IN THE STATES OF THE ISLAND OF GUERNSEY
ON THE 2ND OCTOBER, 2026

The States resolved as follows concerning Billet d'État No XIII
dated 24th July, 2026

POLICY & RESOURCES COMMITTEE
TAX REFORM 2026
P.2026/49

IV. The States after consideration of the Policy Letter ''Tax Reform 2026'' dated 8 June 2026, were of the opinion:-

1. To direct the Policy & Resources Committee to implement the package of tax reforms to make Guernsey and Alderney more financially sustainable as set out in sections 9 and 10 with the rates and thresholds as described in Appendix 7, save that, in relation to GST, food produced or grown by small independent suppliers is to be taxed at a rate of 0% and not at 3%, and with the following clarifications, and subject to the following:

a) the Policy & Resources Committee, working with the Committee for Employment & Social Security, shall not to bring GST into operation unless:

i. the associated personal income tax and social security contribution mitigations are in force and operational, and are being applied through the relevant deduction, collection and assessment arrangements, before GST becomes chargeable;

ii. the approved GST-related increases in the States Pension, income support and other benefits have taken effect, with payments at the increased rates commencing before GST becomes chargeable; and

iii. the Essential Costs Relief Payment arrangements are in force and operational;

for the purpose of this Proposition, an intention to apply relief -retrospectively, make compensatory payments later or complete the necessary systems after GST has commenced shall not constitute implementation of the Mitigation Measures;

b) the Policy & Resources Committee:

i. shall defer the commencement of GST where any of the conditions in this Proposition 1(a) cannot be met;

ii. shall revise the implementation timetable so that those conditions are met, including any necessary alignment with the commencement of a tax or contribution year; and

iii. shall report promptly to the States on the reason for the delay, its financial implications and the revised timetable;

c) no authority otherwise given under this item shall permit GST to commence in advance of compliance with those conditions;

d) the Policy & Resources Committee and the Committee for Employment & Social Security, before any instrument bringing GST into operation is made or submitted for approval, shall publish a joint implementation assurance report:

i. identifying each Mitigation Measure, its commencement date and the date from which its financial effect will be delivered;

ii. setting out the evidence that the necessary legislation, staffing, systems, payroll interfaces, assessment arrangements and payment processes are ready to deliver the measures in accordance with this Proposition; and

iii. identifying any outstanding implementation risks and explaining how those risks have been addressed, including the arrangements for receiving and determining Essential Costs Relief Payment Claims;

e) where compliance depends upon an event occurring after publication of that report, the Committees shall publish confirmation that the event has occurred before GST becomes chargeable, if the conditions cannot be met, the terms under this proposition at 1(b) shall apply notwithstanding any commencement date previously appointed;

f) the legislation implementing GST shall give effect to these commencement conditions and shall not confer power to dispense with them by administrative decision;

and

1.1 subject to zero rating GST on the supply or importation of a motor vehicle where:

(a) the vehicle is designed or substantially and permanently adapted for the carriage of a person in a wheelchair or on a stretcher, or is designed or substantially and permanently adapted to enable a person who normally uses a wheelchair, or who must be carried on a stretcher, to enter and drive or be carried in that vehicle (including a mobility scooter supplied to such a person); and

(b) the supply or importation is to that person, or to a parent, guardian or carer acting for that person,

and the Policy & Resources Committee shall, in preparing the GST legislation, provide for a certificate of eligibility based on the model used in Jersey so that the zero-rating may be applied at the point of supply or importation.

1.2 subject to the following: a person who constructs, or commissions the construction of, a residential property otherwise than in the course of a business shall be entitled to recover GST incurred on goods and services supplied for the purposes of that construction.

1.3 save that a "Lower Entitlement Limit" be established for employed and self-employed individuals at a level equivalent to the Lower Earnings Limit immediately prior to implementation of the Social Security contributions allowance for employed and self-employed contributors; and that a person whose earnings in the relevant period are at or above the Lower Entitlement Limit but below the allowance shall be awarded a contribution credit for that period, so that such an individual's contribution record will be maintained without having to elect to pay a voluntary contribution.

1.4 save that, in relation to GST, no GST is chargeable on the importation of unaccompanied personal goods where the value of the consignment does not exceed a de minimis threshold, not being less than £280,

1.5 save that, in relation to GST, where a person supplies second-hand goods which that person acquired from a person who did not charge GST on that acquisition, GST is chargeable only on the amount by which the consideration for the supply exceeds the consideration for which the goods were acquired, whatever the description of the goods and whatever the trade of the making the supply.

1.6 subject to introducing an Alderney Essentials Cost Relief Payment that is calculated based on the estimated annual GST incurred by a household on Income Support, the value of the payment being in line with the minimum income standard as priced for Alderney.

