

THE STATES OF DELIBERATION
of the
ISLAND OF GUERNSEY

3rd November, 2026

Proposition No. P. 2026/82

Policy & Resources Committee

The States of Guernsey Annual Budget for 2026

AMENDMENT

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

To insert two additional propositions as follows:

- “1. To direct the Policy & Resources Committee to introduce a Child Responsibility Tax Allowance (as defined in the explanatory memorandum to Amendment 24 to P.2026/49) 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; and
2. To direct the Policy & Resources Committee, in developing the detailed proposals, to undertake fiscal and distributional analysis using Revenue Service data, including consideration of the interaction of the proposed allowance with existing child-related tax provisions and the overall impact of the measure within the wider tax reform package.”.

Rule 4(1) Information

- a) The proposition contributes to the States’ objectives and policy plans by developing fiscal measures to support families and children.
- b) In preparing this proposition, a copy has been provided to 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 implication of carrying out this amendment would be a reduction in general revenue upon the introduction of new allowance, and the management of this impact can clearly be mitigated given their introduction alongside broader tax reform measures.
- e) Drafting advice has been sought from the States' Greffier.

Explanatory Note

The purpose of this amendment is to restore the States of Deliberation's decision of 17 July 2026 to introduce a Child Responsibility Tax Allowance for each dependent child. On that occasion, following a substantive debate, the States approved Amendment 24 to the Tax Reform policy letter by 26 votes to five, with eight abstentions. The amendment directed the Policy & Resources Committee to introduce a Child Responsibility Tax Allowance, with fiscal and distributional analysis using Revenue Service data to inform its design and value. That decision was subsequently reversed by Amendment 55, approved on 1 October 2026 by 21 votes to 16. Amendment 55 replaced the direction to introduce an allowance with a requirement merely to consider its possible reintroduction alongside other measures. The present amendment seeks to restore the original policy direction. The procedural circumstances surrounding Amendment 55 are relevant. Following the adjournment of the original tax reform debate in July, the Deputy Bailiff permitted further amendments to be lodged before the debate resumed. Approximately 20 additional amendments were submitted, and the Assembly subsequently agreed to limit members' speeches to five minutes. Amendment 55 was a substantial composite amendment, primarily concerned with future GST rates and associated fiscal arrangements. However, paragraph 7 also reversed the earlier decision to introduce a Child Responsibility Tax Allowance. Although this provision appeared in the published amendment, its significance was not expressly highlighted in the proposer's opening speech, nor was the reversal substantively examined during the debate. The Assembly was entitled to reconsider its earlier decision. However, there is a distinction between consciously reversing a policy after a dedicated debate and doing so through a provision contained within a much broader amendment addressing several other matters.

The underlying principle is straightforward: the income tax system should recognise that raising dependent children affects a household's ability to pay tax. Two households with identical incomes do not necessarily have equivalent financial circumstances. A household supporting two or three dependent children faces financial responsibilities that a household without dependent children does not. Recognising those

responsibilities through the tax system is distinct from providing means-tested welfare support. The two approaches are complementary rather than mutually exclusive.

This issue is particularly relevant to the wider tax reform package. When the original GST-plus proposals were introduced in 2022, concerns were raised that households with dependent children would be disproportionately affected compared with otherwise comparable households without children. Those concerns remained relevant to the proposals considered in 2026. A broad-based consumption tax imposes a greater absolute burden on households with higher necessary expenditure, while the proposed income tax and social security mitigations do not necessarily recognise the additional financial responsibilities associated with raising children.

A Child Responsibility Tax Allowance would provide a means of addressing that weakness in the overall package. The principle of recognising dependent children through the income tax system is also well established internationally. Countries including France and Germany incorporate family circumstances into their tax arrangements, although the mechanisms and their distributional effects differ. Concerns have been expressed about the distributional consequences of child tax allowances, including references to research on Hungary's particular tax arrangements. Such evidence deserves consideration, but the experience of one jurisdiction or one policy design should not be treated as establishing that child-related tax relief is inherently inappropriate.