BILLET D'ÉTAT

III
2023

WEDNESDAY, 15th FEBRUARY, 2023

ELECTIONS AND APPOINTMENTS

1. Committee *for* Employment & Social Security - Appointment of the Legal Aid Administrator, P.2023/2

ITEMS ADJOURNED FROM PREVIOUS MEETING

2. Development & Planning Authority - Proposals for Provisions to Address Land Which is Affecting the Amenity of an Area, P.2022/100
3. States' Trading Supervisory Board - Guernsey Post Limited - Annual Report and Accounts, P.2022/107

Legislation laid before the States

The Income Tax (Guernsey) (Valuation of Benefits in Kind) (Amendment) Regulations, 2022

4. Policy & Resources Committee - The Air Accident Investigation (Guernsey) Ordinance, 2022, P.2022/111
5. Policy & Resources Committee - The Tax Review: Phase 2, P.2022/112
6. Requête - Revocation of all existing approvals of plant protection products (pesticides) containing the active substance Glyphosate, P.2022/109

CONTINUED OVERLEAF

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LEGISLATIVE BUSINESS

Legislation laid before the States

The Companies (Annual Validation) (Amendment) Regulations, 2022
The Limited Partnerships (Annual Validation) (Striking Off) Regulations, 2022
The Motor Taxation (First Registration Duty) Ordinance (Amendment) Regulations, 2022
The Income Support (Guernsey) (Amendment) Regulations, 2022
The Environmental Pollution (Prescribed Operations) (Fees) (Amendment) Regulations, 2022
The Environmental Pollution (Prescribed Operations) (Exemptions) (Amendment) Regulations, 2022
Human Tissue and Transplantation (Bailiwick of Guernsey) Regulations, 2022
The Fishing (Control of First Sale and Purchase) (Guernsey) Order, 2022
The Companies (Guernsey) Law, 2008 (Insolvency) (Amendment) Ordinance, 2020 (Commencement and Application) Regulations, 2022
The Companies (Guernsey) (Insolvency Rules) Regulations, 2022
The Financial Services Commission (Fees) Regulation, 2022
The Social Insurance (Benefits) (Amendment) Regulations, 2022
The States Housing (Statutory Tenancies) (Amendment) Regulations, 2022
The Registration of Non-Regulated Financial Services Businesses (Bailiwick of Guernsey) (Fees) Regulations, 2022
The Protected Cell Companies and Incorporated Cell Companies (Fees for Insurers) Regulations, 2022
The Health Service (Payment of Authorised Suppliers) (Amendment) Regulations, 2022
The Health Service (Payment of Authorised Appliance Suppliers) (Amendment) Regulations, 2022
The Health Service (Pharmaceutical Benefit and Medical Appliances) (Amendment) Regulations, 2022
The Forfeiture of Money in Civil Proceedings (Bailiwick of Guernsey) (Amendment) Ordinance, 2022 (Commencement etc.) Regulations, 2022
The Disclosure (Bailiwick of Guernsey) (Amendment) Regulations, 2022
The Fire Services (Fees and Charges) (Guernsey) Regulations, 2022
The Criminal Justice (Miscellaneous Amendments) (Bailiwick of Guernsey) (Commencement) Regulations, 2022
The Terrorism and Crime (Bailiwick of Guernsey) (Amendment) Regulations, 2022

CONTINUED OVERLEAF

The Charities etc. (Amendment) (Guernsey and Alderney) Regulations, 2022
The Criminal Justice (Proceeds of Crime) (Bailiwick of Guernsey) (Fees) (Amendment) Regulations, 2022
The Criminal Justice (Proceeds of Crime) (Bailiwick of Guernsey) (Amendment) Ordinance, 2022 (Commencement) Regulations, 2022
The Sanctions (Implementation of UK Regimes) (Bailiwick of Guernsey) (Amendment – Haiti) Regulations, 2022
The Health Service (Pharmaceutical Benefit) (Serious Shortage Protocol) Regulations, 2022

OTHER BUSINESS

7. Committee *for the* Environment & Infrastructure - The States Strategic Housing Indicator, 2023-2027, P.2023/3
8. Development & Planning Authority - The Review of the Land Planning and Development (Exemptions) Ordinance, 2007, P.2023/1
9. States' Assembly & Constitution Committee - Statements and Questions - Rules 10 - 15, P.2023/4
10. Policy & Resources Committee - Schedule for future States' business, P.2023/10

BILLET D'ÉTAT

TO
THE MEMBERS OF THE STATES
OF THE ISLAND OF GUERNSEY

I hereby give notice that a Meeting of the States of Deliberation will be held at **THE ROYAL COURT HOUSE,** on **WEDNESDAY** the **15th FEBRUARY, 2023**, to consider the items listed in this Billet d'État which have been submitted for debate.

R. J. McMAHON
Bailiff and Presiding Officer

The Royal Court House
Guernsey

30th January, 2023

P.2023/2

THE STATES OF DELIBERATION
of the
ISLAND OF GUERNSEY

COMMITTEE *FOR* EMPLOYMENT & SOCIAL SECURITY

APPOINTMENT OF THE LEGAL AID ADMINISTRATOR

The States are asked to decide:

Whether, after consideration of the Policy Letter entitled 'Appointment of the Legal Aid Administrator', dated 9th January 2023, they are of the opinion:

1. To reappoint Ms Lucinda Heather Haywood to the office of Legal Aid Administrator, for a period of five years, with immediate effect, pursuant to Section 2(2) of the Legal Aid (Bailiwick of Guernsey) Law, 2003.

THE STATES OF DELIBERATION
of the
ISLAND OF GUERNSEY

COMMITTEE *FOR* EMPLOYMENT & SOCIAL SECURITY

APPOINTMENT OF THE LEGAL AID ADMINISTRATOR

The Presiding Officer
Royal Court
St Peter Port
Guernsey

9th January 2023

Dear Sir

1. Executive summary

1.1 The Legal Aid Administrator is an independent holder of public office, appointed by the States of Deliberation in pursuance of section 2(2) of the Legal Aid (Bailiwick of Guernsey) Law, 2003 ("the Law"), on the nomination of the Committee *for* Employment & Social Security ("the Committee").

1.2 The five-year term of office of the incumbent Legal Aid Administrator, Ms Lucinda ("Lucy") Haywood, is due to expire on 11th February 2023. Paragraph 1(3) of the First Schedule to the Law provides that when the Administrator ceases to hold office by reason of the expiration of their term, they shall be eligible for reappointment. Ms Haywood has indicated that she would be amenable to remaining in office for a further period of five years. The Committee is satisfied that Ms Haywood has competently performed the functions and duties of the office and, therefore, nominates her for reappointment for a period of five years, with immediate effect.

2. Background

2.1 The Guernsey Legal Aid Service (GLAS) was established in September 2001. GLAS funds, "when the interests of justice so require" [1], the provision of legal advice and representation in civil and criminal cases for individuals resident throughout the Bailiwick of Guernsey who cannot otherwise afford that advice and representation.

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[1] Section 1 of The Legal Aid (Bailiwick of Guernsey) Law, 2003.

2.2 The Legal Aid Administrator is an independent holder of public office, appointed by the States of Deliberation in pursuance of section 2(2) of the Law, on the nomination of the Committee.

2.3 The Legal Aid Administrator's duties include, among others:

- Supporting applicants and providing general advice about legal aid;
- The review and grant of all legal aid certificates, deciding if the financial and legal merits criteria are met for both civil and criminal legal aid for Guernsey, Alderney and Sark; and reviewing and recovering associated debts to GLAS as necessary;
- Responsibility for and managing the legal aid budget;
- Accrediting advocates to the schemes and evaluating, assessing (taxation) and authorising the payment of advocates' accounts;
- Reviewing and commenting on policies of States Committees which affect GLAS including new legislation;
- Liaising with and advising inter alia, the Committee, the police, court officials, advocates, civil servants and lawyers, including from other Jurisdictions; and
- Reviewing, revising and issuing rules and guidance notes on legal aid and keeping abreast of changes to the legal aid landscape internationally.

2.4 Ms Lucinda ("Lucy") Haywood, was appointed by the States of Deliberation to the office of Legal Aid Administrator for a period of five years with effect from 12th February 2018, upon nomination of the Committee following an open recruitment process. Prior to her appointment to the role of Legal Aid Administrator, Ms Haywood had been working as the Deputy Legal Aid Administrator since May 2010.

2.5 Ms Haywood's term of office is due to expire on 11th February 2023. Paragraph 1(3) of the First Schedule to the Law provides that when the Administrator ceases to hold office by reason of the expiration of their term, they shall be eligible for reappointment. Ms Haywood has indicated that she would be amenable to remaining in office for a further period of five years. The Committee is satisfied that Ms Haywood has performed competently the functions and duties of the office and, therefore, nominates her for reappointment for a period of five years, with immediate effect. A summary of Ms Haywood's curriculum vitae is appended to this Policy Letter.

3. Compliance with Rule 4 of the Rules of Procedure

3.1 Rule 4 of the Rules of Procedure of the States of Deliberation and their Committees sets out the information which must be included in, or appended to, propositions laid before the States.

3.2 In accordance with Rule 4(1)(a), the Committee confirms that this represents business as usual. Therefore, this is not referenced in the Government Work Plan.

3.3 In accordance with Rule 4(1)(b), it is confirmed that the Committee has not consulted with other Committees or stakeholders in respect of the propositions set out in this Policy Letter as this is considered unnecessary.

3.4 In accordance with Rule 4(1)(c), it is confirmed that the propositions have been submitted to His Majesty's Procureur for advice on any legal or constitutional implications.

3.5 In accordance with Rule 4(1)(d), it is confirmed that the cost of the Office of the Legal Aid Administrator is factored into the approved budget for GLAS.

3.6 In this Policy Letter, the Committee has set out its proposals for Lucinda ("Lucy") Haywood to be reappointed to the role of Legal Aid Administrator, and seeks the States support for the proposition, which is based on the Committee's purpose:

> "To foster a compassionate, cohesive and aspirational society in which responsibility is encouraged and individuals and families are supported through schemes of social protection relating to pensions, other contributory and non-contributory benefits, social housing, employment, re-employment and labour market legislation."

3.7 In accordance with Rule 4(2)(b), it is confirmed that the propositions have the unanimous support of the Committee.

Yours faithfully

P J Roffey
President

H L de Sausmarez
Vice-President

T L Bury
S J Falla
J A B Gollop

M R Thompson
Non-States Member

R J Le Brun
Non-States Member

APPENDIX 1

CURRICULAM VITAE - LUCINDA HEATHER HAYWOOD

PROFESSIONAL QUALIFICATION:

October 1995	**Solicitor of the Supreme Court of England and Wales**

EMPLOYMENT:

1993 to 1995	**Atkins Wilson & Bell, Guildford, Surrey** Trainee Solicitor. Training Contract included seats in Family, Litigation, Wills & Probate and Conveyancing Department.
1995 to 1999	**Callaghans, Guildford, Surrey** Assistant Solicitor in matrimonial and family law.
1999 to 2002	**Hartnells Family Law Practice, Exeter, Devon** Associate Solicitor in matrimonial and family law.
2002 to 2004	**Walker Law Associates, Exeter, Devon** Assistant Solicitor in Conveyancing Department.
2004 to 2007	**Boyce Hatton, Torquay, Devon** Assistant Solicitor in Conveyancing Department.
October 2007 to Dec 2008	**Self Employed** Various locum assignments in Conveyancing
Jan 2009 to May 2010	**F J Haskins & Co, St Peter Port** Assistant to Partner in family law.
May 2010 Feb 2018	**The States of Guernsey** **Deputy Legal Aid Administrator -** assisting the Administrator in the administration of the interim legal aid scheme.
Feb 2018 to date	**The States of Guernsey** **Legal Aid Administrator**

FURTHER EDUCATION

1989-1992	Westminster University, London LLB (Hons)
1993	Solicitors Final Examinations, College of Law, Guildford

P.2022/100

THE STATES OF DELIBERATION
of the
ISLAND OF GUERNSEY

DEVELOPMENT & PLANNING AUTHORITY

PROPOSAL FOR PROVISIONS TO ADDRESS LAND WHICH IS AFFECTING THE AMENITY OF AN AREA

The States are asked to decide:-

Whether, after consideration of the Policy Letter entitled "Proposal for Provisions to Address Land Which is Affecting the Amenity of an Area" they are of the opinion:-

1. To agree to give the Development & Planning Authority a power to serve civil notices on owners and occupiers of land, requiring the owner and occupiers to take steps to remedy the condition of their land, other than in relation to certain redundant glasshouses and related structures, where the Authority considers the condition of that land is adversely affecting the amenity of the area; and to agree to make the following related provision for-

    a) appeals to the Planning Tribunal against the service of such a notice;

    b) offences in relation to a contravention of a requirement of such a notice;

    c) the Development & Planning Authority to have powers to enter land and to carry out required steps where a requirement of a notice is not met; and

    d) the Development & Planning Authority to have powers to recover costs and apply to the Royal Court for a charge over the land similar to those which currently apply in relation to compliance notices under planning legislation,

    as further detailed in section 5 of that Policy Letter and to provide for all necessary related provisions as set out in that section.

2. To direct the preparation of such legislation as may be necessary to give effect to their 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.

THE STATES OF DELIBERATION
of the
ISLAND OF GUERNSEY

DEVELOPMENT & PLANNING AUTHORITY

PROPOSAL FOR PROVISIONS TO ADDRESS LAND WHICH IS AFFECTING THE AMENITY OF AN AREA

The Presiding Officer
States of Guernsey
Royal Court House
St Peter Port

18th October, 2022

Dear Sir

1 Executive Summary

1.1 Section 46 of the Land Planning and Development (Guernsey) Law, 2005 (the "2005 Law") provides that the States may provide by Ordinance for the control of the use of land or any activity or omission in relation to land where it considers it expedient to do so. This provision expressly includes a power to control matters connected with the impairment of amenity in any locality including land in an unsightly condition. "Land" includes buildings[1]. The Development & Planning Authority (D&PA) believes that it is expedient for the States to enact such an Ordinance now, to provide powers which are largely absent to enable the D&PA to tackle known eyesores in our urban centres and rural areas and thereby to support the Government Work Plan. Current available or proposed powers are focussed on other issues such as preserving protected buildings, illegal dumping of waste or housing standards which do not address many eyesore sites.

1.2 Examples of matters that could be addressed through powers provided by an Ordinance under section 46 include derelict premises in Town or unsightly redundant visitor accommodation establishments. Such powers would also play an important part in securing revitalisation and acting as a deterrent to prevent the future creation of eyesores through allowing dereliction and neglect.

1.3 The D&PA consulted with Island Douzaines in 2018 and the overall response was

[1] See the definition of "land" in the Schedule to the Interpretation and Standard Provisions (Bailiwick of Guernsey) Law, 2016.

supportive, with several problem areas identified by Douzaines which could be tackled under the proposed Ordinance. Some Douzaines identified possible opportunity for involvement at a Parish level to assist with the removal or remediation of eyesores.

1.4 Further consultation with the Island's Douzaines was undertaken in September, 2022 on the draft proposals contained in this policy letter. The D&PA has consulted with the Policy & Resources Committee, and with the Committee *for the* Environment & Infrastructure in relation to matters relevant to appeal procedures and the relationship of the proposals with environmental health policy and legislation. In relation to the latter, the proposals have been shared with the Committee *for* Health & Social Care.

1.5 The main provisions of an Ordinance under section 46 would relate to:

- Powers for the D&PA to serve civil notices (similar to planning enforcement Compliance Notices) on the owner and occupier of land in circumstances where it appears to the D&PA that the amenity of the area is adversely affected by the condition of that land, and to require the carrying out of steps for remedying the condition of the land as specified in the notice and within a specified period;
- provision for an offence to be committed in the event of non-compliance with any requirement of the notice and related penalties and procedures;
- Provision for a right of appeal against a notice to the Planning Tribunal for the person on whom the notice is served, to be brought within 28 days of service of the notice, on specified grounds;
- Powers for the D&PA in the event of non-compliance with the notice, to enter the land and undertake the work specified in the notice, and to recover its reasonable costs in doing so from the owner of the land;
- Provision for a register of notices and appeals.