1A. To agree, notwithstanding Proposition 1, the following:

i. to implement the package of tax reforms to make Guernsey and Alderney more financially sustainable as set out in sections 9 and 10 with the rates and thresholds as described in Appendix 7 in the first year of implementation SUBJECT TO the rates and thresholds progressing as follows:

with effect from 24 months following the implementation of changes to Income Tax and Social Security contributions and the introduction of a GST:

- Social Security contributions allowance: £12,600 (provisional*);
- Higher rate of Income Tax threshold: £30,500 (provisional*);
- Pre-emptive increase in pensions and other benefits: 0.6%;
- Essentials Costs Relief Payment: set to reflect the estimated impact of a 4% GST on a basket of essential goods as described in Billet d'État No III of 2026;
- GST: 4%; and,
- with effect from 48 months following the implementation of changes to Income Tax and Social Security contributions and the introduction of a GST:
- Social Security contributions allowance: £13,000 (provisional*);
- Higher rate of Income Tax threshold: £33,000 (provisional);
- Pre-emptive increase in pensions and other benefits: 0.6%;
- Essential Costs Relief Payment: set to reflect the estimated impact of a 5% GST on a basket of essential goods as described in Billet d'État No III of 2026; o GST: 5%.

*monetary thresholds to be adjusted for inflation prior to implementation

ii. with the Committee for Employment & Social Security to recommend to the States of Deliberation annually uprating:

- the personal Income Tax allowance;
- the Social Security contributions allowance;
- the Higher Rate of Income Tax threshold;
- the Essentials Cost Relief Payment; and
- the rates of the States Pension, Income Support and any other impacted benefits

by a minimum of RPIX to ensure that the real value after inflation of the protection incorporated in the package of reform is maintained.

iii. to include within the Fiscal Policy Framework a fiscal rule that GST shall not exceed 5%.

2. To direct that the legislation required to implement any agreed package of tax reforms shall include provisions to ensure Alderney Electricity Ltd and the Alderney Water Board shall not incur any Goods and Services Tax 'GST' in carrying out their public functions in the supply of electricity; domestic heating fuel and potable water, whether by way of rebate, relief, exemption or zero rating in order

to ensure that no irrecoverable GST cost falls upon those utilities or their consumers.

3. To agree that:

   a) the expenditure reductions assumed within the financial modelling supporting this Policy Letter shall be supported by a published Savings and Service Optimisation Programme;

   b) the Programme shall identify, for each financial year to 2029:

      i. each individual savings or service optimisation initiative;
      ii. the Committee responsible for delivery;
      iii. the expected annual financial benefit;
      iv. the implementation timetable;
      v. delivery milestones;
      vi. the principal delivery risks; and
      vii. whether the saving is cashable, recurring or non-recurring;

   c) the Policy & Resources Committee shall report to the States half-yearly on progress against the Programme, including any variance between projected and realised savings and any replacement measures proposed where savings are not achieved; and

   d) the 2030 Assurance Review (or such other method in the event the 2030 Assurance Review is not approved) shall include an independent assessment of the extent to which the assumed expenditure reductions have been delivered and whether they have proved sustainable.

4. To add the Tax Reform Programme to the Major Projects Portfolio and delegate authority to the Policy & Resources Committee to approve funding from the General Revenue Reserve of up to £10.6m following consideration of business cases.

5. To direct that before any increase in the rate of GST from 3% to 4%, or from 4% to 5% shall take effect, the Policy & Resources Committee shall publish an assurance review from the independent Fiscal Policy affirming that in the Panel's opinion the increase is consistent with the Fiscal Policy Framework and is necessary and appropriate having regard to the island's fiscal, economic and inflationary environment and the impact of economic conditions and the proposed increase on lower- and middle- income households. In the event that the Fiscal Policy Panel's assurance review concludes that the scheduled increase in the rate of GST does not satisfy the requirements herein, the scheduled increase shall not take

effect and shall instead be deferred for at least 12 months until the Panel concludes that the requirements have been met.

6. To agree that there should be no increase in the rate of goods and services tax above the rate at which that tax is first introduced, before the assurance review set out in section 12 has been presented to the States, and no increase in the rate thereafter unless both –

    (a) robust evidence - based upon such being assessed in a similar (or not substantively dissimilar) method than currently presented by P&R - shows that a funding gap exists; and
    (b) the 1% real terms saving to be incorporated in the public expenditure budgets for 2027, 2028 and 2029, equivalent to annual expenditure reductions of £20m by 2029 as set out in paragraphs 5.2 and 5.14, has been delivered through efficiencies.

7. To direct the inclusion within the scope of the further longer term work on the future development of Guernsey's tax system (envisaged in Appendix 3 of the Tax Review Sub-committee's report) the development and examination of proposals for a single common tax rate framework, founded upon the principles of strengthening the Bailiwick's international competitiveness, supporting sustainable economic growth and maintaining a tax system that continues to provide a strong foundation for Guernsey's long-term economic model.

