without the obvious necessity for further substantial near-term tax increases, is more likely to command public confidence and provide a durable foundation for the Island's finances.

The Amendment therefore removes the proposed reductions in income tax and social security contributions, while retaining the protections for households receiving Income Support. In doing so, it increases the net revenue raised by the package and more closely aligns the reforms with their original purpose of restoring fiscal sustainability.