1.6 Similar powers to those proposed already exist in England and Wales under section 215 of the Town and Country Planning Act 1990, in Jersey under the Planning and Building (Jersey) Law 2002, and, within the Bailiwick, in sections 18 and 19 of the Building and Development Control (Alderney) Law, 2002; these include civil notice powers for the taking of action in relation to unsightly things on land or certain movable structures, such as caravans, and for the carrying out of works in respect of dangerous or derelict land or certain movable structures.

1.7 The D&PA believes that expenditure and ongoing resourcing requirements to operate the proposed system will be minimal in the context of the existing work of the D&PA and the Planning Panel, and that opportunities for savings benefits to the States exist through tackling eyesore cases early through the proposed powers. Although there could be costs to the States in the event of non-

compliance with a notice, it should be possible to minimise States' expenditure in the rare event that direct action is required to resolve a significant impairment of amenity, for example by using States' controlled labour, and using established cost-recovery mechanisms.

2 Background

2.1 Section 46 of the Land Planning and Development (Guernsey) Law, 2005 (the "2005 Law") states that the States may provide, by Ordinance, for the control of the use of land or any activity or omission in relation to land where it considers it expedient to do so. References to "land" under the 2005 Law include buildings[2]. This provision expressly includes a power to control matters connected with the impairment of amenity in any locality, including –

- the disposal of rubbish,
- the abandonment of any vehicle, substance or any other thing on any land,
- the presence of any dilapidated or ruinous buildings,
- land in an unsightly condition,
- the placing of caravans on land,
- the removal of turf, topsoil or sand from any agricultural land,
- the placing or removal of glasshouses on land and their use,
- the protection and preservation of cliff paths.

2.2 Amenity is understood as referring to the pleasantness of a place. The term is usually not defined in legislation as there is case law on its meaning. The Royal Court would have particular regard to any local case law and is likely to have regard to any English case law on similarly worded legislation. English case law has interpreted it as pleasant circumstances, features or advantages including appearance and layout. This meaning is reflected in the Island Development Plan where it means the "feel" of a place in terms of it being pleasant or agreeable including the visual pleasantness of a place or area (IDP Glossary, 2016).

2.3 The States approved the proposals of the former Island Development Committee (IDC) relating to review of the Island Development (Guernsey) Laws, 1966-90 in June 2002 (Billet d'État No. XI of 2002). The IDC's policy letter referred at paragraph 3.4.6 to Chapter 6: "Other Controls" of the proposed Land Planning and Development (Guernsey) Law, 2005 (the "2005 Law"), stating that:

"It is proposed to make provision for the IDC to control certain uses of land and activities that are the cause of nuisance or impairment of amenity. The detail of

[2] See the definition of "land" in the Schedule to the Interpretation and Standard Provisions (Bailiwick of Guernsey) Law, 2016.

how these powers would be used would be dealt with by Ordinance. This Ordinance will not be brought forward as part of the current package." [This being the package of Ordinances that was required immediately for the bringing into effect of the 2005 Law which subsequently came into effect in 2009.]

2.4 In 2018, the D&PA expressed interest in introducing an Ordinance under section 46 of the 2005 Law. Consultation was undertaken with all the Island's Douzaines at that time, the responses to which indicated general support for the proposal. Further detail of the consultation undertaken is set out in paragraph 4.1 to this policy letter. Proposals were however not progressed to a conclusion at that time, due to other legislative and policy priorities for the D&PA.

3 The current position

3.1 In developing its current priorities having regard to the Government Work Plan, the D&PA believes that it is important to introduce an Ordinance under section 46 of the 2005 Law now. Spatial planning is a key enabler in implementation of the Government Work Plan, in terms of helping to deliver actions to support the States' priorities. Part of this role is in helping to make best and most efficient use of our existing Island resources, which includes the intrinsic attractiveness of our towns and countryside to Islanders, visitors and potential investors.

3.2 For example, Town regeneration and revitalisation is a key theme of the Government Work Plan. As well as having produced a Development Framework for three Regeneration Areas in St Peter Port, the D&PA is taking an active role in several initiatives designed to promote and facilitate regeneration of our Main Centres. In this context, introducing legislation to address untidy sites and derelict buildings will play an important part in securing revitalisation and disincentivising further dereliction of sites and buildings in our towns.

3.3 Likewise, outside of the Main Centres, an Ordinance under section 46 of the 2005 Law will also provide the D&PA with the tools necessary to tackle a number of eyesore sites which are a blot on an otherwise attractive rural landscape, such as derelict or dilapidated redundant visitor accommodation establishments or where land is in an unsightly state (e.g. due to the presence of large numbers of dilapidated vehicles on site). Such cases may be relatively limited, but they do have a disproportionately significant impact on the attractiveness, and ultimately the reputation, of our Island.

3.4 There are existing legislative provisions which deal with specific problems which can affect amenity or create an eyesore. However, none deal with unsightly land in a comprehensive way and they are primarily directed at issues other than amenity. A summary of relevant legislation is included in Appendix A to this policy letter. The D&PA currently has no comprehensive powers which can be used effectively to resolve such problems. It is therefore necessary for an

Ordinance to be introduced under section 46 to do so, as was envisaged when the 2005 Law was approved by the States in 2002.

3.5 For these reasons, the D&PA has agreed that it is a high priority to bring forward this policy letter for consideration by the States.

4 Consultation undertaken

4.1 As noted above, in 2018 during the last term of Government the D&PA undertook consultation with the Island's Douzaines on initial proposals for an Ordinance under section 46 of the 2005 Law. In the main, the responses received were positive and endorsed the principle of such an Ordinance. Several problem areas where amenity was being impaired were identified by Parish authorities which they considered could be addressed by the proposed Ordinance, most notably redundant hotel sites and abandoned vehicles. Some Douzaines also identified the possible opportunity for involvement at a Parish level to assist in the removal or remediation of the eyesore in question.

4.2 A media article was also published in June, 2018 concerning this matter. In response, two emails were received from members of the public. One correspondent expressed concern about the potential for "tidying" of sites which provide valuable ecological habitats, and suggested that the Ordinance should be worded to focus on "addressing instances in which man-made objects and derelict structures are on land in a state contrary to public amenity and the natural environment". The other representor was concerned that the proposed powers could be interpreted in a subjective and judgemental way by singling out particular sites, and that if applied to derelict greenhouses could remove opportunities for small-holding type growing and negatively impact wildlife.

4.3 Further consultation with the Island's Douzaines was undertaken in September, 2022 on the draft proposals contained in this policy letter. Responses were received from the Constables of the Vale, Castel, St Saviour and St Sampson. Copies of the letters received from these Parishes are included in Appendix B to this policy letter. The responses were generally supportive and included helpful comments concerning the scope of the proposals. All comments received have been considered carefully by the D&PA when bringing these proposals before the States.

4.4 The D&PA has consulted with the Policy & Resources Committee, and with the Committee *for the* Environment & Infrastructure in relation to matters relevant to appeal procedures and the relationship of the proposals with environmental health policy and legislation. In relation to the latter, the proposals have been shared with the Committee *for* Health & Social Care. Copies of the letters of response from the Policy & Resources Committee and the Committee *for the* Environment & Infrastructure are included in Appendix C to this policy letter. The

matters raised have been addressed by the D&PA within the proposals set out in this policy letter.

5 Key aspects of an Ordinance under section 46

5.1 Notwithstanding the intentionally relatively broad scope of section 46 of the 2005 Law, the D&PA proposes that an Ordinance under section 46 should be constructed to provide powers that will be effective in addressing known issues of blight on amenity such as those raised by the Island's Douzaines and arising from dereliction within areas of our Town; these would be exercised in a proportionate way addressing the particular circumstances of a site.

5.2 The D&PA also believes that the introduction of an Ordinance under section 46 of the 2005 Law would act as a deterrent to prevent the future creation of eyesores through dereliction and neglect. A similar powerful deterrent effect has been seen with the introduction of the High Hedges legislation in 2017.

5.3 The D&PA has decided not to include within this policy letter provisions specifically enabling application of the Ordinance powers to the remains of glasshouses and related structures situated on redundant glasshouse sites as defined in paragraph 3 of Supplementary Planning Guidance: Defining Redundant Glasshouse Sites, 2018 (the SPG). It is considered that it would be excessive and disproportionate to apply the notice powers to such glasshouse sites in view of other measures that exist under the Planning Law and the Island Development Plan to encourage removal of such redundant glasshouses and because issues connected with redundant glasshouse sites generally go well beyond the scope of spatial land use planning or effects on amenity. However, the Ordinance would enable redundant glasshouse sites to be tackled where they are being used for purposes other than agriculture and which detract from amenity, such as by disposing of items on site.

5.4 For the avoidance of doubt, and having regard to matters raised by Parish authorities through consultation, the proposed powers would not apply to the removal of turf from agricultural land.

5.5 To avoid an undesirable situation occurring where one States' Committee is issuing a civil notice against another, the D&PA proposes to include within the Ordinance an exemption from the provisions being used against the States themselves or individual Committees in respect of States' owned or occupied land. However, the option of acting against tenants of States land would remain. In proposing such an exemption, and having regard to matters raised by Parish authorities through consultation, the D&PA believes that it is incumbent on the States to maintain its land in a suitable manner that would not otherwise give rise to action under the proposed Ordinance. This approach would also be consistent with the current situation for land planning compliance notices as the

enforcement part of the 2005 Law does not apply to the States and States' Committees.

5.6 Consequently, the D&PA proposes that an Ordinance under section 46 should include the following main provisions which are similar to those in section 215 of the Town and Country Planning Act 1990 in England and Wales:

- Powers for the D&PA to serve civil notices (similar to planning enforcement Compliance Notices) on the owner and occupier of land in circumstances where it appears to the D&PA that the amenity of the area is adversely affected by the condition of that land;
- Powers to require within the notice the carrying out of such steps for remedying the condition of the land as may be specified in the notice and the period for taking those steps;
- Confirmation that the notice would take effect at the end of a period to be specified in the notice, this being not less than 28 days after the service of the notice;
- Provision for an offence to be committed, in the event of non-compliance, by any owner or occupier on whom the notice was served and by every person who is the owner of the land after the expiry of the compliance period and whilst the non-compliance continues, and related penalties and procedures. The intention is to have similar offence provisions to those in comparable UK legislation but adapted to correspond to existing Guernsey planning enforcement provisions;
- Provision for a right of appeal against a notice to the Planning Tribunal, for the person on whom the notice is served, to be brought within 28 days of service of the notice, on specified grounds including that: –
    - the condition of the land does not adversely affect the amenity of the area,
    - the condition of the land is attributable to and results in the ordinary course of events from the carrying out of lawful operations on the land which are not a breach of planning control; the intention is that this ground would not cover a situation where the unsightly state of the land was not the ordinary result of a lawful use,
    - the requirements of the notice are excessive,
    - the period specified is unreasonable,
    - the issue of the notice is (for any other reason) ultra vires or unreasonable;
- Powers for the D&PA in the event of non-compliance with the notice, to enter the land and undertake the work specified in the notice, and to recover its reasonable costs in doing so from the owner of the land, including, on application to the Royal Court, via a statutory charge on the land and/or through the sale of any items of value recovered from the land similar to the current provisions in sections 50 and 55 of the 2005 Law;

- Provision for a register of notices and appeals. Notices would be disclosed on responding to an application for an Immunity Certificate.

5.7 The Ordinance may provide for details of the above provisions to be contained in Regulations.

5.8 Examples of where the proposed powers under section 46 might be used, proportionately, by the D&PA include the following:

- A requirement to maintain, refurbish or rebuild derelict premises in Town, to improve the appearance of the site such that it no longer adversely affects the amenity of the street concerned;
- Similarly, a requirement to undertake works to improve the appearance of a visitor accommodation establishment which is derelict having been unused for several years. Such works could include demolition of derelict structures;
- A requirement to remove a large number of unsightly, dilapidated, vehicles from private land.

5.9 The process under the proposed Ordinance would generally commence by notifying the site owner and/or occupier that the D&PA was contemplating service of a Notice and inviting them to undertake the necessary works. If this informal approach was not successful, then a formal Notice could be served, specifying the works required and a timescale for completing them. This would be similar to a Compliance Notice or a Preservation Notice, both of which are currently used by the D&PA under legal powers contained within Part V of the 2005 Law and section 7 of the Land Planning and Development (Special Controls) Ordinance, 2007 respectively.

5.10 Within the Planning Compliance process, most cases are resolved through informal means whereby owners comply voluntarily with initial informal written approaches. Where this is not achieved, and cases proceed to service of Compliance Notice, most notices are complied with. Very few notices are appealed (three in 2018, three in 2019 and one in 2020) and even fewer cases proceed to prosecution (one in 2018, one in 2019 and four in 2020). No compliance cases to date have resulted in direct action by the D&PA to undertake the work itself.

5.11 In exercising the proposed powers, care would be taken by the D&PA to ensure that it did so in an objective and consistent way, but having regard to the particular facts of the case, and that any relevant issues were considered including relating to impact on ecology or wildlife. Consideration would also be given to circumstances where Building Control approval or planning permission might be required for remedial or maintenance works.

6 Existing similar legislation elsewhere

6.1 Similar powers to those described in section 46 of the 2005 Law exist in England and Wales under section 215 of the Town and Country Planning Act, 1990 (Power to require proper maintenance of land). This section gives English and Welsh Local Planning Authorities a power to serve a notice on an owner and occupier of land, requiring steps to be taken for remedying the condition, if it appears to it that the amenity of a part of their area, is adversely affected by the condition of land; an equivalent section has been in place in England and Wales since 1971 although the original section was narrower in scope. There are also broadly similar provisions in the Planning and Building (Jersey) Law, 2002, in particular in Part 6, chapter 6 of that Law. Within the Bailiwick, the Building and Development Control (Alderney) Law, 2002 includes civil notice powers in sections 18 and 19 for the taking of action in relation to unsightly things on land or certain movable structures, such as caravans, and the carrying out of works in respect of dangerous or derelict land or certain movable structures.

6.2 In relation to the practical application of the proposed powers, the 2005 guidance from the former UK Office of the Deputy Prime Minister entitled "Town and Country Planning Act 1990 Section 215 – Best Practice Guidance", contained in Appendix D to this policy letter, is helpful in illustrating how the proposed powers, which will be very similar to those under section 215 of the Town and Country Planning Act in England and Wales, may be used and the benefits that they can bring in terms of environmental enhancement and regeneration.

7 Resource implications

7.1 It is recognised that there will be a resource requirement for the D&PA and the Planning Panel in adding further, different civil notice powers and appeals provisions on amenity issues. Administering even a relatively restricted regime applying only to a few cases a year will require input of time and resources especially to implement the new provisions.

7.2 However, the D&PA believes that expenditure and ongoing resourcing requirements to operate the proposed system will be minimal in the context of the existing work of the D&PA and the Planning Panel and so can be met from its existing budget. The D&PA also believes that savings benefits will accrue from the ability to act through the service of a notice at an early stage, and from the deterrent effect which should prevent future cases.

7.3 In the event of non-compliance with the civil notice, powers are proposed to enter the land and undertake the works, which would also introduce costs for the States that could be significant. However, powers are also proposed to recover those costs. Furthermore, it should be possible to minimise States' expenditure in the rare event that direct action is required to resolve a significant

impairment of amenity, for example by using States' controlled labour, and using established cost-recovery mechanisms.

8 Conclusion

8.1 The D&PA believes that the introduction of an Ordinance under section 46 is important currently to support the Government Work Plan, particularly in respect of enabling opportunities for regeneration and revitalisation of the Regeneration Areas in St Peter Port, and to provide powers which are currently absent in order to enable the States to tackle eyesores in our urban and rural areas. Such powers will play an important part in securing revitalisation and acting as a deterrent to prevent the creation of future eyesores.

