2026-41

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: **Ensuring Tax Reform 2026 is Fit for Purpose**

States' Member: Deputy Rob Curgenven

Date received 17th August 2026

Date of reply: 27th August 2026

Question 1

The Bailiwick, like many similar jurisdictions, has numerous businesses using straightforward and proportionate accounting systems, in which item-level transaction reporting is not possible. Jersey addressed this by introducing a "retail scheme" for any business making at least 50% of its supplies to consumers, under which item-level recording is not required and the business need only issue a simplified GST invoice for lower-value items. However, the invoicing threshold for lower value items has not been increased since GST was introduced. Can the President confirm that, if GST is introduced, a "retail scheme" like Jersey's will be adopted, and that the simplified invoicing threshold will be uprated to reflect inflation since 2009?

Answer

We are developing a "retail scheme" which would simplify GST record-keeping for businesses with a large number of small cash or card transactions. We are basing this very closely on the tried and tested model of the same name in operation in Jersey - GST retail scheme.

Instead of recording GST on every sale individually, a business would apply a simple formula to work out the 3% GST on gross takings. They could then reclaim input GST as normal and deduct this from the GST collected on sales to arrive at their net payment.

This approach reduces administration while ensuring the correct amount of GST is reported.

In Jersey, the retail scheme itself does not have an upper turnover threshold. We intend to adopt the same position.

For Jersey retailers, where transactions do not exceed £250 an invoicing provision allows retailers to issue a simplified receipt if they are supplying directly to consumers, including:

- The supplier's name
- The date of supply
- The GST inclusive price
- An indication that the total charged includes GST

The retailer is required to issue a full GST invoice if requested by the customer.

In considering where that level might be set in Guernsey, we will, of course, take into careful account any representations regarding a higher (or lower) threshold than in Jersey.

We are also considering the application of other simplified processes which might meet the needs of other specific business groups including:

- Annual Accounting, which would allow some businesses to make returns just once a year if they meet the qualifying criteria (View Jersey's guidance); and
- Cash Accounting, which allows small businesses to account for GST when they receive payment rather than on invoicing, which might be helpful for small trades businesses (View Jersey's guidance).

Question 2

The Bailiwick, like many other jurisdictions, has many businesses using straightforward and proportionate accounting systems, where itemised reporting of expenses would be unduly time-consuming. The United Kingdom operates a "flat-rate VAT" scheme to reduce hardship in such cases. Can the President confirm whether the Committee intends to introduce a similar system if GST is introduced?

Answer

The UK Flat Rate scheme is only available to businesses with a turnover of less than £150,000 a year. The "flat rate" applied depends on the type of business activity being undertaken and varies from 4% to 16.5% (against the UK headline rate of 20%) depending on the nature of the business and the assumptions made about its cost base (details here: VAT Flat Rate Scheme : Work out your flat rate - GOV.UK).

Jersey does not offer a scheme of this nature. We anticipate that a flat rate in Guernsey is likely to be unnecessary, as our system of GST would be very much less complex than the UK's VAT system.

At present the expectation is that the retail, annual accounting and cash accounting schemes will provide sufficient simplification to meet the needs of small businesses, given the GST itself is much simpler than UK VAT. However, we will give further consideration to a flat rate scheme if there is representation from the business community that it may have a useful role to play. To date, this is not something that has been requested.

Question 3

Every day, thousands of people across the Bailiwick purchase goods from hedge veg stalls, vending machines and other settings where it is not possible to issue a GST invoice, even in simplified form. Can the President explain what measures the Committee will take to ensure that registered businesses can continue selling in this way if GST is introduced, and how businesses purchasing from such unattended outlets will be able to reclaim any GST they pay?

Answer

The current proposals set a compulsory registration threshold of £300,000. Given the very small scale of most roadside stalls, very few, if any, would need to register and therefore would not have any receipt obligations.

Jersey have a legal exemption for vending machine operators from issuing physical receipts provided the transactions are under £250. In application, Jersey treat hedge veg stalls in the same way. This is a pragmatic solution to the issue which would be replicated in Guernsey.

Question 4

The current proposals envisage a £300,000 turnover threshold above which businesses are required to register for GST, with certain supplies, including healthcare and charitable services, exempt or zero-rated. Can the President confirm that exempt and zero-rated supplies will not count towards the turnover threshold?

Answer

Exempt supplies are not considered taxable and therefore not included within the computation of the turnover threshold.

Zero-rated supplies are considered taxable at a 0% rate and therefore would be included.

Question 5

GST is a tax on the value added by a business in the supply of a good or service. In the ordinary sense, land transactions do not add value; insofar as it is possible to add value to land itself - for example by removing contamination or other blight - this is generally regarded as socially beneficial. Can the President confirm that land sales will be zero-rated?

