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THE STATES OF DELIBERATION
of the
ISLAND OF GUERNSEY

17th October 2023

Proposition No. P.2023/101

Policy & Resources Committee

Funding & Investment Plan

AMENDMENT

Proposed by: Deputy CNK Parkinson
Seconded by: Deputy LJ McKenna

To insert a new Proposition immediately after Proposition 4 as follows:-

"OR IF PROPOSITION 1 IS APPROVED BUT PROPOSITIONS 2, 3 AND 4 ARE NOT APPROVED:-

4A. To agree that the States shall address the current and future expected structural deficit by way of the following measures:-

a. Designing and implementing a new Corporate Income Tax on a territorial basis (and incorporating the features listed in paragraph 2 of the Explanatory Note) with a general rate of 10% to 15% to raise a minimum of £30m per annum in addition to adopting the revenue raising measures and cost savings target set out in paragraphs 1), 2) and 4) under the heading "Proposition 1: Core Measures" in Appendix 1;

b. adopting Portfolio 2 estimated at £440m (including the in-flight schemes), as set out in Appendix 1, as the agreed major capital investment portfolio for the remainder of this term;

c. on the basis that funding available is insufficient to fund Portfolio 2, agreeing therefore that new borrowing should be taken out to support the funding of major capital expenditure; and

d. increasing the authority granted to the Policy & Resources Committee in Resolution 16[1] on item 1, entitled "Government Work Plan 2021-2025,

[1] This Resolution authorised the Policy & Resources Committee to take out new external borrowing up to a total maximum of £200million for a period of up to 40 years, on such terms and conditions as the Committee deem appropriate.

2021/71”, of Billet d’État No. XV dated 21st June 2021, to enable the Committee to take out new borrowing to a maximum of £250m;

and to direct the Policy & Resources Committee to revert to the States with proposals for the implementation of the new Corporate Income Tax referred to in a. above before the end of 2024 and to authorise the Policy & Resources Committee to implement the agreed measures set out in b. to d. above.”

Rule 4(1) Information

a) The propositions contribute to the States’ objectives and policy plans and are in line with the Government Work Plan priorities.

b) In preparing the propositions, consultation has been undertaken with the Policy & Resources Committee.

c) The propositions have 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 proposal into effect are neutral in the long term. Over time, the capital investment programme of the States will be funded by new tax revenues.

<u>Explanatory note</u>

1. The introduction of a territorial Corporate Income Tax with a general rate of 10% to 15% would bring Guernsey into line with the major offshore finance centres, including Curaçao, Cyprus, Dubai, Dublin, Geneva, Gibraltar, Hong Kong, Luxembourg, Malta, Singapore and Zurich.
2. The new Corporate Income Tax system would include the following features:
   a) Investment funds would remain Exempt.
   b) There would continue to be no taxes on capital, including capital gains.
   c) Trusts would not fall within the scope of the new tax.
   d) In general, companies would be liable to tax only on profits arising in Guernsey.
   e) Companies that fall within the scope of the OECD/G20 Global Anti-Base Erosion Rules (Pillar Two) would pay tax at 15%
   f) Fees and charges applicable to companies would not increase. For many companies, the new Corporate Income Tax would be creditable against parent company tax liabilities, whereas fees and charges paid in Guernsey are a pure cost.
3. It is anticipated that the reform of Guernsey’s corporate tax system would have significant benefits in terms of Guernsey’s international reputation and its international relations, including relations with regulatory authorities such as MONEYVAL