9 Compliance with Rule 4

9.1 Rule 4 of the Rules of Procedure of the States of Deliberation and their Committees sets out the information which must be included in, or appended to, motions laid before the States.

9.2 In accordance with Rule 4(1)(a), the Propositions above contribute to the States' objectives within the Government Work Plan 2021-2025 by assisting regeneration and supporting environmental enhancement which in turn will assist the Island's economy.

9.3 In accordance with Rule 4(1)(b), consultation with other Committees and relevant stakeholders has been carried out as described in section 4 to this Policy Letter.

9.4 In accordance with Rule 4(1)(c), the Propositions have been submitted to His Majesty's Procureur for advice on any legal or constitutional implications.

9.5 In accordance with Rule 4(1)(d), the Propositions would of themselves have no direct financial implications to the States. The costs of administration of the proposed Ordinance would be minimal and would be met by the D&PA within its existing budget. In the event of non-compliance with a notice under the Ordinance, which would be a criminal offence, the D&PA would carefully consider the costs and benefits of entering the land and undertaking the work specified in the notice, and would be able to recover its reasonable costs in doing so from the owner or occupier of the land, including via a statutory charge on the land and/or through the sale of any items of value recovered from the land.

9.6 In accordance with Rule 4(2)(a), the Propositions are relevant to the duties of the D&PA in respect of land use and planning, and its duties under the Land Planning and Development (Guernsey) Law, 2005, as amended.

9.7 In accordance with Rule 4(2)(b), it is confirmed that the propositions above have the majority support of the D&PA. Please note that Deputy Taylor does not support the propositions.

Yours faithfully

V S Oliver
President

A W Taylor
Vice-President

J F Dyke
A Kazantseva-Miller
R C Murray

APPENDIX A
List of Related Legislation

a. **Preservation notices under section 7 of the Land Planning and Development (Special Controls) Ordinance, 2007** - to preserve or protect or prevent the deterioration of a protected building;

b. **Litter and waste licensing legislation where eyesore is caused by litter/dumping -** dropping of litter on land in the open air and available for public use where not done with authority of occupier/other person having control of site and wrongful use of litter bins - offences under sections 2 and 3 of the Refuse Disposal Ordinance, 1959;

c. **Loi relative a la Sante Publique, 1934 and Public Health Ordinance under it -** the definition of nuisance includes "premises in such a state as to be either a nuisance or prejudicial to health or any accumulation or deposit which is either a nuisance or prejudicial to health";

d. **Prohibitions relating to unlicensed deposit of waste on land, other than household waste disposed of within curtilage of dwelling in which it was produced, under section 21 of the Environmental Pollution (Waste Control and Disposal) Ordinance, 2010** - this is the main fly-tipping offence so is only relevant to unsightly land;

e. **Loi ayant rapport à la Réparation ou la Démolition de Murs, Fossés, Maisons et Bâtiments qui sont dans un état dangereux of 1919** - gives powers to the Douzaines and Constables of a Parish in relation to buildings which are a danger to persons in the vicinity; the owner can be required to return the property to a safe state and the Parish can apply to the Royal Court to demolish the building;

f. **The Clearance of Ruins (Guernsey) Law, 1957 -** the D&PA can require the demolition of a building in a ruinous condition and clearance of the land; and

g. **The Housing (Standards and Regulation) (Enabling Provisions) (Guernsey) Law, 2021** - This is an enabling Law to address poor quality housing, approved by the States on 13th October, 2021 and which received Royal Assent in July, 2022 but which is not yet in force; it makes provision for minimum habitable standards, primarily through the regulation of the private rented sector.

APPENDIX B

Copy of letters received from the Constables of the Vale, Castel, St Saviour and St Sampson Parishes

Constables of the Vale

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Vale, Guernsey,
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Email: info@valeparish.gg

PLANNING SERVICE
05 SEP 2022

Deputy V Oliver
Development and Planning Authority
Sir Charles Frossard House
La Charroterie
St Peter Port
Guernsey GY1 1FH

2nd September 2022

Dear Deputy Oliver,

Thank you for giving the Constables and Douzaine the opportunity to comment on the "proposal for provision to address land which is affecting the amenity of the area".

The Constables and Douzaine of the Vale are fully supportive of this proposal which is much needed concerning fly tipping and abandoned vehicles.

The above mentioned sincerely hope that these proposals will include all land owned under the control of the various States committees. In the experience of the Constables of the Vale all of the reports and complaints regarding fly tipping and abandoned vehicles take place on land deemed to be public and therefore under the direct control of a States Committee. The truck in the Vale Castel car park being a case in point, where neither the Police nor Crown Officers are willing to act under existing legislation.

Therefore, introducing additional legislation is in the Constables and Douzaine of the Vale's view necessary to curb and prevent these sorts of incidents. When people see rubbish piling up, they are more than happy to, it appears, add to it without fear of prosecution.

The section re dwellings being allowed to go to wrack and ruin is also most welcome as the parish has numerous properties that this applies to and despite our best efforts over the years, we have been unable to resolve these incidents.

Therefore, the Constables and Douzaine of the Vale have no hesitation in supporting the Development and Planning Authority's proposals.

Yours sincerely,

Richard Leale

Richard Leale
Senior Constable.

PAROISSE DU CASTEL

PLANNING SERVICE

13 SEP 2022

Deputy Victoria Oliver
President
Development & Planning Authority
Sir Charles Frossard House
La Charroterie
St Peter Port
GY1 1 FH

9th September 2022

PROPOSAL FOR PROVISIONS TO ADDRESS LAND WHICH IS AFFECTING THE AMENITY OF AN AREA

Dear Victoria

The Castel Douzaine are grateful to have been invited to comment on the DPA's proposal to tackle known eyesores in various areas of the island and are in broad agreement with the detail contained in the Policy.

The tools to deal with land that affects the amenity of the area are paramount and to be applauded. However, we note that certain redundant glasshouse sites are to be excluded from the Ordinance on the basis that existing powers exist that should suffice to deal with such problems. We would therefore ask the following:

a) what constitutes these 'certain glasshouses'?
b) who decides on the classification?
c) how many actions have been instituted under the existing powers alluded to in 5.3

We would also refer to condition 2.1 where mention is made of the removal of turf from any agricultural land. Whilst we understand that it is not desirable to continually remove turf from land as eventually the top-soil would be depleted, with the land then lost to agriculture. We would suggest that provision be made for turf to be considered a crop, and provided the producer replaced the loamy top layer taken with the turf, no problem should exist. We raise this point because it would be beneficial for a local producer of turf to provide this commodity, reducing the need to import.

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We fully support the aim of regeneration and environmental enhancement both in our parish and other parts of our island, we are also encouraged that if the Policy Letter is approved, the DPA will have the power to serve civil notices to landowners where amenities are adversely affected by the condition of their land.

Yours sincerely

David Ozanne
Dean of the Douzaine

PAROISSE DE SAINT SAUVEUR

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Deputy Victoria Oliver
President, Development and Planning Authority
States of Guernsey Planning Service
Sir Charles Frossard House
St Peter Port
Guernsey, GY1 FH

PLANNING SERVICE
22 SEP 2022

20TH September 2022

Dear Deputy Oliver

Proposal for provisions to address land which is affecting the amenity of an area

Thank you for your letter dated 18th August 2022 concerning the above. We would firstly like to thank you for the opportunity to express our views on the proposal.

Having read through the draft policy letter please see below our views:

1. The Douzaine would like to be approached PRIOR to civil notices being served on owners and occupiers of land within our parish in areas which have been identified. We would also like to have a continuous involvement in each case.
2. It is noted that redundant glasshouses and relevant structures are not covered by this proposal as they are covered under their own legislation. However, it is felt that this current legislation concerning glasshouses has not been used to eradicate the various eyesores around the island so therefore is it necessary to exclude from the new proposal?
3. In respect to abandoned vehicles, when this takes place on private land it is difficult for the landowner to contact the registered owner due to data protection. Has consideration been given to how information may be shared to enable the process of removal of abandoned vehicles from private land easier and at no cost to the landowner?
4. The Douzaine is concerned that in some cases the landowner may not have the means and circumstances to carry out steps for remedying the condition of the land as would be specified in the notice and within the specified time period. Has the States considered giving financial support, if necessary, in these cases? We are also concerned that a charge may be taken over the land to recover any expenditure incurred to clear the area. It is therefore important that Point 1 is put in place as the procedure outlined in 5.4 could cause unnecessary stress to parishioners if they do not have the means to sort the areas which are identified.

Yours sincerely

Paul Connolly
Constable

The Constables of St. Sampson
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PLANNING SERVICE
-6 OCT 2022

Deputy V Oliver
President
Development & Planning Authority
The Planning Service
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La Charroterie
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GY1 1FH

BY POST & EMAIL: planning@gov.gg

3 October 2022

Dear Deputy Oliver

Re: Proposal to address land which is affecting the amenity of an area

St Sampson Douzaine thank you for the opportunity to comment on the above proposal.

The general view was that it is a move in the right direction and to be welcomed but we do have certain reservations.

1. Why are vineries not included, which are much of what one might call the ugly side of the island and impose many dangers? These can be separated into four main areas:

   a) The structural dangers, as many properties appear to be held up by the brambles and other vegetation plus old machinery, boilers and vehicles left within the property.

   b) The danger of glass collapsing and injuring people, especially children, if people illegally enter the properties.

   c) The vermin which inhabit the properties, especially when the space is filled with brambles and other growth. These can be a nuisance to neighbours and spread disease.

   d) The dangers of land contamination and human health from asbestos insulation to piping and old boilers plus the lead paint and preservatives that many of the older wooden framed buildings would have been treated with.

   Glasshouses and vineries are a major issue and although we appreciate that costs to demolish might be significant that should not be an excuse to ignore the eyesores that they are or the significant dangers they can pose.

2. Will the Crown and States of Guernsey be covered by the same rules and regulations? An example is that currently land owned or managed by the States, are major areas of concern regarding obnoxious plants, especially Japanese knotweed and ragwort. Both are not being

currently dealt with in a timely manner and are slowly spreading throughout the Island. Why should other landowners suffer because the States will not control a plant that should be by current legislation?

3. How will the Development & Planning Authority police the new proposal and ensure that it is applied fairly and consistently? We are concerned that having an abandoned car removed is not the same as having a building/land being made presentable, whatever presentable might mean.

4. If an islander claims that they cannot afford to undertake what is requested, what will happen, does the States of Guernsey go to court to recover monies spent for undertaking the works themselves? For a car perhaps not too greater cost but making a building 'presentable' could leave the States (taxpayer) with a sizable bill which the offender will not be able to pay.

We hope that you find our comments constructive and will take due regard of them.

Yours sincerely

P.R. Le Pelley

P R Le Pelley

L A Le Tissier

L A Le Tissier
Constables of St Sampson

APPENDIX C

Copy of letters received from the Policy & Resources Committee and the Committee *for the* Environment & Infrastructure

Policy & Resources Committee

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Deputy V Oliver
President
Development & Planning Authority
Sir Charles Frossard House
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By email

9 August 2022

Dear Deputy Oliver

PROPOSAL FOR PROVISIONS TO ADDRESS LAND WHICH IS AFFECTING THE AMENITY OF AN AREA

Thank you for your letter of 12th July inviting the Committee to consider the draft Propositions and supporting policy letter setting out recommendations for new land planning legislation to tackle known eyesores in the Island's urban centres and rural areas.

In considering the policy proposals, the Committee has been furnished with supplementary best practice guidance from the UK Office of the Deputy Prime Minister entitled *Town and & Country Planning Act 1990 Section 215 – Best Practice Guidance.* It was helpful in illustrating in a practical way how the proposed powers may be used, which the Committee has been advised will be very similar to those under section 215 of the Town and & Country Planning Act in the UK, and in particular the contribution that they can make to regeneration and environmental enhancement. As is generally the case with planning matters, it is presumed that similar Guernsey Planning Guidance will be available for Islanders.

The Committee was interested to understand the potential impact and risks for government assets and understands from officer discussions that the Authority's legal adviser is of the view that consistent with section 76 of the 2005 Law, and to avoid a situation where one States' Committee is issuing a civil notice against another, the policy and resulting provisions for the new amenity civil notices should provide for an exemption/disapplication/modification against the States themselves/individual committees in respect of States' owned or occupied land.

There are, it is understood, relevant powers in sections 46(2), 76(5) and 89 of the 2005 Law that would allow an appropriate exemption to be made which the Committee would ask that the Authority acts on positively in this policy letter in order to bring the situation beyond doubt.

In summary, and subject to the express exception with respect to the States of Guernsey, the Committee welcomes the introduction of powers that it understands are not uncommon in many jurisdictions. It is confident that the community will welcome action with respect to derelict premises in Town or unsightly redundant visitor accommodation and establishments. Such powers, effectively directed, should play an important part in securing the revitalisation and regeneration that the Government Work Plan envisages, just as the Authority has set out in its policy letter.

Yours sincerely

P Ferbrache

Deputy Peter Ferbrache
President

Committee *for the*
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2 September 2022

Dear Deputy Oliver

PROPOSAL FOR PROVISIONS TO ADDRESS LAND WHICH IS AFFECTING THE AMENITY OF AN AREA

Thank you for the opportunity to comment on your proposed Policy Letter regarding the above.

As you kindly pointed out in your letter of July 12 this has impact relating to the Committee's areas of mandate in Environmental Health and in the administration of the Planning Panel.

As such I have sought advice from officers working in those areas.

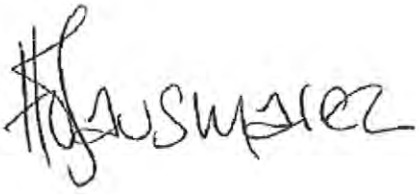
The Secretary of the Planning Panel has noted that resourcing implications are considered in the draft Policy Letter and has added one further comment in relation to section 5.4 (list of grounds of appeal) which I would like to bring to your attention. She said "It has recently been noted by the Planning Panel that a ground which appears in most other relevant legislation is missing from the High Hedge legislation ["the issue of the notice was (for any other reason) ultra vires or unreasonable"] and this has impacted on a recent case."

In terms of Environmental Health, the Director of Environmental Health and Pollution Regulation is supportive of the propositions. As noted in the Policy Letter, there is potentially some cross-over in relation to Public Health, waste and housing legislation but this is seen as an additional tool to address the problem rather than a duplication of legislation, especially as the scope of the proposed legislation goes beyond existing powers. From an operational perspective, the Committee would need to ensure that there is not duplication of actions or conflicting instructions on a land owner but this is not

different to other existing situations and can be managed through basic officer communication.

In terms of abandoned vehicles, the Committee would like further clarification on what definition the Authority intends to use; a clear definition at this stage could prevent future ambiguity impacting the effectiveness of the proposed legislation.

Yours sincerely



Deputy Lindsay De Sausmarez
President
Committee *for the* Environment & Infrastructure

APPENDIX D

Copy of Office of the Deputy Prime Minister publication – Town & Country Planning Act 1990 Section 215 – Best Practice Guidance

Office of the
Deputy Prime Minister
Creating sustainable communities

Town and Country Planning Act 1990 Section 215

Best Practice Guidance

Office of the
Deputy Prime Minister
Creating sustainable communities

Town and Country Planning Act 1990 Section 215

Best Practice Guidance

January 2005

Office of the Deputy Prime Minister: London

Following the reorganisation of the government in May 2002, the responsibilities of the former Department of the Environment, Transport and the Regions (DETR) and latterly Department for Transport, Local Government and the Regions (DTLR) in this area were transferred to the Office of the Deputy Prime Minister.

