IN THE STATES OF THE ISLAND OF GUERNSEY
ON THE 8TH NOVEMBER, 2024

The States resolved as follows concerning Billet d'État No XIX
dated 23rd October, 2024

POLICY & RESOURCES COMMITTEE

THE STATES OF GUERNSEY ANNUAL BUDGET FOR 2025
P.2024/91

I. After consideration of the States of Guernsey Annual Budget for 2024, they are of the opinion:-

1A. To Negative the proposition to agree that the finances of the States are in a precarious position requiring immediate action and therefore:-

(a) To set the individual standard rate in the Fifth Schedule to the Income Tax (Guernsey) Law, 1975 at 22% for Years of Charge 2025 and 2026, then at 20% for Years of Charge 2027 and onwards, making consequential amendments to other areas of the Law as set out in section 5.30-5.32;

and;

(b) To endorse that the Policy & Resources Committee should use its delegated authority over the Budget Reserve to authorise expenditure of up to £1.1m during 2025 and 2026 and to prioritise expenditure of up to £1.7m from Routine Capital allocations to develop systems, processes and legislation for the introduction of a Goods and Services Tax, reform of the social security contributions system, and differential rates of income tax in time for the introduction of such a package in 2027;

and;

(c) To direct the Policy & Resources Committee, as part of the work to prepare for the introduction of a Goods and Services Tax, to thoroughly explore the advantages, disadvantages and impact of applying the tax to or zero-rating food;

and;

(d) To direct the Policy & Resources Committee to report back to the States with firm proposals for addressing the structural deficit by April 2026, in sufficient

time for implementation of a revised structure in January 2027 and rescind Resolution 3 of Billet d'Etat No XVII dated 2nd October 2023.

1B. To direct the Policy & Resources Committee, working with the Committee for Employment & Social Security, to finalise proposals and submit legislation to the States of Deliberation to implement an integrated package of revenue raising measures in time for that package to be operative from the start of 2027, which would include (without limitation) the introduction of an additional 15% lower tax rate band for individuals, a restructure of social security contributions; a broad based Goods and Services Tax of 5% and other mitigating measures; as described in sections 6-10 of Article V of Billet d'Ètat II, 2023 (Tax Review: Phase 2), with appropriate changes to the monetary thresholds included in that package to account for the effect of inflation in the intervening period, and;

1C. To direct the Policy & Resources Committee, as part of the work to prepare for the introduction of a Goods and Services Tax, to thoroughly explore the advantages, disadvantages and impact of applying the tax to or zero-rating food.

2. That,

   (a) Subject to the provisions of the Income Tax (Guernsey) Law, 1975 and to the provisions of this Proposition, the allowances claimable for the Year of Charge 2025 by an individual solely or principally resident in Guernsey by way of relief from income tax at the individual standard rate, shall, subject to the approval of proposition 1A, be the allowances specified in the First Schedule to this proposition;
   (b) Should proposition 1A not be approved, then the allowances specified in the First Schedule to this proposition shall apply with the following modifications –
      i. The personal allowance specified in paragraph 1 of the First Schedule (15,000) shall be replaced with £14,600, and
      ii. The dependant relative's income specified in paragraph 2 of the First Schedule (£10,320) shall be replaced wherever appearing with £10,070;
   (c) The allowances specified in the First Schedule to this proposition shall only be granted to an individual who has made a claim in accordance with the provisions of the Income Tax (Guernsey) Law, 1975 and who has proved the conditions applicable to such allowances and prescribed in the Second Schedule to this proposition have been fulfilled;
   (d) ''Family Allowances'' means Family Allowances payable under the Family Allowances (Guernsey) Law, 1950 as amended; and
   (e) ''The Income Tax (Guernsey) Law, 1975'' means that Law as amended, extended or applied by or under any other enactment and includes, where relevant, any Ordinance, regulation or Resolution of the States made under that Law.

3. To direct the Policy & Resources Committee to make recommendations in the 2026 Budget Report for the individual personal income tax allowance to increase by a minimum of the rate of inflation forecast for 2026.

4. To set the amount of tax relief in respect of interest paid on money borrowed for the acquisition, construction, reconstruction or repair of a domestic residential dwelling, situated in the Bailiwick of Guernsey, allowable against letting income under section 2(2)(d) of the Income Tax (Tax Relief on Interest Payments) (Guernsey) Ordinance, 2007 as follows:

   Proportion of Interest Paid eligible for tax relief
   For 2025 and subsequent years of charge 50%

4A. To extend the period for withdrawal of mortgage interest relief on a Principal Private Residence so that relief will be available for an individual on interest not exceeding the following amounts:

2025	£3,500
2026	£3,500
2027	£2,000
2028	£1,000
2029 and subsequent years of charge	£nil"

5. To introduce with effect from 1 January 2025 a limit of tax payable by an individual (''A'') principally resident (for tax purposes) in Alderney of £60,000 (or such other amount as the States may be resolution prescribe) in respect of a year of charge) the ''Alderney Property Tax Cap''), where A –

