

THE STATES OF DELIBERATION
of the
ISLAND OF GUERNSEY

5th November, 2024

Proposition No. 2024/91

Policy & Resources Committee

THE STATES OF GUERNSEY ANNUAL BUDGET FOR 2025

AMENDMENT

Proposed by: Deputy C N K Parkinson

Seconded by: Deputy L J McKenna

1. To substitute the following Proposition for Proposition 1:-
 - "1. (a) To maintain the individual standard rate in the Fifth Schedule to the Income Tax (Guernsey) Law, 1975 at 20% for Year of Charge 2025; and
 - (b) to instruct the Policy & Resources Committee to investigate a general reform of the provisions relating to the Guernsey taxation of companies with a view to introducing a Territorial Corporate Income Tax for Year of Charge 2026 onwards; and
 - (c) to run a fiscal deficit (if necessary) for Year of Charge 2025, to be financed out of the Reserves of the States of Guernsey or borrowing as may be necessary."
2. To delete Proposition 2. (a) and to delete the words "should proposition 1 not be approved, then" from Proposition 2 (b).

Rule 4(1) Information

- (a) The propositions contribute to the States' objectives and policy plans by improving public finances and promoting a fairer society.
- (b) In preparing the propositions, the proposer and seconder have had consultations with the staff at Treasury and at the Income Tax Office.
- (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 proposal into effect are the use of staff time. The cost of implementing a Territorial Corporate Income Tax is estimated to be between £1.5 and £2 million. The yield from a Territorial Income Tax (over and above existing tax collections from companies) would depend on the precise wording of the provisions enacted to bring the tax into effect (e.g. the definitions of 'Guernsey Source income'), but would be measured in tens of millions of pounds.

Explanatory note

In relation to amendment no. 1 –

- (i) paragraph (a) would replace the original proposition 1 recommended by the Policy & Resources Committee by maintaining the individual standard rate at 20% for Year of Charge 2025;
- (ii) paragraph (b) would instruct the Policy & Resources Committee to investigate reform of the provisions relating to the taxation of companies with a view to introducing a Territorial Corporate Income Tax for Year of Charge 2026 onwards;
- (iii) paragraph (c) would direct the running of a fiscal deficit (if necessary) for Year of Charge 2025, to be financed out of Reserves or borrowing.

The amendment's Proposition 2 would amend Propositions 2(a) and (b) of the original recommendations by clarifying that the allowances claimable for the Year of Charge 2025 would be set at the lower level set out in Proposition 2(b).