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CONTENTS

INTRODUCTION 5

Research findings 6

Regeneration 6

Scope of power 7

Definition of 'amenity' 8

Pre-notice discussion and ensuing timescales 8

Publicity and the 'ripple' effect 9

Issuing a s215 notice 9

Appeals 10

Human Rights Act 10

Prosecution versus direct action works in default 11

Cost recovery 11

Further information 12

Acknowledgements 12

CASE STUDIES 13

ANNEX A 21

ANNEX B 22

ANNEX C 25

ANNEX D 28

ANNEX E 30

ANNEX F 32

Introduction

Section 215 (s215) of the Town & Country Planning Act 1990 (the Act) provides a local planning authority (LPA) with the power, in certain circumstances, to take steps requiring land to be cleaned up when its condition adversely affects the amenity of the area. If it appears that the amenity of part of their area is being adversely affected by the condition of neighbouring land and buildings, they may serve a notice on the owner requiring that the situation be remedied. These notices set out the steps that need to be taken, and the time within which they must be carried out. LPAs also have powers under s219 to undertake the clean up works themselves and to recover the costs from the landowner.

The use of s215 by LPAs is discretionary and it is therefore up to the LPA to decide whether a notice under these provisions would be appropriate in a particular case, taking into account all the local circumstances. LPAs will need to consider, for example, the condition of the site, the impact on the surrounding area and the scope of their powers. In some circumstances s215 notices may be used in conjunction with other powers, for example, repair notices in respect of listed buildings or dangerous structure notices.

The most important message that LPAs should be aware of is that s215 action can be taken against land *and* buildings – in s336 of the Act the definition of 'land' includes a building.

The planning research report *Derelict Land and Section 215 Powers*, commissioned by the Department of the Environment, Transport and the Regions (DETR), published in September 2000, concluded that there are no fundamental problems with existing legislation. Section 215 and associated powers provide an effective mechanism for tackling unsightly land, both as a 'threat' and through the formal serving of a notice and through work in default. However the report concluded that practical examples in the imaginative and effective use of s215 needed to be disseminated to LPAs to encourage greater use of the power. Difficulties in the use of the power seem to arise from infrequent use and lack of experience rather than complexity or lack of scope of the legislation.

Successful s215 action has been both complaint-driven and proactive. It is one of a number of provisions available to LPAs for maintaining and improving the quality of the environment, assisting in tackling dereliction and retaining land in productive use. As such, it can be carried out as a stand-alone process or in partnership with other agencies. Wherever possible, however, action using s215 needs to be combined with proactive measures such as empty homes strategies, development briefs and public/private funding programmes, as well as other reactive enforcement and development control tools (including conditions and legal agreements on planning permission). Through the planning application process and the use of conditions, local authorities can encourage 'the creation and maintenance of attractive, successful places in which people are happy to live, work and take their leisure.'[1]

[1] DETR, *Places, Streets and Movement: A companion guide to Design Bulletin 32 Residential Roads and Footpaths* (1998)

Section 215 is a relatively straightforward power that can deliver important, tangible and lasting improvements to amenity. For example, in one LPA 157 former eyesores were improved as a result of the direct use or threat of s215 action between April 2000 and April 2004. Section 215 has the potential to contribute to wider regeneration and urban quality objectives and is an important part of the Government's sustainable development strategy. The Urban Task Force (1999) found that 'there is little incentive for private property owners to invest in the quality of their property if they are situated within an urban environment which is of such low quality that it simply sucks value out of their property'.

ODPM recognises that there are many LPAs who are successfully using s215 as a regenerative tool (Doncaster Metropolitan Borough Council and Hastings Borough Council are leading examples) and believe that problems in the use of s215, particularly definitions, would be best addressed through the 'informal' dissemination of information. By issuing Best Practice Guidance, ODPM hopes to encourage closer working and the sharing of experience between LPAs.

RESEARCH FINDINGS

The research commissioned by DETR in 1999 into the use of s215 drew a number of key conclusions and observations:

- Section 215 powers are effective as a threat or informal mechanism for cleaning up sites, around 20% of notices approved in 1998/99 were not served, implying that action was taken by the landowners in the face of the 'threat' of a s215 notice being served.

- Section 215 notices are effective in terms of securing compliance, for example 80% of notices served in 1998/99 resulted in compliance and only 6% were appealed. Only 6-8% of notices resulted in works in default by the authority.

- Experience has shown that authorities that interpret the scope of s215 widely also tend to be more proactive and successful at using the powers to achieve wider regeneration objectives.

- Successful use of s215 for regeneration purposes also coincides with close working arrangements with partner organisations, for example New Deal and urban regeneration bodies, and regular monitoring of the quality of the environment.

REGENERATION

Section 215 powers have a role to play in LPAs' response to the Government's sustainable regeneration agenda. Indeed, several LPAs have successfully demonstrated how s215 action can be used as an integral part of regeneration and built environment improvement programmes. LPAs should not sit back and wait for complaints however. Rather they should be proactive in identifying and taking action against buildings and land, the condition of which are regarded as unsatisfactory. It is also important that LPAs share information and work in co-operation with regeneration, economic development, housing departments and other regeneration agencies as part of a wider strategy of local environment improvement and regeneration.

Section 215 powers are just one of the tools available to LPAs within a package of other measures to be used in conjunction with regeneration initiatives.

SCOPE OF POWER

Section 215 has been effectively used on large vacant industrial sites, town centre street frontages, rural sites, derelict buildings, and semi-complete development as well as the more typical rundown residential properties and overgrown gardens. In certain circumstances, early consideration of the use of s215 could prevent a need for use of s54 of the Planning (Listed Buildings & Conservation Areas) Act 1990 (Urgent Works Notice). LPAs should use s215 powers proactively; they should not just be complaint-led.

LPAs should certainly not be afraid of using s215 powers. LPAs have reported that it is a relatively straightforward power to use and that it can deliver extremely good results. For example in one LPA, of 130 s215 notices served between April 2000 and April 2004 the vast majority resulted in a very high standard of remedial works with prosecution and/or direct action for non-compliance only being required in less than 10% of cases.

Subdivision of fields and woods into small plots for sale, usually over the internet, can lead to unsightly consequences. The buyers may be misled into confidence that, one day, they will be able to carry out works on their 'investment' plots, or change the land-use. Neglect or unlawful works may occur. If this is damaging the landscape or other countryside amenity, action under s215 could be considered.

Another context in which s215 notices may be used successfully is in relation to listed buildings and their setting, and in the enhancement of conservation areas. In one LPA, for instance, s215 action has resulted in improvements being carried out to 41 listed buildings and 104 premises in conservation areas.

The scope of works that can be required in s215 notices is wide and includes planting, clearance, tidying, enclosure, demolition, re-building, external repairs and repainting. In preparing notices it is critical that LPAs ensure that the works specified by a notice do not themselves result in a breach of planning control eg unlawful works to a listed building, or material alterations to premises for which planning permission should be sought.

Potential sites can sometimes go beyond the remit of a s215 notice so there may be other more appropriate powers that an LPA can rely upon in order to effect a remedy, for example:

- ss76-79 of the Building Act for defective premises, dangerous buildings, ruinous and dilapidated buildings and neglected sites;
- s29 of the Local Government (Miscellaneous Provisions) Act 1982 for works on unoccupied buildings;
- ss79-82 of the Environmental Protection Act for abatement or prohibition of a nuisance;

- Listed building legislation such as Repairs and Urgent Works Notices;
- Completion Notices; and
- Compulsory Purchase Orders.

There are many issues associated with buildings and land in disrepair. LPAs are encouraged to work with parties across their council, for example empty homes, environmental health and grant providers, such as town centre management or New Deal bodies.

DEFINITION OF 'AMENITY'

'Amenity' is a broad concept and not formally defined in the legislation or procedural guidance, ie it is a matter of fact and degree and, certainly common sense. Each case will be different and what would not be considered amenity in one part of an LPA's area might well be considered so in another. LPAs will therefore need to consider the condition of the site, the impact on the surrounding area and the scope of their powers in tackling the problem before they decide to issue a notice. LPAs should not be excessively concerned with producing an overly technical definition of 'amenity' though. Experience has shown that where a notice is appealed or a prosecution is pursued, a clear and well-presented case will usually be sufficient to ensure that the appeal is refused.

PRE-NOTICE DISCUSSION AND ENSUING TIMESCALES

Pre-notice discussion can be an invaluable tool in terms of yielding positive results and is to be encouraged. That said any discussions should not be allowed to result in undue delay in terms of yielding results. The timescale between complaint and compliance can appear protracted (see flowchart at Annex A) but generally most time is taken up in pre-notice discussion with landowners. The mutual benefit of communication between LPA and landowner cannot be overstated. In many instances, issue of a s215 notice has been avoided, and an eyesore remedied, due merely to talking with a landowner. Experience has shown that landowners are usually quick to take action once the warning of a s215 notice has been sent, and more so once a s215 notice has been issued. Example 'first warning' letters upon which LPAs may wish to base their own letters are shown at Annex B. **However it must be stressed that LPAs should take their own legal advice as to the exact wording of each letter they use, as each case will be unique**.

A s330 notice requires the recipient to provide information about the ownership of the property and of any other person who may have an interest in it. Experience has shown that the inclusion of a s330 notice with the first warning letter encourages co-operation (an example s330 notice and accompanying guidance is attached at Annex C). Failure to respond to one of these notices is a criminal offence punishable in the Magistrates' Court with a fine of up to £1,000. A false statement given in response to the notice is punishable, upon conviction in the Magistrates' Court, with a fine of up to £5,000 or in the Crown Court, with a fine, imprisonment, or both.

LPAs may also wish to consider the matter of lawful use and whether or not a Planning Contravention Notice should be served in order to obtain information relating to the lawful use of the land being investigated.

There are several other options to help in tracing the owner or occupier of a potential s215 site, for example by:

- Land Registry search;
- Companies House search;
- internet search;
- private investigators; and
- information gathering notices.

All have been widely and successfully used by LPAs.

Whilst negotiation is undeniably a valuable tool, it must be stressed that in order to produce prompt, tangible and good quality results, a hardline approach intolerant of delay should be adopted. Furthermore, the best results depend on utilising the powers available to the maximum potential and courting publicity wherever possible.

PUBLICITY AND THE 'RIPPLE' EFFECT

One benefit of the successful use of s215 notices is the 'ripple' effect it generates, especially in residential areas. LPAs have reported that often once a notice has been issued and work begun, work on neighbouring properties has also commenced, resulting in improved standards and conditions over a wide area. LPA experience has shown that often the mere 'threat' of a s215 notice elicits a similar response. Publicity, whether via local media or merely word of mouth, of an LPA's willingness to use initiatives such as s215 notices and actively pursue landowners in an effort to improve and regenerate their areas is also an incredibly strong tool.

Public perception of this kind of enforcement action has proven extremely popular. The issue of eyesores is clearly one that is close to people's hearts and confronting the problem head on using s215 powers could potentially show the LPA in a positive light. Run-down and derelict buildings convey all sorts of negative impressions. If an LPA combats them with comprehensive remedial action, people will feel better about the area, whether they are residents, businesses or tourists. There is an important economic issue in favour of comprehensive s215 action: if a town is presentable, people will want to visit or live there, and businesses will want to locate there.

ISSUING A S215 NOTICE

LPAs would be well advised to ensure that the notices they issue are clear, precise and unambiguous. The letters should aim to achieve a good quality, lasting solution. Where necessary, specialist input should be sought at an early stage, for example

from the LPA's Conservation or Building Control Officers, or independent engineers with expertise. It would be prudent for all letters to be subject to scrutiny by the LPA's legal advisers.

Provided the notice is skillfully composed, the requirements are absolutely clear, and the LPA has a precise timescale then, if anything goes awry, the LPA has certain formal remedies provided within law to which it can resort.

Section 215 action should not be taken against land the poor condition of which is attributable in some way to the carrying out of operations or a use of land in accordance with Part III of the Town & Country Planning Act 1990.

APPEALS

Unlike s172 enforcement notices, appeal against the s215 notice is to the Magistrates Court. The grounds of appeal against the s215 notice are set out in ss217-218 of the Act (see Annex D). In reality, they are relatively limited and a carefully thought out, reasonable and skillfully composed notice should tend to reduce the chances of an appeal being successful.

Very few s215 notices are actually appealed and of those that are only a small proportion are upheld. A clear and well-presented case that stresses the adverse impact of the site on the local streetscene has proven more effective than an overly technical presentation regarding the definition of 'loss of amenity'. The use of site visits and photographic evidence can carry a lot of weight in presenting the LPA's case to magistrates.

Where LPAs have made a well-presented case, appeals have rarely been successful. LPAs would be well-advised to operate with a prosecution in mind and train officers to carry out investigations to the standards contained within the Police and Criminal Evidence Act 1994, preparing prosecution/appeal files according to the Criminal Procedure and Investigation Act 1996.

Section 215 allows an LPA to take positive action and unlike, for example, stop notices or Article 4 directions, would not place any prohibition or restriction upon the land. Loss or injury attributable to the imposition of the notice would be at best minimal and it would be unlikely therefore that an LPA would be liable for compensation should the s215 notice not be upheld.

An example of a letter, including information on making an appeal, which could be issued to the recipient of a s215 notice is at Annex D.

HUMAN RIGHTS ACT

Article 8 and Article 1 of the first protocol to the Convention on Human Rights state that a person is entitled to the right to respect for private and family life, and the peaceful enjoyment of his/her property. However, these rights are qualified in that they must be set against the general interest and the protection of the rights and freedom of others. In this case, the wider impact of the appearance of the land overrules the owner's right to the peaceful enjoyment of his property.

PROSECUTION VERSUS DIRECT ACTION WORKS IN DEFAULT

Some LPAs prefer to deal with the majority of their s215 non-compliance cases by direct action, ie by carrying out the works themselves, whilst some prefer to prosecute for non-compliance, for example where they do not have a direct labour organisation. Experience has shown that each route is equally as successful as the other in terms of outcome. It is for the LPA to decide which is the most appropriate action to take, taking into consideration the details of each individual case. Indeed, in some cases LPAs may take the view that both courses should be pursued together. The majority of s215 cases are resolved before these stages need to be considered. That said, cases should always be conducted from the outset with these eventualities in mind.

Whilst the level of fine for a successful conviction is relatively limited to one not exceeding level three (at the time of publication up to £1,000) this should not dissuade LPAs from considering prosecution. The prospect of conviction and having a criminal record has a salutary effect and can produce the desired outcome. Many apparently intractable cases have been solved at the last minute under threat of prosecution.

Where direct action is to be taken, prior warning should be given by letter that the Council and its appointed contractors intend to carry out the steps required by the notice. It is recommended that this be backed up by the display of a suitable notice of intent on the site carrying the same information. Prior warning of intended prosecution should also be given by letter. Examples of both letters are at Annex E.

When taking the direct action approach it may be advisable to exercise some caution. Understandably, some owners or occupiers do not welcome Council employees or contractors with open arms! It is good practice to notify the Police of any direct action taking place, as it has been known for owners or occupiers to react in such a way that their actions result in them being arrested for a breach of the peace.

COST RECOVERY

An LPA budget is not normally needed for direct action works to be carried out in default, as costs are normally met from revenue, not capital. Authorities that have undertaken works themselves have not experienced great difficulties in recovering costs. Where costs cannot be immediately recovered LPAs have the option of registering a charge on the property with the Land Registry, thus assuring full cost recovery plus base-rate interest. There is also provision within the Land Charges Act for the interim procedure of placing an estimate of the charge that will become due on the property. This effectively ensures the land or property cannot be sold without a charge being shown on the land.

County or High Court bailiffs have also been successfully used to recover monies owed.

FURTHER INFORMATION

Copies of the research report *Derelict Land and Section 215 Powers* can be obtained by calling ODPM's Publication Sales Centre on 0870 1226 236 or from the internet at: www.odpm.gov.uk/stellent/groups/odpm_control/documents/contentservertemplate/odpm_index.hcst?n=2497&l=3
Additional guidance/information can also be found in the following documents:

Town and Country Planning Act 1990 (Section 215) (1990)
Derelict Land Prevention and the Planning System (1995)
DETR Circular 2/98 Prevention of Dereliction through the Planning System (1998)
Urban White Paper (2000)
Listed Buildings, Conservation Areas & Monuments (Third Edition) – Charles Mynors (Section 6.13.1-8, pages 138-143)

ACKNOWLEDGEMENTS

ODPM wishes to acknowledge the help given by the officers at Oadby & Wigston Borough Council, Doncaster Metropolitan Borough Council, Hastings Borough Council, Walsall Borough Council and King's Lynn & West Norfolk Borough Council who have shared their positive and practical experiences of the use of s215, and for the use of images supplied by them.