   (a) Has paid £50,000 or more in (i) document duty, (ii) transfer duty or (iii) long leasehold duty in respect of (as the case may be) the purchase by A of a property in Alderney, or the transfer to A of the legal or beneficial ownership of all of the shares of a company which owns (or which owns a company which owns) a property in Alderney, or the grant or assignment to A of a long lease of land comprising a property in Alderney, in each case on or after 1 January 2025 (''the relevant acquisition''), and
   (b) Has made the relevant acquisition on a date either on, or up to twelve months prior to, or up to twelve months after, the date on which A takes up permanent residence in Alderney (''the permitted period''), and
   (c) Has not been resident in Alderney or Guernsey at any time in the previous three years prior to the relevant acquisition save for the permitted period.

   This Alderney Property Tax Cap shall only be available for the year of charge in which A takes up permanent residence and for each of the three consecutive years of charge immediately thereafter. The qualifying and non-qualifying income for the Alderney Property Tax Cap shall apply in the same manner as specified for the Open Market Tax Cap.

6. To agree that the annual tax-free lump sum for a pension scheme remains at £203,000 for 2025.

7. To exempt from income tax rental payments made to private householders to lodgers up to a maximum of £10,000 per room, and two rooms per property, subject to the following conditions:

    - The tenant must be over 18 and not a family member;
    - The room must be in the taxpayer's principal private residence;
    - The room must be furnished and cannot be a self-contained unit in that property;
    - The room cannot be part of a guest house or bed and breakfast business;
    - Eligibility is restricted to those properties where on or two rooms only are let;
    - If the maximum gross rental income per room exceeds £10,000 per annum, the excess would be taxable; and
    - If a property is jointly owned/rented, the exemption would be halved for each individual and any unused allowance would not be transferable.

8. To increase the maximum aggregate amount of donations that may be made to Guernsey Registered Charities and be exempt from income tax in any year of charge, specified in section 64B(1)(d) of the Income Tax (Guernsey) Law, 1975, as amended from £7,500 to £10,000.

9. To specify the OECD Crypto-Asset Reporting Framework, together with associated commentary and guidance, as an international tax measure under section 75CC(1C) of the Income Tax (Guernsey) Law, 1975, to enable the Policy & Resources Committee to make Regulations implementing the Framework, commentary and guidance in domestic law.

10. To approve the draft Ordinance entitled ''The Excise Duties (Budget) Ordinance, 2024'' and to direct that the same shall have effect as an Ordinance of the States subject to the following amendments:

    (a) after section 1(c), insert the following subsection:

    "(d) ""independent small distiller of spirits" means a distiller of spirits, wherever located, in respect of which the Chief Officer of Customs and Excise is satisfied that -

    (a) it does not manufacture or produce more than 20,000 litres of pure alcohol per year,

    (b) it is legally and economically independent of any other distiller of spirits,

    (c) it uses premises physically separate from those of any other distiller of spirits, and

    (d) it does not operate under licence,

provided that where two or more distillers co-operate and their combined annual production of spirits does not exceed 20,000 litres of pure alcohol, those distillers may be treated as a single independent small distiller of spirits, and for these purposes a "distiller of spirits" means a person who manufactures spirits by the distillation of a fermented liquor or a person who produces spirits by the redistillation of a distilled spirit,"", and

(b) in section 3, for paragraph 5, substitute the following paragraph:

"5. Spirits -

(a) Spirits produced by an independent small distiller	£23.62 per litre of alcohol contained in the liquor, calculated in accordance with section 23D
(b) Spirits, other than spirits produced by an independent small distiller	£47.24 per litre of alcohol contained in the liquor, calculated in accordance with section 23D"

(c) in clause 1 of the Ordinance –

(i) in paragraph (b), for "in paragraph (a)" substitute "wherever it appears", and

(ii) in paragraph (c), for "in paragraph (a)" substitute "wherever it appears".

11. To agree that the duty-free relief for biodiesel and Hydrotreated Vegetable Oil (HVO) is removed, and to direct the Committee for Home Affairs to exercise its statutory powers in order to bring an end to any duty-free relief on 31st December 2024.

12. To agree that Resolution 11 from the 2023 Budget Report is rescinded.

13. To approve the draft Ordinance entitled ''The Taxation of Real Property (Guernsey and Alderney) (Amendment) Ordinance, 2024'' and to direct that the same shall have effect as an Ordinance of the States.

14. To approve the draft Ordinance entitled ''The Document Duty (Rates) (Amendment) Ordinance, 2024'' and to direct that the same shall have effect as an Ordinance of the States, subject to the amendments indicated below;-

    In clause 8, for ''1st January, 2025'', substitute ''day on which it is made.

15. To approve the draft Ordinance entitled ''The Document Duty (Anti-Avoidance) (Rates) (Amendment) Ordinance, 2024'' and to direct that the same shall have effect as an Ordinance of the States, subject to the amendments indicated below;-

    In clause 8, for ''1st January, 2025'', substitute ''day on which it is made.

