

THE STATES OF DELIBERATION
of the
ISLAND OF GUERNSEY

3rd November 2026

Proposition No. 2026/82

Policy & Resources Committee

The States of Guernsey Annual Budget for 2027

AMENDMENT

Proposed by: Deputy G St Pier
Seconded by: Deputy G Oswald

To insert an additional Proposition:

“To direct the Policy & Resources Committee to transfer into the Core Investment Reserve from Pillar 2 tax receipts:

- a) 100% of any receipts which exceed the current estimated receipts as follows:
 - 2025 - £75m
 - 2026 - £77m
 - 2027 - £79m
 - 2028 - £74m
- b) 50% of the receipts for 2029 and each subsequent year.”.

Rule 4(1) Information

- a. The proposition contributes to the States’ objectives and policy plans by rebuilding the Core Investment Reserve consistent with the Fiscal Framework.
- b. The proposition has been submitted to the Policy & Resources Committee for consultation.
- c. The proposition has been submitted to His Majesty’s Procureur for advice on any legal or constitutional implications.
- d. The financial implications to the States of carrying the proposition cannot be accurately quantified but will ensure that any Pillar 2 receipts which exceed

expectations are used to rebuild the Core Investment Reserve in accordance with extant States' policy to do so.

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

Explanatory note

Pillar 2 tax receipts are the result of external international initiatives and forces over which Guernsey has no or little influence. They have not come about as the result of domestic policy choice. In consequence, any Pillar 2 receipts should be treated in the nature of being a 'windfall.' However, pending the implementation from 2029 of the tax reforms agreed in September, Pillar 2 receipts are being factored into the States' budgets and estimates. Given the inherent uncertainty of the size of the Pillar 2 tax receipts, it is not prudent to be building long-term spending plans and commitments in reliance upon them.

The Policy & Resources Committee (and its predecessors) have consistently under-estimated the quantum of corporate tax receipts due following the introduction of Pillar 2. In consequence, the estimates have been repeatedly revised upwards. The Treasury Lead, Deputy Charles Parkinson, is on record stating his personal opinion that receipts will exceed current estimates. In the event that receipts exceed expectations, the resultant upside would in the ordinary course benefit the General Reserve unless otherwise directed by the States of Deliberation.

The amendment seeks a more prudent approach by directing that any receipts exceeding current estimates should instead be credited directly to the Core Investment Reserve ('CIR'). The CIR is a long-term reserve, akin to a sovereign wealth fund, the capital value of which is only available to be used in the exceptional and specific circumstances of severe and structural decline or major emergencies. The real value at 2025 values (adjusted for inflation), has significantly reduced, with its value as a percentage of the economy (GDP) falling from 10.7% in 2006 to 5.1% in 2025. This is principally as a result of the States intentionally running deficits for a number of years following the introduction in 2008 of the corporate zero-10 tax regime and the drawdowns that were needed to support the economy and public services during the Covid pandemic.

The current value of the CIR is approximately £200m, whilst the current policy target for the CIR is to hold 100% of General Revenue expenditure – i.e. approximately £720m. Independent analysis by the Fiscal Policy Panel suggested that to provide a contingency sufficient to absorb the impact of exceptional events, the CIR would need to be increased to between 30% to 60% of GDP. This equates to a target range of £1bn to £2bn, a level that would take decades of sustained surpluses to reach. In any event, the current balance of the CIR is well short of its recommended minimum balance.

Accordingly, the amendment seeks to treat any 'windfall' Pillar 2 receipts like Norwegian oil revenues by directing that they be credited to the island's sovereign wealth fund. The amendment would direct that Pillar 2 receipts in excess of current budget forecasts for 2025, 2026, 2027 or 2028 would be mandated to be credited directly to the CIR.

Recognising that the tax reforms will be introducing new revenue sources from 2029, the amendment proposes that from that year, 50% of all further Pillar 2 receipts should be credited to the CIR.

This amendment is supported by Forward Guernsey.