Case Studies

CASE STUDY

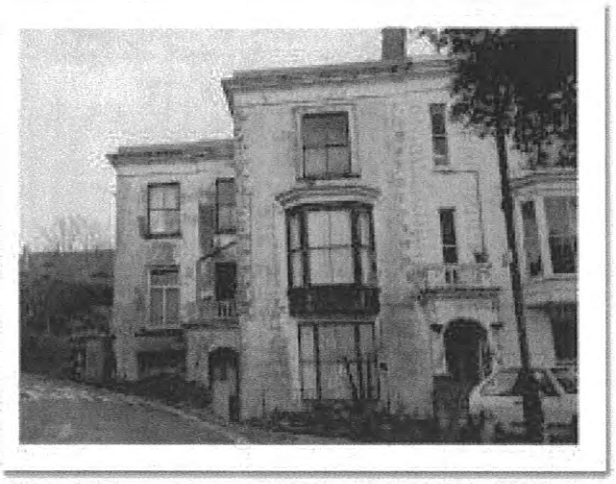
Residential

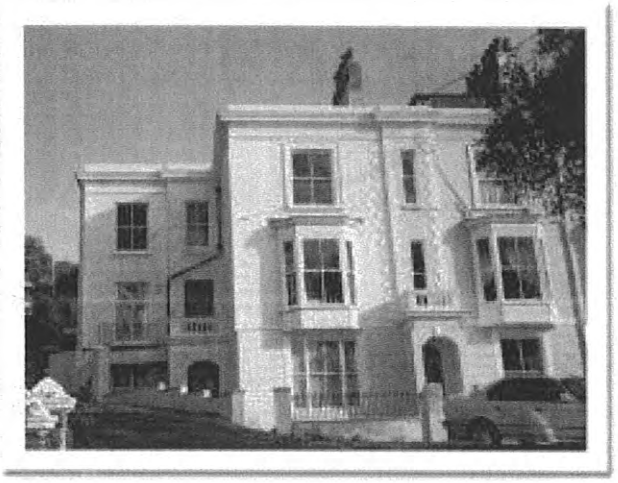
Date of complaint: August 2003
Date of 1st warning: 5 September 2003 (with s330 notice)
Date of 2nd warning: 18 November 2003
Date of notice: 18 November 2003
Date of appeal: None
Date of compliance: 18 December 2003
Outcome: Site cleared by direct action 11 February 2004
Recovery of costs by way of registering a Land Charge

CASE STUDY

Derelict Hotel

Date of complaint: Series of complaints from approx 1990 to Building Control and Environmental Health
Date of 1st warning: March 1999
Date of 2nd warning: none
Date of notice: none served
Date of appeal: none
Date of compliance/outcome: With co-operation of Local Planning Authority property sold to developer. Converted to 20 luxury apartments 2000

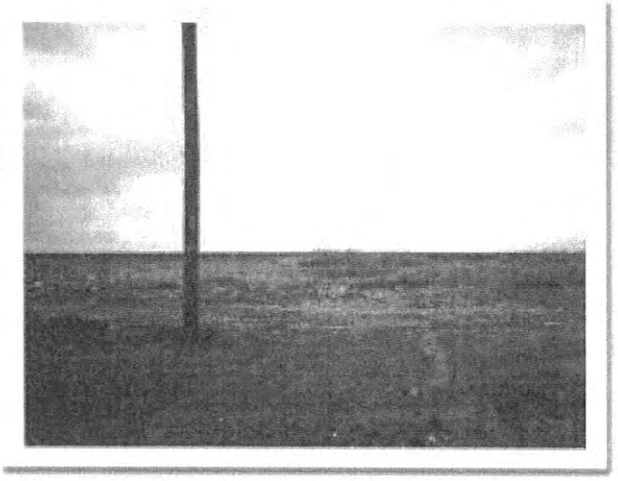




CASE STUDY

Residential flat in conservation area

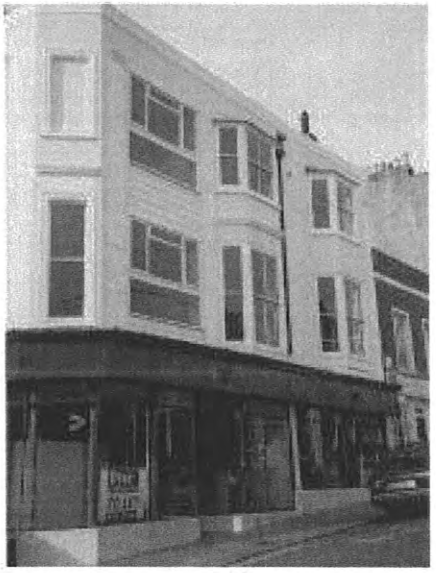
Date of complaint: end of 1999
Date of 1st warning: 26 January 2000 (with s330 notice)
Date of 2nd warning: 17 February 2002
Date of notice: 11 December 2000
Date of appeal: None
Date of compliance: 18 August 2001
Outcome: full compliance with s215 notice



CASE STUDY

Derelict residential

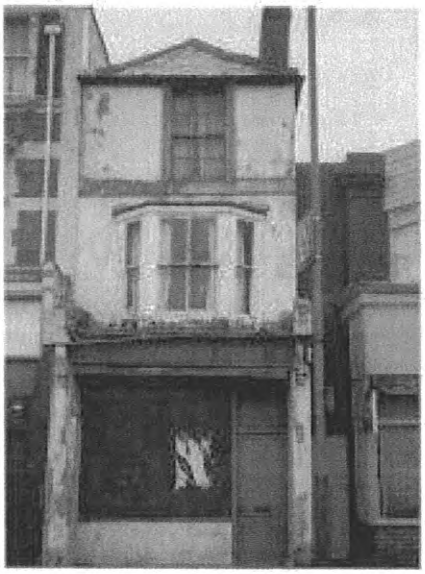
Date of complaint: series of complaints from around 1990
Date of 1st warning: October 1997
Date of 2nd warning: none
Date of notice: January 1998
Date of appeal: none
Date of compliance: February 1998
Outcome: site cleared by owners

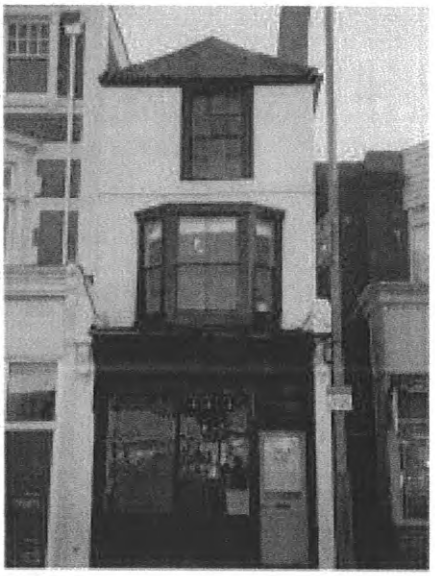


CASE STUDY

Property in A1 use, town centre location on corner of main road

Date of complaint: pro-actively targeted by lpa officers
Date of 1st warning: 9 August 2001 (with s330 notice)
Date of 2nd warning: 20 September 2001
Date of notice: 1 October 2001
Date of appeal: none
Date of compliance: August 2002
Outcome: Summons issued by work commenced and completed to very high standard so prosecution dropped

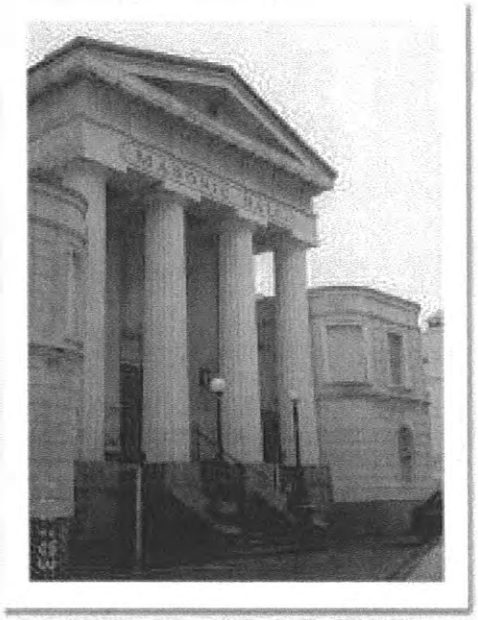


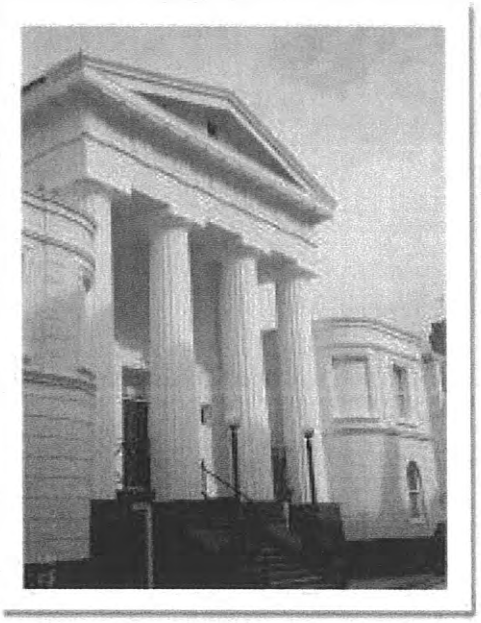


CASE STUDY

Former shop with residential over, just outside town centre on key arterial route

Date of complaint: pro-actively targeted by lpa officers
Date of 1st warning: 27 February 2002
Date of 2nd warning: 6 March 2002
Date of notice: 2 May 2002
Date of appeal: none
Date of compliance: works completed early 2003
Outcome: full compliance with s215 notice





CASE STUDY

Grade II listed building, predominantly residential conservation area

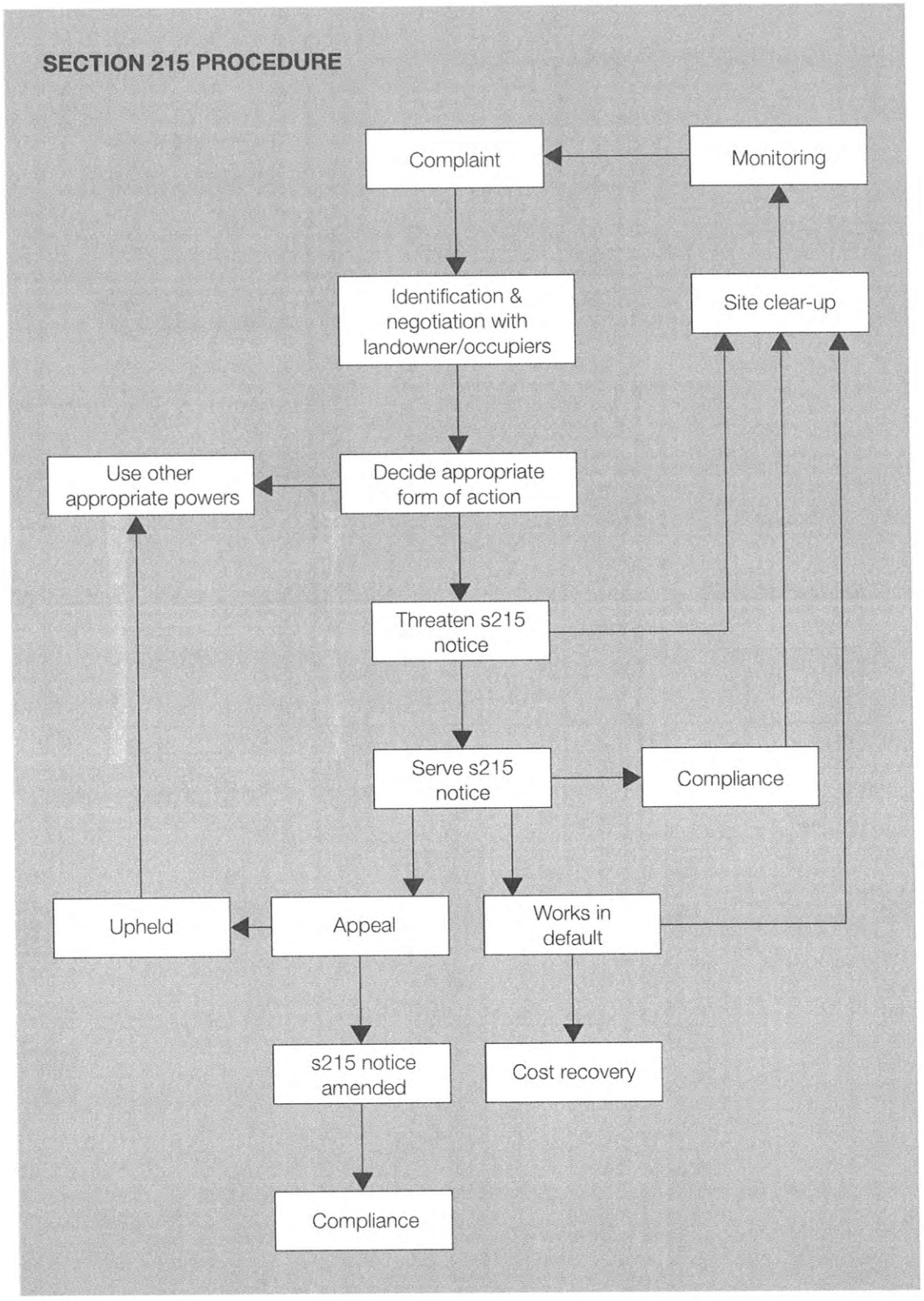
Date of complaint: pro-actively targeted by lpa officers
Date of 1st warning: 25 February 2003
Date of 2nd warning: none
Date of notice: 25 November 2003
Date of appeal: none
Date of compliance: August 2004
Outcome: full compliance with s215 notice

CASE STUDY

Old garage site with demolition material left in situ

Date of complaint: early 2003
Date of 1st warning: difficulty encountered in tracing owners whose agent was convicted of failing to comply with s330 notice and fined £2500 plus costs.
Date of 2nd warning: none
Date of notice: 4 December 2003
Date of appeal: none
Date of compliance: mid-March 2004
Outcome: full compliance achieved with the removal of several thousand tonnes of material and the securing of the site to deter unauthorised access

Annex A


SECTION 215 PROCEDURE
Complaint
Monitoring
Identification & negotiation with landowner/occupiers
Site clear-up
Use other appropriate powers
Decide appropriate form of action
Threaten s215 notice
Serve s215 notice
Compliance
Upheld
Appeal
Works in default
s215 notice amended
Cost recovery
Compliance

Annex B

EXAMPLE: FIRST WARNING LETTER – BUILDING IN DISREPAIR

Dear Sir/Madam

PROPERTY ADVERSELY AFFECTING AMENITY OF NEIGHBOURHOOD [AREA/AREA]

As you may know, [Council name] is committed to ensuring that improvements are carried out to buildings in [eg general/specific area] whose external condition has deteriorated. Improving such buildings has been identified by local people as a key priority for the Council and as a result of this a number of buildings across the [Council area] have been brought to a satisfactory condition.

The external appearance of the above mentioned premises is a source of concern primarily because of [the condition of render, external metalwork, paintwork, windows, grilles, doors]. The Council is writing to you today as the proprietor of the above mentioned premises as identified by the Land Registry. Its purpose is to respectfully request that works be carried out to remedy the poor external condition of the building in the near future, and to ascertain whether you have any plans in this regard. I would emphasise that your property is not being treated in isolation. The owners of other premises in the vicinity are being similarly contacted.

I advise that if prompt progress is not made in terms of remedying the poor external condition of the premises and a guarantee given to the Council by you that such works will be undertaken, the Council has the option to take enforcement action under Section 215 of the Town and Country Planning Act 1990. This is a course that the Council would wish to avoid if at all possible. It is hoped, therefore, that your co-operation can be relied upon in terms of improving the building in the near future and giving a guarantee to that effect.