16. To agree that the rates of Vehicle First Registration Duty are set by the States of Deliberation by Ordinance and any proposed amendments are included as propositions in the Annual Budget.

17. To approve the draft Ordinance entitled ''The Motor Taxation (First Registration Duty of Motor Vehicles) (Guernsey) Ordinance, 2024'' and to direct that the same shall have effect as an Ordinance of the States.

18. To approve that for 2025 costs of up to £6.1m for funding drugs and treatments in receipt of a Technology Appraisal from the National Institute of Clinical Excellence (NICE Tas) will be funded from the Guernsey Health Reserve.

19. To approve Routine Capital allocations for 2025-2028 as follows and to delegate authority to the Policy & Resources Committee to allocate the 'unallocated'' funding to categories based on demand:

- Information Technology - £18m;
- Medical Equipment - £4m;
- Vehicles & Other Equipment - £13m;
- Property Maintenance and Minor Works - £10m;
- Roads resurfacing programme - £10m;
- States' Housing - £13m; and
- Unallocated - £25m.

20. To agree that the delegated authority for the Policy & Resources Committee to approve funding for urgent projects, Routine Capital expenditure and strategic property purchases is increased to £3m.

21. To agree to fund the proposed Victor Hugo Centre through matched funding of £1 for every £2 raised by the Victor Hugo Centre Guernsey LBG, up to a maximum of £2.5m and direct the Policy & Resources Committee to make appropriate provision within the 2026 Budget.

22. To approve that projects to build temporary housing villages are added to the Major Projects Portfolio.

23. To approve provision within the 2025 Budget for a transfer from the General Reserve to Guernsey Ports to fund its 2025 cash requirements estimated at £2.6m.

24. To endorse the recommendation that a study be undertaken, led by the Policy & Resources Committee and working with the States' Trading Supervisory Board and the Committee for Economic Development, on a potential subsidy for Guernsey Airport, to be presented in the 2026 Budget Report.

25. To approve provision within the 2025 Budget for a transfer of £0.5m from the General Reserve to Guernsey Waste to fund its 2025 operating losses.

26. To approve provision within the 2025 Budget for a transfer of £1.3m from the General Reserve to Guernsey Dairy to find its 2025 cash requirements.

27. To approve the provision within the 2025 Budget for a return of funding from States Works to the General Revenue Reserve estimated at £0.75m.

28. To agree that Tier 1 initiatives identified by Reducing the Cost of Public Services Sub Committee as detailed in paragraph 7.83 and to direct that Principal Committees investigate these initiatives further or, where possible, implement the changes needed to deliver savings.

29. To approve ordinary revenue expenditure for 2025 totalling £650.0m as set out in the table in paragraph 6.17 and the revenue expenditure budgets as set out on pages 126 to 146.

30. To approve the following Budgets for the year 2025:

    (a) Guernsey Ports
    (b) Guernsey Water
    (c) Guernsey Waste
    (d) States Works
    (e) Guernsey Dairy
    (f) Superannuation Fund Administration
    (g) Committee for Employment & Social Security – Contributory Funds.

31. To direct the preparation of such legislation as may be necessary to give effect to the above decisions.

32. To direct the Policy & Resources Committee, in exercising its functions on behalf of the States as an employer of the public sector employees, to consider the mechanisms that apply to incremental progression as it applies to public sector staff, with a view to ensuring that such progression is used consistently and fairly to the

benefit of both employees and the States of Guernsey and to review what other pay progression mechanisms might otherwise be suitable for public sector staff in order to ensure that they are paid at appropriate market rates and to consult with Unions before implementing any changes considered necessary.

33. To direct the Policy & Resources Committee, in its role as the employer of the public sector workforce, to direct that any post that has been vacant for six months or more should be deleted, and should be reinstated only if the service area concerned can demonstrate that a post is essential to the continued delivery of frontline services.

34. To request the Registrar of Companies, in exercise of the powers conferred on the Registrar by sections 501 of the Companies (Guernsey) Law, 2008, to give consideration to making regulations increasing the revenue generated by Guernsey Registry by up to 20% from the 1st January 2026, taking into account the work to restructure its fees and charges and the outcome of the Registry governance review.

35. To direct the Policy & Resources Committee to work jointly with the Committee for the Environment & Infrastructure to progress without delay the work to reduce the States' overreliance on fuel duty and bring back to the States proposals that address the fiscal unsustainability and social inequity of the current fuel duty policy, ahead of any broader work on transport taxes more generally that is to be included in the next Tax Review.

36. To vary Resolution 3 of Billet d'État No XVII dated 2nd October 2023 as follows:

    To direct the Policy & Resources Committee to return to the States by March 2026 with proposals for addressing the deficit and putting the finances of the States into a sustainable position.

E. L. GALLIENNE
HM DEPUTY GREFFIER