8. To direct the Policy & Resources Committee to take all such steps as are necessary to ensure that the States are provided with the opportunity to consider in the 2028 Budget Report options for an additional lifetime tax allowance (an Additional Earnings Allowance) in respect of otherwise taxable earned income to incentivise younger earners to remain, return, or establish in the island.

9. To direct the Policy & Resources Committee and the Committee for Housing to take all such steps as are necessary to ensure that the States are provided with the opportunity to consider in the 2028 Budget options to introduce a tax free Guernsey Property Savings Account (GPSA) to incentivise and better enable savings by first-time buyers for the purposes of buying a home in Guernsey or Alderney.

10. To direct the inclusion within the scope of longer-term work (envisaged in Appendix 3 of the Tax Review Sub-committee's report) an examination of the role of Social Security contributions in Guernsey's revenue base.

11. To direct the Policy & Resources Committee, in consultation with the Committee for Employment & Social Security, as part of the Government Work Plan Super Priority 'Shape and Strengthen Focus on Early Years and Families.' to consider the re-introduction of child allowances or credits, alternative tax or Social Security measures, and existing measures including, but not limited to, Family Allowance, charge of child and dependent relative tax provisions, reporting as soon as practical to the States of Deliberation with recommendations which should

include costed, targeted measures that most effectively support families with the costs of raising children.

12. To agree in principle that a new Proportional Property Tax (PPT), based on property value, and Land Value Tax (LVT) based on the unimproved value of a parcel of land, should be investigated and to direct the Policy & Resources Committee to return to the States no later than June 2028 with proposals which should include consideration of:

a) How property tax should be calculated and applied and whether there should be any exemptions;
b) Whether a new tax should be applied in addition to or instead of Domestic Tax on Real Property;
c) A mechanism to allow pensioners and low-income households to defer the payment of property taxes until the sale or the transfer of the property to a new owner;
d) The potential to partly or fully replace Document Duty or for specified categories of property purchase, including:

i) first-time buyers only, or

ii) purchases of principal private residences only, or

iii) for all residential purchases.

e) The potential to partly fund an increase to the scale of the amount of interest paid that is allowable for Mortgage Income Tax Relief for Income Tax;

f) A premium rate of Proportional Property Tax for second homes, unoccupied homes, and properties in foreign ownership;

g) A banded or tiered mechanism to allow lower rates for residences at lower values.

13. To negative the proposition direct the Policy & Resources Committee to take all such steps as are necessary including, for the avoidance of doubt, consultation with the Lord Chancellor, the Ministry of Justice, the Government of Jersey and the Isle of Man Government, to ensure that the States are provided with the opportunity to approve the repeal of the income tax exemption contained in section 1 of The Office of Lieutenant-Governor of Guernsey (Salary and Official Expenses) Law, 1972 with effect from the commencement of the term of appointment of the next holder of the Office of Lieutenant-Governor.

14. To negative the proposition to agree that, as a matter of fiscal policy, growth in total States expenditure (revenue and social security spending) should not exceed inflation over the financial years 2027, 2028 and 2029 save where the States expressly resolve that exceptional circumstances justify a departure from that principle, subject to excluding expenditure under:

a) the Social Insurance (Guernsey) Law, 1978

b) the Long-term Care Insurance (Guernsey) Law, 2002, and

c) the Income Support (Guernsey) Law, 1971.

15. To direct the preparation of such legislation as may be necessary to give effect to the above decisions, and to direct that such legislation include provision requiring that any resolution to approve legislation that seeks to vary or repeal the legislative protections referred to in paragraph 10.4, and outlined in Resolution 1. 2 of Billet d'Etat No III of 2026 made on the 26th February 2026, shall be deemed to have carried only if not less than two-thirds of the Members present vote in favour.

POLICY & RESOURCES COMMITTEE
SCHEDULE FOR FUTURE STATES' BUSINESS
P.2026/59

The States were of the opinion:

1. In noting the urgency to improve the supply of Affordable Housing, to be addressed through proposed increased land allocation as a result of the review of the Island Development Plan:

    a. To vary Rule 30(1) of the Rules of Procedure of the States to the extent necessary to permit a Special Meeting to be held on Tuesday 24th November 2026 to consider P.2026/72 - Review of the Island Development Plan - Development & Planning Authority Recommendations; and

    b. To insert, in Schedule 1 of the Rules of Procedure of the States of Deliberation and their Committees, immediately after the line item for 3rd November (Tuesday) 2026 the following line item "24th November (Tuesday) Island Development Plan Special Meeting".

2. To approve the attached Schedule for Future States' Business, which sets out items for consideration at the Ordinary States Meeting on 21st October 2026.

S.M.D. ROSS
STATES' GREFFIER