EXAMPLE: FIRST WARNING LETTER – BUILDING & LAND IN DISREPAIR

Dear Sir/Madam

PROPERTY ADVERSELY AFFECTING AMENITY OF NEIGHBOURHOOD [AREA/AREA]

I have received a complaint in respect of the condition of your property at the above address. A recent visit by a Council officer has confirmed that its condition is unsatisfactory and is causing concern.

In these circumstances I must ask you to undertake the following works within 21 days from the date of this letter, to abate the nuisance and bring the property back to an acceptable standard:

[1. ...]

I advise that failure to comply with this request will leave the Council with no option but to consider action pursuant to Sections 215-219 of the Town & Country Planning Act 1990 (as amended). This could include formal action by way of service of a Notice, which will legally require you to undertake the work set out above. This is a course of action the Council would rather avoid and I seek your co-operation by carrying out these works. Such works will contribute towards achieving an [urban renaissance in [area]].

I enclose with this letter a Notice pursuant to Section 330 of the Town and Country Planning Act 1990 (as amended), which requires you to provide information about the ownership of the property and of any other person who may have an interest in it.

WARNING – Failure to respond to the enclosed Notice is a criminal offence punishable in the Magistrates Court with a fine of up to £1,000. It is also a criminal office to make a false statement in response to this Notice. On conviction in the Magistrates Court this offence is punishable with a fine of up to £5,000 or in the Crown Court which a fine, imprisonment, or both. The Local Authority may prosecute this matter in the Courts should there be a breach of this or any subsequent Notice.

Please complete in full the Notice reply form and return to me [using the enclosed stamped addressed envelope] **within 21 days of the date of this letter**.

Should you wish to discuss any of the above in detail, you can contact the officer named above on the number given, who will be pleased to assist you. It is my hope that this matter can be resolved in a spirit of mutual co-operation.

EXAMPLE: SECOND WARNING LETTER – BUILDING IN DISREPAIR

Dear Sir/Madam

PROPERTY ADVERSELY AFFECTING AMENITY OF NEIGHBOURHOOD [AREA/AREA]

The Council last wrote to you about this matter on … A copy of that letter is attached for your information. The Council has not received a response from you.

I advise you that, unless the Council hears from you within five working days of the date of this letter, outlining the steps you are going to undertake to remedy the external condition of the premises, then it will take enforcement action under Section 215 of the Town and Country Planning Act 1990. This enforcement action will require the improvements to be carried out. As you can appreciate this is a course that the Council would wish to avoid. The matter however now rests with you.

Annex C

EXAMPLE: S330 NOTICE

IMPORTANT – THIS COMMUNICATION AFFECTS YOUR PROPERTY

[lpa name]
TOWN AND COUNTRY PLANNING ACT 1990
NOTICE UNDER SECTION 330(1)

To:

[name & address]

TAKE NOTICE that the [lpa name] in exercise of its powers under Section 330(1) of the Town and Country Planning Act 1990 does hereby require you to provide to it in writing, the following particulars affecting land situated and known as [address] in the [lpa area] as shown edged red on the attached plan (hereinafter referred to as "the Premises") within **twenty-one days** after the date on which the Notice is served:

A. As to interest in the premises:

i. The nature of your own interest in the premises.

ii. The name and address of any other persons known to you as having an interest in the premises whether as freeholder, mortgagee, lessee or otherwise.

B. As to the use of the premises:

i. The purpose for which the premises are used.

ii. The time when that use began.

iii. The name and address of any person known to you as having carried on that use.

iv. The time when any activities being carried out on the premises began.

Section 330(4) of the Town and Country Planning Act 1990, states that any person who without reasonable excuse fails to comply with a Notice served on him under Section 330(1) shall be guilty of an offence and liable to summary conviction to a fine not exceeding £1,000.

Section 330(5) of the Town and Country Planning Act 1990, states that any person who having been required by a Notice served on him under Section 330(1) to give any information knowingly makes any mis-statement in respect thereof shall be guilty of an offence and liable on summary conviction to a fine not exceeding £5,000 or on conviction on indictment to imprisonment for a term not exceeding two years or to a fine, or both.

EXAMPLE: GUIDANCE ON COMPLETING SECTION 330 FORM

This form is supplied to assist you in providing the information required by my Notice dated the xxth day of xxxx, 200x served under the provisions of Section 330(1) of the Town and Country Planning Act 1990.

Please answer the following questions and complete the declaration at the end of the questions. If a question is not applicable, please state that this is the case.

A. As to interests in the premises:

i. What is the nature of your interest in the premises?

.....

.....

ii. What is the FULL NAME AND ADDRESS of:-

a. The occupier of the premises?

.....

.....

b. The freeholder of the premises?

.....

.....

c. The lessee of the premises?

.....

.....

d. The mortgagee of the premises?

.....

.....

e. Any other person with an interest in the premises?

.....

.....

Nature of interest?

.....

.....

B. As to the use of the premises:-

i. For what purposes are the premises being used?

.....

ii. When did that use begin?

.....

iii. What are the full names and addresses of persons known to you as having used the premises for that purpose?

.....

iv. When did any activities being carried out on the premises begin?

.....

I [name] . . . . . hereby declare that the answers to the above questions comprise a true and correct statement of all the information required by the said Notice, so far as the same is within my knowledge.

Date: .....

Signed: .....

Address: .....

.....

.....

.....

Annex D

EXAMPLE: LETTER TO ACCOMPANY S215 NOTICE AND GUIDANCE TO MAKING AN APPEAL AGAINST S215 NOTICE

Dear Sir/Madam

PROPERTY ADVERSELY AFFECTING AMENITY OF NEIGHBOURHOOD [AREA/AREA]

I wrote to you on [date] concerning the above and seeking your co-operation in improving the condition of your property. You were invited to discuss this matter with my Officer if you wished.

A further inspection has been conducted and revealed that there has been no significant improvement in the condition of the property since I last wrote to you. [I note that you have failed to return the Section 330 Notice as required within the period stated. I remind you that failure to complete the Notice is a criminal offence and can give rise to prosecution.]

Consequently, you will now find enclosed with this letter a formal Notice pursuant to Section 215 of the Town and Country Planning Act 1990 (as amended), together with information concerning your right of appeal to the Magistrates Court. The Notice details the list of requirements that I consider are the minimum works required to bring the property back to a reasonable standard and which will rectify the adverse effects your property is having on the amenity of the neighbourhood.

I would still urge you, even at this late stage, to take the required action to resolve this matter as detailed in the Notice, within the next **28 days** from the date of this letter.

Your failure to comply with this Notice will leave me with several courses of action. Either or all of these actions may be pursued as follows:

1. A prosecution in the Magistrates Court for non-compliance with the s215 Notice – which could result in a substantial fine if found guilty of an offence.

2. The Council carrying out the works required by the Notice followed by action in the County Court to recover, from you, all expenses and costs reasonably incurred by such action.

3. Registration with HM Land Registry of a charge on your property, recoverable should your property be sold.

You may consider that these actions are radical steps that should be avoided. But I must make clear that, unless the requirements of the Notice are complied with in full, and within the specified period, I will proceed with a course of action described above.

RIGHT OF APPEAL AGAINST SECTION 215 NOTICE
SECTIONS 217-218 OF THE TOWN AND COUNTRY PLANNING ACT 1990

217—(1) A person on whom a notice under Section 215 is served, or any other person having an interest in the land to which the notice relates, may, at any time within the period specified in the notice as the period at the end of which it is to take effect, appeal against the notice on any of the following grounds:

(a) that the condition of the land to which the notice relates does not adversely affect the amenity of any part of the area of the local planning authority who served the notice, or of any adjoining area;

(b) that the condition of the land to which the notice relates is attributable to, and such as results in the ordinary course of events from the carrying on of operations or a use of land which is not in contravention of Part III;

(c) that the requirements of the notice exceed what is necessary for preventing the condition of the land from adversely affecting the amenity of any part of the area of the local planning authority, who served the notice, or of any adjoining area;

(d) that the period specified in the notice as the period in within which any steps required by the notice are to be taken falls short of what should reasonably be allowed.

(2) Any appeal under this section shall be made to the Magistrates Court acting for the petty sessions in which the land in question is situated.

(3) Where such an appeal is brought, the notice to which it relates shall be of no effect pending the final determination or withdrawal of the appeal.

(4) On such an appeal the Magistrates Court may correct any informality, defect or error in the notice if satisfied that the informality, defect or error is not material.

(5) On the determination of such an appeal the Magistrates Court shall give directions for giving effect to their determination, including, where appropriate, directions for quashing the notice or for varying the terms of the notice in favour of the appellant.

(6) Where any person has appealed to a Magistrates Court under this section against a notice, neither that person nor any other shall be entitled, in any other proceedings instituted after the making of the appeal, to claim that the notice was not duly served on the person who appealed.

218 —Where an appeal has been brought under section 217, an appeal against the decision of the Magistrates Court on that appeal may be brought to the Crown Court by the appellant or by the local planning authority who served the notice in question under section 215.

Annex E

EXAMPLE: WARNING OF DIRECT ACTION BY LPA AFTER S215 NOTICE HAS BEEN ISSUED

IMPORTANT: THIS COMMUNICATION AFFECTS YOUR PROPERTY

Dear Sir

RE: TOWN AND COUNTRY PLANNING ACT 1990: SECTION 215: ENFORCEMENT NOTICE SERVED REGARDING THE POOR CONDITION OF LAND AT ...

You are advised to read this letter very carefully and contact the Council ***immediately*** at the address or phone numbers given above if you have any queries.

On [specify date] you were served with a formal notice under Section 215 of the Town and Country Planning Act 1990 requiring you to take steps to remedy the condition of land at the above mentioned site. That Notice should have been complied with by [specify date]. It has not been.

The purpose of this letter is to inform you that ***the Council now intends to carry out the steps required*** in accordance with Section 219 of the Town and Country Planning Act 1990. ***Contractors appointed by the Council will start those works on [specify date]***. Upon completion of those works, the Council will actively recoup its costs from you by placing a charge on your property.

Failure to comply with a Section 215 Notice is an offence under Section 216 of the Town and Country Planning Act 1990. Accordingly, I must advise you that the Council now intends to pursue a prosecution with immediate effect. Because an offence has been committed I must advise you that you should contact the Council about this matter and you are hereby cautioned that anything you do say can be given in evidence. It may also harm your defence if you do not mention something which you later rely on in court.

EXAMPLE: WARNING OF PROSECUTION BY LPA AFTER S215 NOTICE HAS BEEN ISSUED

IMPORTANT THIS COMMUNICATION AFFECTS YOUR PROPERTY

Dear Sir

RE: TOWN AND COUNTRY PLANNING ACT 1990: SECTION 216: OFFENCE OF FAILURE TO COMPLY WITH NOTICE SERVED UNDER SECTION 215: EXTERNAL CONDITION OF ...

The Council has received no correspondence or undertakings from you in respect of the above mentioned premises despite its letter and the enforcement notices served upon you dated [specify dates] under Section 215 of the Town and Country Planning Act 1990 (copies attached for information). The time period for compliance with the notices expired on [specify date]. Failure to comply with it is an offence. In the absence of the required works having been carried out, I have to advise you that the Council is left with no alternative but to commence legal proceedings with immediate effect. Clearly, the Council would wish to avoid such a course and if the required works now start and are brought to a swift and satisfactory conclusion then the situation will be reviewed. In the meantime, because an offence has been committed I must advise you that you should contact the Council about this matter and you are hereby cautioned that anything you do say can be given in evidence. It may also harm your defence if you do not mention something which you later rely on in court.

Annex F

EXAMPLE: SECTION 215 NOTICE
(served in respect of a former shop with residential above)

IMPORTANT THIS COMMUNICATION AFFECTS YOUR PROPERTY

TOWN AND COUNTRY PLANNING ACT 1990
(as amended by the Planning and Compensation Act 1991)

SECTION 215 NOTICE

SERVED BY: [council name]

To: ....

1. THE NOTICE
This Notice is served by the Council under Section 215 of the above Act because it appears to them that the amenity of a part of their area is adversely affected by the condition of the land described below.

2. THE LAND TO WHICH THE NOTICE RELATES
The land known as ... shown edged red on the attached plan.

3. WHAT YOU ARE REQUIRED TO DO
The Council requires the following steps to be taken for remedying the condition of the land:

(i) Hack off any perished, unkeyed and cracked render/stucco. Replace render/stucco so removed using suitable materials to match the existing render/stucco mix and finish.

(ii) Prior to repainting, clean and prepare all render/stucco, removing in the process any flaking paint, so as to ensure all external render/stucco is in an appropriate condition for repainting.

(iii) Prior to repainting, clean and prepare all external timbers, removing in the process any flaking paint and replacing any rotten or perished timbers with replacement woodwork which is an accurate replica of the original design in terms of pattern, detail and profile, so as to ensure that all external timbers are in an appropriate condition for repainting.

(iv) On completion of steps (i) and (ii) above, repaint in cream or white all render/stucco with a minimum of two coats of exterior paint.

(v) On completion of step (iii) above, repaint all external timbers in cream or white with primer, undercoat and gloss.

(vi) Permanently remove all boarding from the shopfront, replacing any broken glazing with new glass to the appropriate specifications.

4. TIME FOR COMPLIANCE

Steps (i) to (iv) above to be complied with in full within three months of the date on which this Notice takes effect.

5. WHEN THIS NOTICE TAKES EFFECT

This Notice takes effect on [specify date]

Dated: Signed:

EXAMPLE: SECTION 215 NOTICE
(served in respect of a Doric style Grade II Listed Building)

IMPORTANT THIS COMMUNICATION AFFECTS YOUR PROPERTY

TOWN AND COUNTRY PLANNING ACT 1990
(as amended by the Planning and Compensation Act 1991)

SECTION 215 NOTICE

SERVED BY: [council name]

To: ....

1. THE NOTICE
This Notice is served by the Council under Section 215 of the above Act because it appears to them that the amenity of a part of their area is adversely affected by the condition of the land described below.

2. THE LAND TO WHICH THE NOTICE RELATES
The land known as ... shown edged red on the attached plan.

3. WHAT YOU ARE REQUIRED TO DO
The Council requires the following steps to be taken for remedying the condition of the land:

(i) Hack off any perished, unkeyed and cracked render/stucco. Replace render/stucco so removed using suitable materials to match the existing.

(ii) Prior to repainting, clean and prepare all render/stucco, removing in the process any flaking paint, so as to ensure all external render/stucco is in an appropriate condition for repainting.

(iii) Prior to repainting, clean and prepare all external joinery, removing in the process any flaking paint, replacing any rotten or perished timbers with replacement woodwork to match the existing and renewing putty/joinery surrounds so as to ensure all external joinery is in an appropriate condition for repainting.

(iv) Prior to repainting, clean and prepare all external metalwork, removing in the process any rust and flaking paint, so as to ensure all external metalwork is in an appropriate condition for repainting.

(v) On completion of steps (i) to (ii) above, repaint all external render/stucco with a minimum of two coats of exterior masonry paint, the finished colour to be cream.

(vi) On completion of step (iii) above, repaint all external joinery with exterior wood primer, exterior undercoat and exterior wood gloss, the finished colour to be white or cream.

(vii) On completion of step (iv) above, repaint all exterior metalwork with exterior metal primer, exterior undercoat and exterior metal gloss, the finished colour to be white, cream or black.

4. TIME FOR COMPLIANCE

Steps (i) to (vii) above to be complied with in full within four months of the date on which this Notice takes effect.

5. WHEN THIS NOTICE TAKES EFFECT

This Notice takes effect on [specify date]

Dated: Signed:

EXAMPLE: SECTION 215 NOTICE
(served to clear demolition material from a large former garage site)

IMPORTANT THIS COMMUNICATION AFFECTS YOUR PROPERTY

TOWN AND COUNTRY PLANNING ACT 1990
(as amended by the Planning and Compensation Act 1991)

SECTION 215 NOTICE

SERVED BY: [council name]

To: ....

