



**IN THE STATES OF THE ISLAND OF GUERNSEY
ON THE 26TH FEBRUARY, 2026**

**The States resolved as follows concerning Billet d'État No III
dated 3rd February, 2026**

POLICY & RESOURCES COMMITTEE

TAX REFORM: WORKSTREAM 1

P.2026/7

- I. After consideration of the Policy Letter entitled "Tax Reform: Workstream 1" dated 12th January 2026 they were of the opinion:-
 1. To agree that, should the States decide in the second quarter of 2026 to adopt Workstream 1 of the Tax Reform proposals,
 - a. the individual standard rate of income tax shall be reduced to 15%, with 20% becoming an individual higher rate of income tax; and the higher rate will apply at a defined threshold (£32,400) as agreed on 8 November 2024, with appropriate adjustments to reflect the impact of inflation between that date and the date of implementation;
 - b. (i) the Goods & Services Tax should be applied at a standard rate of 5%, and that all foodstuffs should be subject to the tax at the standard rate; AND (ii) an Essentials Cost Relief Payment scheme should be implemented as outlined in Section 4, with the fixed payment set provisionally (subject to review as set out below) at £520 a year for a single adult or £860 a year for a couple, reflecting the estimated annual GST incurred by a household on Income Support; and that the responsibility and administering of this payment should be added to the mandate of the Committee for Employment & Social Security; and that the payment should be increased each January in line with Income Support rates, the value of the payment being fully reviewed in line with the minimum income standard whenever that exercise is repeated;
 - AND (IRRESPECTIVE OF THE STATES' DECISION ON PROPOSITIONS 1b OR 1c)
 - d. supplies sold by registered charities should be exempt from the Goods and Services Tax and that provision should be made to allow registered charities to

reclaim the Goods and Services Tax incurred on supplies purchased as outlined in section 8; AND

e. the proposed International Services Entity scheme should incorporate international insurance services and e-gaming activities; AND

f. The application of all other exempt and zero-rated supplies should be as outlined in Section 8.

2. To agree that the GST legislation **must** provide that should the States at any time in the future wish to increase the standard rate of GST, proposals **must** include compensatory adjustments to:
 - . the personal income tax allowance;
 - . the threshold at which income tax at the higher rate of 20% is applied;
 - . the level of the payment under the Essentials Cost Relief Payment; and
 - . the rates of the States Pension, Income Support and any other impacted benefits

in order to ensure that the protection incorporated in the package of reform is maintained.

3. To direct the Policy & Resources Committee to give detailed consideration to the requirement for a two-thirds parliamentary majority to approve any future increase in the rate of GST, and present this for consideration by the States in the second quarter of 2026.
4. To direct the preparation of such legislation as may be necessary to give effect to the above decisions. The above Propositions have been submitted to His Majesty's Procureur for advice on any legal or constitutional implications in accordance with Rule 4(1)(c) of the Rules of Procedure of the States of Deliberation and their Committees.

E.L. GALLIENNE
DEPUTY STATES' GREFFIER