Answer

The description of GST included in this question is a slight oversimplification: GST (Goods and Services Tax) is a consumption tax that is generally levied on the value added at each stage in the supply of goods and services, with businesses able to claim credits for GST paid on their own inputs. The final tax burden is usually borne by the end consumer. In the context of land purchases, the consumer is the purchaser of the land.

Transactions of residential land and property would be zero-rated. Transactions of commercial land and property or land would be standard-rated, but reclaimable as input GST for a GST-registered business.

Services like decontamination of land would be subject to tax at the standard rate and would be reclaimable as input tax for a GST-registered business.

Question 6

Many people choose to commission or build their own home, and studies show improved social and private welfare from this approach compared with developer-led, speculative construction. Can the President confirm that, as in other jurisdictions, self-builders will be able to obtain zero-rating certificates and reclaim any GST paid in constructing their home?

Answer

Jersey has schemes for this, whether a prospective home-builder hires a main contractor (who is able to zero-rate the construction of a new dwelling) or participates in a DIY home builders' refund scheme, which enables a pay and reclaim approach.

We are looking to include something similar to achieve the same objective, assuming this aligns with the policy objectives of the Committee *for* Housing.

Question 7

Many island families have moved overseas in the past, taking family heirlooms with them.

Future generations may choose to return to the island, and these possessions would normally be passed down — on occasions such as marriage, the birth of a child, death, or a move into long-term care. Can the President confirm that the repatriation of family heirlooms to the island will not be subject to GST?

Answer

There are already provisions in place for the treatment of personal goods being imported into Guernsey where people are moving to Guernsey from outside the customs area, which relieve them of import duty (Moving your Residence to Guernsey - States of Guernsey). As GST is intended to be treated as a customs duty at the border, the same or similar processes would apply.

Question 8

Many ordinary islanders, particularly those on lower incomes, choose to buy second-hand goods. Many jurisdictions recognise that applying a sales tax to the full sale price of used goods can result in double taxation where the previous owner was not tax-registered, and accordingly either operate a "margin scheme" - under which the seller is taxed only on their margin - or exempt such goods entirely. Can the President confirm that either a margin scheme will be introduced for used goods, or that they will be exempted from GST?

Answer

Where second-hand goods are being sold by a charity, these would be incorporated within the general provision around charities: they would be treated as exempt from GST with the provision for the charity to reclaim input GST by a simplified route.

Where there is resale of second-hand goods on a commercial basis, for example second-hand cars, a margin scheme is being developed. This would mean, for example, where a domestic vehicle is resold by a GST-registered motor trader, GST would only be calculated on the difference between the purchase and the sale price. Officers have already engaged with the motor traders on this basis.

Question 9

The exemptions policy letter approved by the States envisages that GST exemptions for public services will be limited to free services provided by the States of Guernsey and to statutory fees. The exclusion of the States of Alderney, the parishes, and private and third-sector providers appears to create a distortion, which could lead to the financial effect of outsourcing or devolving activities being misstated. Can the Committee confirm whether this remains its intention, and what additional budgetary resources will be made available to Committees providing "quasi-commercial" supplies (such as the rental of school halls) to cover the additional work of identifying and allocating inputs for the purpose of reclaiming GST?

Answer

A detailed piece of work is being undertaken to identify the numerous income streams received by the States of Guernsey (and Alderney) to identify where it may be appropriate to charge GST and how best to manage the process to minimize the resource implications of what may be a circular flow of money.

GST will not apply to:

- Taxes (which are out of scope); and
- Charges incurred in the provision of core and statutory government services (like planning fees and hospital charges).

GST may apply where there is quasi-commercial activity such as:

- Catering services not outsourced to a third party and open to the public;
- The hire of facilities; and
- Gift shops on States-owned cultural sites not sub-let to a third party.

The objective is to eliminate or minimize the need for a complex division of input costs resulting from a partial exempt status. Options currently under consideration include the provision of an end user relief certificate similar to that used in the ISE scheme so input GST is not incurred by relevant entities (noting that this is circular flow of revenues and should have limited overall financial impact) and/or the application of a simplified “flat rate” assumption for government entities where there is a collection of GST so it is not necessary to allocate input GST between taxable and exempt areas.

Question 10

The tax reform proposals envisage the introduction of a substantially increased social security allowance. Can the President confirm either that the existing lower earnings limit — the point at which a "stamp" accrues — will be retained, or that the "better off" calculations will include the cost of purchasing a stamp, currently in excess of £1,600 per person per year, for those earning between the current lower earnings limit and the new allowance?

Answer

Officers have discussed this issue with the Committee *for* Employment & Social Security. The policy intent is to continue to provide a contribution credit for the small cohort of contributors whose income falls between the lower earnings limit and the allowance applied so no-one loses entitlement as a result of the restructure. Ultimately, this is a decision for the Committee *for* Employment & Social Security rather than the Policy & Resources Committee.