1. THE NOTICE
This Notice is served by the Council under Section 215 of the above Act because it appears to them that the amenity of a part of their area is adversely affected by the condition of the land described below.

2. THE LAND TO WHICH THE NOTICE RELATES
Land at ... shown edged red on the attached plan.

3. WHAT YOU ARE REQUIRED TO DO
The Council requires the following steps to be taken for remedying the condition of the land:

(i) Remove from the site, to an authorised place of disposal, all hardcore, waste and demolition materials. Materials to be removed will include bricks, concrete, reinforced concrete, metal, timber, plastic, tyres and fabrics.

Informative
Upon completion of step (i) above, the owner and any occupier of the site are strongly advised to secure the site perimeter by means of an earth bound or site fencing the height of which should not exceed one metre unless specific planning permission has been granted beforehand for a higher bund or fence.

4. TIME FOR COMPLIANCE
Step (i) above to be complied with in full within one month of the date on which this Notice takes effect.

5. WHEN THIS NOTICE TAKES EFFECT
This Notice takes effect on [specify date]

Dated: Signed:

P.2022/107

THE STATES OF DELIBERATION
of the
ISLAND OF GUERNSEY

STATES' TRADING SUPERVISORY BOARD

GUERNSEY POST LIMITED – ANNUAL REPORT AND ACCOUNTS

The States are asked to decide:-

Whether, after consideration of the policy letter entitled 'Guernsey Post Limited – Annual Report and Accounts' dated 6th October, 2022, they are of the opinion:-

1. To note the Annual Report and Accounts of Guernsey Post Limited for the year ended 31st March 2022.

The above Proposition has been submitted to His Majesty's Procureur for advice on any legal or constitutional implications in accordance with Rule 4(1) of the Rules of Procedure of the States of Deliberation and their Committees.

THE STATES OF DELIBERATION
of the
ISLAND OF GUERNSEY

STATES' TRADING SUPERVISORY BOARD

GUERNSEY POST LIMITED – ANNUAL REPORT AND ACCOUNTS

The Presiding Officer
States of Guernsey
Royal Court House
St Peter Port

6th October, 2022

Dear Sir

1 Executive Summary

1.1 The Annual Report and Accounts of Guernsey Post Limited are hereby presented to the States.

2 Guernsey Post – Annual Report and Accounts

2.1 Under the terms of Section 8 of the States Trading Companies (Bailiwick of Guernsey) Ordinance, 2001, the States' Trading Supervisory Board (STSB) is required to submit Guernsey Post's Annual Report and Accounts to the States for their consideration.

2.2 Guernsey Post's Annual Report and Accounts for the year ended 31st March, 2022, are therefore appended to the policy letter.

2.3 The Company made an operating profit of £1,591,000 for the financial year ended 31st March, 2022, compared to £2,787,000 for the previous year.

3 Compliance with Rule 4

3.1 Rule 4 of the Rules of Procedure of the States of Deliberation and their Committees sets out the information which must be included in, or appended to, motions laid before the States.

3.2 In accordance with Rule 4(1):

a) The States Trading Companies (Bailiwick of Guernsey) Ordinance, 2001 (as amended) requires the Proposition to be put to the States;
b) The Annual Report and Accounts have been submitted by Guernsey Post Limited;
c) The Proposition has been submitted to His Majesty's Procureur for advice on any legal or constitutional implications;
d) There will be no additional financial implications to the States of Guernsey of carrying the proposal into effect.

3.3 In accordance with Rule 4(2):

a) The Proposition relates to the duties of the STSB to carry out the States' role as shareholder of any incorporated companies which are owned by the States and which the States have resolved to include in the mandate of the Board;
b) The Proposition above has the unanimous support of the Board.

Yours faithfully

P J Roffey
President

C N K Parkinson
Vice-President

N G Moakes
Member

S J Falla CBE
Non-States Member

S J Thornton
Non-States Member

Consolidated Annual Report

2022

and Financial Statements
for the year ended 31 March 2022

GUERNSEY
POST

CONTENTS

Corporate Details 3

Chairman's Statement 4

Business Review for the year 6

Board Profile 8

Corporate Governance Report 10

Directors' Report 13

Independent Auditor's Report 14

Consolidated Statement of Comprehensive Income 16

Consolidated Statement of Financial Position 17

Consolidated Statement of Changes in Equity 18

Consolidated Statement of Cash Flows 19

Notes to the Consolidated Financial Statements 20

GUERNSEY POST

Directors:	Richard Digard (Chairman) Simon Milsted (resigned 27 September 2021) Boley Smillie (Chief Executive) Steve Sheridan (Finance) Jill Thomas (Commercial) (resigned 31 March 2022) Peter Shaefer (Non-Executive) Mark Dunster (Non-Executive) Paula Williams (Non-Executive) Rick Denton (Non-Executive) (appointed 16 December 2021)
Auditor:	Deloitte LLP Regency Court Glategny Esplanade St Peter Port GUERNSEY GY1 3HW
Registered office:	Envoy House La Vrangue St Peter Port GUERNSEY GY1 1AA
Company Number:	38693

CHAIRMAN'S STATEMENT

At the outset and on behalf of the Board, I wish to express my gratitude and sincere thanks to my predecessor, Simon Milsted, who retired as Chairman in September 2021. Simon joined the Board as a Non-Executive Director in May 2011 and was then appointed Chairman in 2018.

During Simon's tenure, the Company successfully responded to a variety of significant and business defining challenges, including the loss of low value consignment relief, the reform of the Company's pension scheme and most recently, the impact of COVID-19. It is a tribute to Simon's leadership that the Company has been able to navigate through this period while also continuing to deliver consistently positive financial results.

RETURNING TO THE NEW NORMAL

As the Company continues to emerge from the impact of COVID-19 restrictions, it has been presented with a markedly different operating landscape to which it is having to adapt to more swiftly.

Consumer behaviour experienced a significant change during lockdown restrictions, with an uplift in internet shopping and returns contributing to 11% growth seen in parcels delivered into the Bailiwick over the past 12 months. However, current trends, almost certainly impacted by the "cost of living" crisis, are indicating a downturn on our projection for the rate of continued growth this year, on which our Board is keeping a watching brief because the economic climate continues to present a high level of uncertainty.

The rate of decline in core letter volumes continued to be substantial last year, with a further double digit erosion. This underpins our view that the accelerated decline in volumes during lockdown restrictions have in the most part been permanent and irreversible.

As such, Guernsey Post, and therefore its delivery model, is now in a period of planned transition as it continues to evolve from a letters to a parcel delivery and fulfilment business, which is illustrated by letter volumes delivered on island now being broadly consistent with the number of packets and parcels being handled.

With this transition comes a need for significant investment and change. Throughout the remainder of this year and into early next year, our Envoy House head office site will undergo construction works to create additional operating floor space to meet these changing needs. Furthermore, the Company is also in advanced stages of finalising a contract for the procurement of a parcel sortation machine which is currently scheduled to be fully operational by August 2023.

These investments will be key enablers to adapt to the changing landscape and build capacity in our delivery model over the coming years. Furthermore, these investments will drive further operational efficiencies to ensure we remain relevant in what is becoming an increasingly price sensitive and fiercely competitive sector.

DIVIDEND

In the context of the overall financial position of the Company, combined with strong underlying operational performance, the Board is pleased to propose an ordinary dividend in respect of the year ended 31 March 2022 of £0.5m (2021: £1.3m).

The Board also keeps under constant review the health of the Company's Balance Sheet in the context of our Universal Service Obligations, the inherent commercial risks within our industry and the future demands of our strategy.

Such factors require that the Board seeks to maintain a disciplined capital investment policy and an appropriate level of liquidity.

MANAGEMENT CHANGES

During the year we saw several changes to the senior leadership team of Guernsey Post, with Commercial Director Jill Thomas stepping down from her role. I wish to extend my sincerest gratitude to Jill for her commitment, expertise, and leadership provided to the business during her tenure.

I am also pleased to welcome Rick Denton to the Board as a Non-Executive Director, who brings with him significant leadership experience. Rick leads his own consultancy business and provides guidance to several commercial Boards as a Non-Executive Director and will prove to be a valuable addition to the Guernsey Post Board.

New solar mats on larger fleet vehicles.

ENVIRONMENTAL

Guernsey Post remains committed to building a sustainable business and recognises the importance of this more than ever, against the backdrop of the ongoing impact that global climate change is having on our environment.

This year, we have continued with efforts to reduce the impact of our operation on the environment through several initiatives. One of note, is a business partnership we have established with a UK manufacturer to supply and install an innovative and ultra-thin solar matting to the roof area of some of our larger fleet vehicles.

This solution is helping us to make notable reductions in carbon emissions, and associated costs, by using the electricity generated by the mats to help run various on-board activities such as air conditioning and tail lifts. The results of the initiative have exceeded our expectations and as a result we are now rolling the solution out across our entire large vehicle fleet.

> ***"Guernsey Post remains committed to building a sustainable business and recognises the importance of this more than ever, against the backdrop of the ongoing impact that global climate change is having on our environment."***

COMMUNITY INITIATIVES AND RECOGNITION

We are pleased to continue our association in supporting local causes that can benefit the whole community. This year we provided additional support to the Saffrey Rotary Round the Island Walk Committee by loaning them several electric vans, helping them reduce the carbon footprint of the necessary logistics required to make the walk a success. We have also continued to support Alderney's local radio station, The Guernsey Literary Festival, the St Peter Port Christmas Lights Charity, St James Concert Hall, the 77th Liberation Day celebrations and the Guernsey Welfare Service Foodbank.

We have provided hands-on support to locally based Ukraine nationals to ship humanitarian aid to specific locations and we will continue to provide free postage for humanitarian aid packages to Ukraine for as long as is necessary.

We also worked closely with Guernsey Electricity Limited to run the Bailiwick School EcoChallenge for the second time. The competition challenges students to think of innovative ideas to improve the sustainability of their school. It has proved to be a popular initiative for Bailiwick students with them winning prize money for their school to implement some of their sustainability ideas.

I am also delighted to announce that this year, Guernsey Post has once again been ranked the most recommended brand in Guernsey, out of a total of 75 organisations with a strong local presence. The overall ranking considered brand impression, perceived values, and contribution to the local community. This award is a testament to the outstanding service each one of our employees provides to our customers every day.

I am also pleased to report that our Philatelic Customer Service team have this year achieved the UK Customer Service Excellence accolade for the fourth year running, demonstrating innovation, and delivering a service to our Philatelic customers that is over and above their expectations.

HR AIR

On 19 March 2021, Guernsey Post acquired HR Air Limited, and as such, this is the first set of financial statements showing the full year results of this Company, which I am pleased to report is performing in line with expectations.

HR Air operates in Guernsey, Jersey and Heathrow providing services to global freight and logistics companies, including air and sea freight, consignment collection services and distribution and delivery services, with the acquisition proving to be a key enabler in the achievement of our wider strategic objectives.

OUTLOOK

Despite another set of positive results this year, the outlook for the next 18 months is one in which the Company will face considerable challenges.

Significant pricing changes to our contract rates with Royal Mail is already having a profound impact on performance, resulting in a material erosion of our revenue base, even after measures that we have been able to reasonably take on our own business and retail tariffs.

More broadly, the wider economic climate and increased cost of living is now also introducing a large degree of uncertainty in regard to our business model, with early evidence indicating a slowdown in consumer purchasing habits across some of our revenue generating business units.

These challenges will almost certainly result in the Company reporting an operating loss next year for the first time since 2011. However, our Board remains totally committed to the strategy it has in place to address these challenges.

With the support of each and every one of our employees who continue to play a pivotal part in achieving our strategic aims, we remain confident of returning the Company back to an operating profit in the short term, while never compromising the Company's standing as a premier postal service providing a best-in-class service to the community.

R Digard, ***Chairman***
21 September 2022

Business Review for the Year

OUR RESULTS

Guernsey Post Limited is pleased to report an operating profit of £1.6m for the year ended 31 March 2022, which is a decrease of £1.2m from the prior year operating profit performance.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Turnover for the year was £42.8m, an increase of £1.3m (3%) in the year. The Group recorded strong performance in all business areas, particularly bulk customer business and parcel revenues.

Expenditure for the year was £41.2m, an increase of £2.5m (6%) on the prior year.

Direct costs of £20.9m, associated with servicing revenues increased by £0.1m (0.3%) in the year, the increase being primarily attributable to contractual and conveyance costs.

Total staff related expenditure for the year was £16.1m, an increase of £2.0m (14%). The number of reported full-time equivalent employees being at 288.

Depreciation costs at £0.9m increased slightly in the period. Amortisation of goodwill in the year of £0.3m related to Shoal Bay Holdings Limited and its underlying subsidiary HR Air Ltd.

Profit on ordinary activities before Taxation for the year was £2m, a decrease of £2.3m when compared to the prior year. The current year performance includes the first full year consolidation for Shoal Bay Ltd and its subsidiary HR Air Ltd, which were acquired on 19 March 2021. In addition to the movements highlighted above, this decrease in profit before tax is partially (£1.2m) due to a reduced return on funds invested by the States Treasury on the Group's behalf.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

The Group continues to operate profitably with a strong Balance Sheet and a healthy liquidity position. Shareholders' funds were £27.3m, an increase of £0.5m in the year.

At the year end, the Group reported a cash balance of £3.6m (2021: £2.8m), alongside separate short-term investment balances held with States Treasury of £7.7m (2021: £8.3m) and £16.5m (2021: £16.3m) of current assets, supported by a £14.5m (2021: £14.9m) fixed assets base.

Reported current liabilities and provisions were £3.3m (2021: £4.3m).

CONSOLIDATED STATEMENT OF CASH FLOWS

The Group had net inward cash movements of £0.2m during the year (2021: cash inflow of £0.2m), with net cash generated from operations contributing £2.2m (2021: £4.0m) in the year.

The primary cash flow adjustments related to £1.3m paid out in dividends during the year (2021:£1.4m) and £0.3m investment returns (2021: £1.5m investment return).

Capital spend in the year was £1m (2021: £0.6m), the primary investment being £0.7m in the replacement of the vehicle fleet.

OPERATIONAL SUMMARY

The total number of mail items handled during the year was approximately 44.5m, which was a decrease of 4.5m items (11%) on the prior year which saw unprecedented volumes as a result of COVID-19 and associated lockdown restrictions. Notwithstanding this overall decline, inward parcel volumes continued to grow with an increase of 11% compared to prior year, whilst inward letters were down 7%.

Total outward mail was down 15% on prior year, primarily due to a decrease in outward bulk mail volumes which experienced significant demand in the prior year as COVID-19 impacted Bulk Customer business.

Except for mail posted in the UK but delivered in Guernsey, and mail delivered from Guernsey to Jersey via UK, elements of which were outside of our control, quality of service performance results for the year have exceeded the set targets and continue to be a demonstration of our commitment in ensuring a timely delivery of mail across our network.

> ***... quality of service performance results for the year have exceeded the set targets and continue to be a demonstration of our commitment in ensuring a timely delivery of mail across our network.***

> *Notwithstanding this overall decline, inward parcel volumes continued to grow with an increase of 11% compared to prior year, whilst inward letters were down 7%.*

BOARD PROFILE

Richard Digard
CHAIRMAN

Richard Digard is a career journalist, editor and newspaper management specialist who has extensive experience at director level of running the Channel Islands' two daily newspapers plus other titles and digital publications.

Locally born and educated at Elizabeth College and Coventry University, Richard became the first news editor of the Guernsey Press and Star in 1987. He was appointed Marketing Manager at Sun Alliance International Life in 1994, where he ran its marketing division, serving teams in the UK, Europe, Africa, and the Far East.

He returned to the Guernsey Press and Star in 1997 and was appointed Editor in 2000. He subsequently joined the Board of the Guernsey Press Co. Ltd and then Guiton Publishing, a group board committee responsible for the strategic direction and performance of its two Channel Islands newspapers.

These experiences include a strong trading background with a hands-on approach to the challenges and opportunities created for established industries by new technology.

