2025-28

Policy & Resources Committee

Response to a Question Pursuant to Rule 14 of the Rules of Procedure of the States of Deliberation and their Committees

Subject: **Consultancy firm in respect of the States of Guernsey Tax Strategy**

States' Member: Deputy D Goy

Date received: 10th October 2025

Date of reply: 23rd October 2025

Question 1:

What was the name of the consultancy firm that was engaged to look into the issue of the States' projected financial deficit? And where is this consultancy firm primarily based?

The financial projections on the size of the structural deficit were compiled by States of Guernsey officers in the Treasury team. No external consultants were engaged in the projections.

Question 2:

What were the deliverables expected of the consultancy firm? Please list them. Were they all successfully delivered?

Not applicable.

Question 3:

Did the States/P&R at least attempt to obtain the desired deliverables (including the financial projection and modelling) using the human resources available within the States before engaging the consultancy firm? If yes, please provide details. If no, why not?

The modelling was delivered using internal resources in the Treasury team.

Question 4:

Was the suggestion of implementing GST in Guernsey first proposed by the consultancy firm?

The suggestion of potentially implementing a GST in Guernsey was first considered as part of the Future Economic and Tax Strategy in 2006 (CHttpHandler.ashx). A GST was later proposed as part of the Personal Tax, Pensions and Benefits (Billet d'État IV, March 2015) work in 2015.

The policy development work of the Tax Review Steering Group in the 2020-2025 political term, was primarily supported by States of Guernsey officers in the Treasury and Revenue Service teams. The Tax Review Steering Group included political members from both the Policy & Resources Committee and the Committee *for* Employment & Social Security.

A range of options for raising additional revenues were presented both with and without a GST. The decision to present the Policy & Resources Committee with a recommendation to include a GST within the proposed solution was made by the Steering Group, and the decision to present such an option to the States for debate was taken by the Policy & Resources Committee. The work of the political Tax Review Sub-Committee which presented the initial recommendations is incorporated in the 2021 Policy Letter.

All analysis of the revenues raised by the tax package presented (and alternatives considered) and the impact of the package on households was conducted internally. A third party resource was commissioned to undertake technical calculations regarding the impact a series of potential options might have on the economy. The options analysed in this exercise were agreed by the Tax Review Steering Group at the commencement of the work and the report presented by Deloitte is included in the Policy Letter which presented the proposals here: The Tax Review: Phase 2 - States of Guernsey. The work undertaken in this context was limited and technical in nature and specifically "*does not conclude or opine on the suitability of the tax policies being considered, nor does it provide advice or recommendation on the policy design, implementation of the chosen option(s) or legislation required*".

Question 5:

It was understood that the consultancy firm was in favour of the States implementing GST. It was also understood that they modelled how GST could be the solution to the States' projected financial deficit. Did the consultancy firm modelled any other potential solutions other than GST? If yes, what are they? If no, why not?

No consultancy firm was involved in recommending any single solution to the States during the 2020-2025 political term. The work of the political Tax Review Sub-Committee which presented the initial recommendations is incorporated in the 2021 Policy Letter (debated as a "green paper" under Rule 17.9). This work incorporated analysis of a wide range of potential options including consumption, income based and property taxes. The final report included analysis of three short listed packages. Of these, two incorporated a GST and one was formed around an income-based health tax.

Question 6:

Did the consultancy firm model what the effects of closing various tax loopholes for the wealthy would be for the States' financial health? If yes, please provide details. If no, why not?

This did not form part of the initial Tax Review but some elements of this were considered by a separate Tax Sub Committee later in the 2020-2025 political term. This includes consideration of things like the treatment of closely held investment companies. Further work is still being undertaken in this area, but the analysis to date suggests the revenues available are not sufficient in scale to address the structural deficit. For example, considerations centred on the treatment of closely held investment companies and undistributed profits were each estimated to raise £1m- £2m a year in additional revenues.

This analysis is being conducted internally, and no third party is engaged in this analysis.

Question 7:

If the consultancy firm believed that the money the States could gain from closing tax loopholes isn't significant enough to warrant modelling, how would they know that is the case without first modelling the scenarios? Was the believe based on any empirical Guernsey data?

Analysis in this area was conducted internally, by colleagues in the Revenue Service, by reviewing a sample of investment companies and other companies where there was reason to believe there was a practice of not distributing profits to local resident shareholders. This analysis suggests additional revenue from such changes would be limited – est c£1-2m a year on an ongoing basis.

Question 8:

What was the name of the person from the States/P&R who approved the engagement of the consultancy firm?

Not applicable.

Question 9:

What was the name of the person from the States/P&R who signed off on the results delivered by the consultancy firm?

Not applicable.

Question 10:

When did the consultancy work begin and when did it finally conclude?

Not applicable.

Question 11:

How much was the consultancy firm paid in total for the deliverables they provided?

Not applicable.

Question 12:

Is there a publicly available link for the public to read the report generated by the consultancy firm? If yes, please provide the link. If no, why not?

Not applicable.

The work from the Tax Review Steering Group which presented the initial recommendations is incorporated in the 2021 Policy Letter.