

THE STATES OF DELIBERATION
of the
ISLAND OF GUERNSEY

5th November, 2024

Proposition No. P.2024/91

Policy & Resources Committee

2025 Budget Report

AMENDMENT

Proposed by: Deputy S Haskins

Seconded by: Deputy D Mahoney

To delete Proposition 7 and substitute:

“7. To exempt from income tax rental payments made to private householders by lodgers up to a maximum of £10,000 per room, and two rooms per property, subject to the following conditions:

- The tenant must be over 18 and not a family member;
- The room must be in the taxpayer’s principal private residence;
- The room must be furnished and cannot be a self-contained unit in that property;
- The room cannot be part of a guest house or bed and breakfast business;
- Eligibility is restricted to those properties where one or two rooms only are let;”
- If the maximum gross rental income per room exceeds £10,000 per annum, the excess would be taxable; and
- If a property is jointly owned/rented, the exemption would be halved for each individual and any unused allowance would not be transferable.”

Rule 4(1) Information

- a) This proposition contributes to the States objectives and policy plans and are in line with the Government Work Plan priorities.
- b) In preparing this proposition the Policy & Resources Committee were informed.
- c) The proposition has been submitted to His Majesty’s Procurer for advice on any legal or constitutional implications.
- d) This proposition would likely reduce budgeted revenues for 2025; there will likely be a take-up from current landlords who don’t currently benefit from the scheme. The

difference between how many landlords take up the scheme with a cliff-edge of £10,00 versus a scheme where there is an allowance is unknown. There is not sufficient data to quantify the revenue impact. There would however likely be a higher take-up, resulting in wider economic benefits.

Explanatory note

Housing remains one of the most pressing strategic issues for the island. This scheme put forward by the Policy and Resources Committee is designed to encourage householders to rent a room in their house, increasing housing supply by way of a tax allowance only if the total income does not exceed £10,000.

This amendment seeks to remove the cliff-edge created by the original proposition which restricted eligibility for this relief to where the maximum gross rental income per room does not exceed £10,000 per annum. This equates to £833.33 per calendar month. This amendment means that if the rental charged exceeds this amount, only the proportion of income above £10,000 per room would be taxable.

The United Kingdom has a similar scheme which allows for the first £7,500 to be exempt from income tax, any income above that threshold is then taxable. This amendment seeks to make the scheme similar to the 'tried and tested' scheme in the United Kingdom with the increased allowance of £10,000.

In 2023, Jersey implemented a similar scheme outlined as the original proposition, where there is a 'cliff-edge' of £10,000. However, if exceeded then there is a flat rate deduction of 25% if "sleeping only" and 50% if "Meals supplied".

In paragraph 5.28, it is stated "It is not known what the uptake of this proposal will be and therefore the revenue impact is unknown". It is also not known what the uptake of this proposal will be. It is anticipated that this amendment would reduce revenues further than the original proposition, as more taxpayers will be eligible for the relief (as it does not restrict the level of rent that may be charged on a room, rather it exempts the first £10,000 charged). It is likely that this amendment will further increase the number of rooms available on island.