Since retirement in 2014, he has been a member of the Independent Review Panel appointed by the States to consider States Members' remuneration and served as a Member of the States Scrutiny Management Committee until early 2017. Richard is also a Non-Executive Director of company acting as trustees of a Guernsey-based pension scheme and with delegated responsibilities for a Jersey-based scheme. He has also been a Douzenier of the Vale Parish since 2016.

Boley Smillie
CHIEF EXECUTIVE

Born and raised in Guernsey, Boley Smillie joined Guernsey Post Limited in 1991 from his secondary education at La Mare de Carteret School. The subsequent years saw him gain a wide range of experience in different roles, rising through the ranks of the Company. Boley became Operations Director in 2007 and was appointed as an Executive Director in April 2010. In September 2010, Boley was promoted to the role of Chief Executive.

During his time as Chief Executive, Boley has successfully led the company though a number of significant challenges, ranging from the consequential impact of the abolition of low value consignment relief, to the restructuring of the business designed to maximise the growth opportunities in e-commerce. Boley has added to his hands-on experience by undertaking a number of professional qualifications in marketing, business and finance.

In 2021, Boley led negotiations on the acquisition of the freight and logistics business, HR Air Ltd, a significant milestone in Guernsey Post Limited's diversification strategy. Boley was subsequently appointed as a Director of the Company.

Boley is also the Non-Executive Chairman of Guernsey Mind, an advisor on the Guernsey Ports Board and is Deputy Industrial Disputes Officer.

Steve Sheridan
FINANCE DIRECTOR

Steve Sheridan was born and educated in Nottingham before work opportunities brought him to Guernsey in 1993.

Steve has over 25 years' experience in accountancy and financial control roles, having held a number of senior positions within the insurance, fiduciary, banking and commercial sectors. On qualification as an Accountant in 2004, Steve joined a Channel Island based retail business as their Financial Controller and General Manager. During his time in this role, he was successful in developing an effective management reporting structure, helping to drive business performance and associated rationalisation and restructuring initiatives.

Steve also spent a number of years working for Credit Suisse (Guernsey) Limited in a variety of financial accounting and project roles, one of which included being part of a project team tasked with the full deployment of its local financial accounting function to India. More latterly, Steve was employed within the Private Banking and Asset Management Division, where he held the position of Head of Financial Management for the Channel Islands.

Steve was appointed Finance Director with Guernsey Post Limited in early 2014 and holds the Institute of Directors Diploma in Company Direction.

Steve was appointed as a Director of HR Air Limited in March 2021.

Peter Shaefer
NON-EXECUTIVE

Although born and raised in the North West of England, Peter has worked and lived in many countries including Holland, Switzerland, France and now Guernsey. He is a Member of the Chartered Institute of Public Finance and Accountancy and the Institute of Directors and holds a degree in Geology with Industrial Management from the University of Liverpool. He currently holds a number of executive and non-executive positions, including Director of La Perla Beauty UK Ltd (global beauty business) and is a Non-Executive Director of Guernsey Electricity Limited.

Peter has had enjoyed a varied career, including:

- The global beauty company, Coty Inc, which he joined in 2000 and culminated in his appointment as Senior Vice President of Business Transformation in 2014 with responsibility for overseeing a company-wide reorganisation and restructuring programme. His previous roles with Coty Inc included CFO Europe and Asia and Senior Vice President, Business Development, with responsibility for Mergers & Acquisitions and accelerating international development.
- Japan Tobacco International, undertaking a number of roles across the globe, including General Auditor and Senior Finance Director;
- The oil industry, working in a variety of finance and audit roles;
- The Audit Commission, where he qualified as a Chartered Accountant.

Peter's skills include managing strategic change and international development, project management, corporate governance and risk management, developing business and financial strategy and financial planning and analysis.

Mark Dunster
NON-EXECUTIVE

Advocate Dunster is a partner at Carey Olsen specialising in litigation, compliance and financial regulatory matters. He undertakes a wide variety of commercial and civil litigation work and advises institutions on regulatory matters, including anti-money laundering, data protection, employment law, e-Gambling and renewable energy.

In 1994, Mark was called as a barrister and practised in London before returning to his native Guernsey, where he qualified as an advocate in 1997. He has been a partner at Carey Olsen since 2001 and became a Notary Public in 2006.

Mark acts as both an executive and non-executive director on a number of Guernsey (and non-Guernsey) companies in sectors as wide as trust and fiduciary services, electronic gaming, credit card payment processing, commercial real estate and investment holding.

Mark is the past Chairman of the Guernsey Association of Compliance Officers and the former Chairman of the Guernsey Bar Association.

Between 2004 and 2008, Mark was a member of Guernsey's Health and Social Services Department. He was formally Connétable of St Pierre du Bois and is now a Douzenier for that Parish.

Mark has a breadth of commercial experience with some very large and complex organisations. This experience includes reviews of corporate governance structures, developing strategy and evaluating the deployment of capital and resources between competing opportunities. He holds the Institute of Directors Chartered Director status.

Paula Williams
NON-EXECUTIVE

Originally from New Zealand, Paula and her family moved to Guernsey in 2012. As an experienced Management Consultant, Paula has over 20 years of experience in business transformation in London, Australia, New Zealand and Guernsey. Paula has an MBA in Strategic Management from Henley Business School, the Institute of Directors Diploma in Company Direction and experience working with businesses to improve company performance.

Paula has been a Non-Executive Director for 5 years for the Channel Islands Co-operative Society and President for 18 months. As Managing Director for Island Consortium, Paula is actively involved in working with other businesses to meet their regulatory training requirements. In her spare time, Paula is also Chair of the Bailiwick of Guernsey Scout Association, which won the Queens Award for Voluntary Service in 2019.

Rick Denton
NON-EXECUTIVE

Rick has 30 years' experience of leading UK and International subsidiaries of four major banking groups. Subsequently, he became CEO of a specialist family office business, managing property developments and acquiring companies. Rick now leads his own consultancy and has a range of International Non-Executive Director positions.

Locally he chairs the Guernsey Banking Deposit Compensation Scheme and is a Non-Executive Director of Guernsey Electricity. He is a National Council Member for the Institute of Directors, representing the international branches.

Rick holds an MBA with distinction from Warwick University; is an Associate of the Chartered Institute of Bankers; a Chartered Member of the Institute of Securities and Investments and a Member of the Society of Trust and Estate Practitioners. He has also recently achieved the Henley Certificate in Executive Coaching and the Institute of Directors' Diploma in Company Direction.

Corporate Governance Report

COMPLIANCE

Guernsey Post Limited's corporate governance arrangements are based on the proportionate application of good practice principles in corporate governance, predominantly those contained within the UK Corporate Governance Code published in July 2018 ('the Code'), where relevant. Guernsey Post Limited is committed to the development of a sustainable and profitable business that benefits all stakeholders, which includes achieving the highest standards of corporate governance for our Shareholder, the States of Guernsey.

Guernsey Post Limited has signed a Memorandum of Understanding with the States' Trading Supervisory Board that sets out the rights, expectations and duties of both parties and includes the requirement to comply with best practice on corporate governance. Guernsey Post Limited has continued to work on its corporate governance programme during the financial year ended 31 March 2022, and the achievements are summarised in this report.

THE BOARD

DIRECTORS

The Board's role is to provide entrepreneurial leadership of the Group within a prudent and effective framework of risk management and internal control. The Board is responsible for setting and implementing strategy, allocating the necessary human and financial resources to meet the Group's objectives and monitoring the performance of management against those objectives. The Board is collectively accountable for the success of the Group, sets its values and standards and takes decisions objectively in the interests of the Group, its Shareholder and other stakeholders.

Non-Executive Directors help to develop and challenge the Group's strategy. They evaluate the performance of management and monitor the reporting of performance. They consider the integrity of financial information and the strength of financial controls and risk management systems. They oversee executive remuneration and play the main role in the appointment, removal and succession planning for Executive Directors.

Matters referred to the Board are governed by a scheme of delegated authorities that provides the framework for the decisions to be taken by the Board, those which must be referred to our Shareholder and those which can be delegated to Committees of the Board, or senior management.

There were six board meetings held during 2021/22. If a Board member cannot attend a meeting, he or she receives a copy of the agenda and the accompanying papers in advance of the meeting and is invited to comment on the matters to be discussed.

The names of the members of the Board Committees are set out on pages 8-9 (8-11*), together with details of their background. The Board Committees have authority to make decisions according to their terms of reference.

CHAIRMAN AND CHIEF EXECUTIVE

Guernsey Post Limited has a Non-Executive Chairman and a Chief Executive. There is a clear division of responsibility between these two positions. Richard Digard, the Non-Executive Chairman, is responsible for the running of the Board and Boley Smillie, the Chief Executive, is responsible for the running of the Group's business.

Richard Digard spends, on average, one day per week in his role as Chairman. He holds a number of other external Directorships, but the Board considers that his external Directorships do not make conflicting demands on his time as Chairman.

Peter Shaefer is the Senior Independent Director and is also available to talk to our Shareholder, if it has any issues or concerns.

BOARD BALANCE AND INDEPENDENCE

Throughout the year, the Group has had a balance of independent Non-Executive Directors on the Board, who ensure that no one person has disproportionate influence. All the Non-Executive Directors bring with them significant commercial experience from different industries, which ensures that there is an appropriate balance of skills on the Board.

There are currently five Non-Executive Directors and two Executive Directors on the Board.

APPOINTMENTS TO THE BOARD

Recommendations for appointments to the Board are the responsibility of the Nominations Committee. The appointment of Non-Executive Directors must be ratified by the States of Guernsey.

The Nominations Committee meets 1-3 times a year to consider the balance of the Board, job descriptions and objective criteria for Board appointments and succession planning.

INFORMATION AND PROFESSIONAL DEVELOPMENT

For each scheduled Board meeting, the Chairman and the Company Secretary ensure that, during the week before the meeting, the Directors receive a copy of the agenda for the meeting, financial, strategic, and operating information and information on any other matter which is to be referred to the Board for consideration. The Directors also have access to the Company Secretary for any further information they require. In the months where there is no scheduled Board meeting, the Directors receive the prior month and cumulative Group financial and operating information.

The Company Secretary gives guidance on Board procedures and corporate governance.

The Company Secretary, who is appointed by the Board and is also the Finance Director and an Executive Director, is responsible for ensuring compliance with Board procedures. This includes recording any concerns relating to the running of the Group, or proposed actions arising therefrom, that are expressed by a Director in a Board meeting. The Company Secretary is also Secretary to the Remuneration and Nomination Committees. The Company Secretary is available to give ongoing advice to all Directors on Board procedures, corporate governance, and regulatory compliance

*These page numbers refer to the annual financial statements document approved by the auditors.

ATTENDANCE AT BOARD AND BOARD COMMITTEE MEETINGS

Attendance during the year for all Board and Board Committee meetings is given in the table below:

ATTENDANCE AT BOARD COMMITTEE MEETINGS (A)				
	Board	Audit & Risk Management Committee	Nominations Committee	Remuneration Committee
Boley Smillie	6/6			
Steve Sheridan	6/6			
Simon Milsted (Resigned 27/09/2021)	3/3			
Richard Digard	6/6	2/2		
Jill Thomas (Resigned 31/03/2022)	5/6			
Peter Shaefer	6/6	2/2		
Mark Dunster	4/6		3/3	3/3
Paula Williams	6/6		3/3	3/3
Rick Denton (Appointed 16/12/2021)	2/2			

(A) The first figure represents attendance and the second figure the possible number of meetings e.g., 9/10 represents attendance at 9 out of a possible 10 meetings. Where a Director stepped down from the Board, or a Board Committee, during the year, or was appointed during the year, only meetings before stepping down, or after the date of appointment, are shown.

During the transitional period from Non-Executive Directors retiring from the Board and their successors being appointed, if any sub-committee of the Board found itself inquorate, any decisions proposed by such sub-committees would be referred to the main Board meeting for ratification.

PERFORMANCE EVALUATION

The Board undergoes a regular evaluation of its performance. The evaluation consists of a confidential questionnaire, which is assessed by the Board, followed by an open discussion facilitated by the Chairman.

ELECTION AND RE-ELECTION OF DIRECTORS

Guernsey Post Limited's Articles of Association state that a Non-Executive Director should be proposed for re-election if he, or she, has been appointed to the Board since the date of the last Annual General Meeting ('AGM'), or proposed for re-election, if he or she has held office for more than three years at the date of the notice convening the next AGM. The Board ensures that each Non-Executive Director submits himself, or herself, for re-election by the Shareholder at least every three years.

Non-Executive Directors serve the Group under letters of appointment, which are generally for an initial three-year term. Their appointment is also ratified by the States of Guernsey.

In accordance with the Articles of Association, Paula Williams is due to retire by rotation. Paula Williams, being eligible, has offered herself up for re-election at the forthcoming Annual General Meeting.

REMUNERATION

The Board recognises the importance of Executive Directors' remuneration in recruiting, retaining, and motivating the individuals concerned. Executive Directors' remuneration consists of basic salary, benefits in kind, bonus, and retirement benefits. Fees for the Chairman and Non-Executive Directors are determined by the States' Trading Supervisory Board.

The Remuneration Committee, which is chaired by Mark Dunster, consists of two Non-Executive Directors, and determines remuneration levels and specific packages appropriate for each Executive Director, taking into account the Group's annual salary negotiations. No Director is permitted to be present when his, or her, own remuneration is being discussed, or to vote on his, or her, own remuneration. The Remuneration Committee considers that the procedures in place provide a level of remuneration for the Directors, which is both appropriate for the individuals concerned and in the best interests of the Shareholder.

ACCOUNTABILITY AND AUDIT

FINANCIAL REPORTING

The intention of the Consolidated Annual Report is to provide a clear assessment of the performance and financial position of Guernsey Post Limited. The Group has a comprehensive system for reporting financial results to the Board. An annual budget is prepared and presented to the Board for approval. During the year, monthly management accounts, including the Consolidated Statement of Financial Position, Consolidated Statement of Cash Flows and capital expenditure reporting, are prepared with a comparison against budget and prior year. Forecasts are revised half yearly considering this comparison and are also reviewed by the Board.

INTERNAL CONTROL AND RISK MANAGEMENT

All Directors are responsible for establishing and maintaining an effective system of internal control. Whilst all elements of risk cannot be eliminated, the system aims to identify, assess, prioritise and, where possible, mitigate the Group's risks. Although no system of internal control can provide absolute assurance against material misstatement or loss, the Group's systems are designed to provide the Board with reasonable assurance that assets are safeguarded, transactions are properly authorised and recorded and that material errors and irregularities are either prevented, or detected, within a timely period.

The Audit & Risk Management Committee has previously considered the need for an internal audit function and concluded that the financial position, size, and complexity of the Group could not justify the expense, which the Board ratified. The Board is happy to continue relying on the strength of the internal control environment through updates on risk management and internal control, health and safety reports, AML and CFT compliance,

monthly management information and representations from the Executive Team, supported by the engagement of third-party compliance consultants. This approach is further complimented by external third-party assurance reviews where and when appropriate.

AUDIT & RISK MANAGEMENT COMMITTEE AND AUDITOR

The Board has delegated responsibility to the Audit & Risk Management Committee for reviewing an effective system of internal control and compliance, accurate external financial reporting, fulfilling its obligations under the law, and managing the Group's relationship with the Group's external auditor. The Committee members comprise independent Non-Executive Directors. Peter Shaefer, who is a qualified accountant, is the Chairman of the Audit & Risk Management Committee and the Board is satisfied that Peter has recent and relevant financial experience to enable the duties of the Committee to be fully discharged. Rick Denton is the other member of the Audit & Risk Management Committee.

The Committee meets at least once a year with representatives of the Group's external auditor, and the Chief Executive and the Finance Director also attend the meetings.

AUDIT & RISK MANAGEMENT COMMITTEE REPORT

The Committee considers that it has acted in accordance with its term of reference, ensuring:

- The independence, objectivity, and effectiveness of external auditors.
- The Group has appropriate controls and measures in place to mitigate against material risks to its business.
- The integrity of the financial statements. Reviewing significant financial reporting issues and judgements they contain.
- Whistle blowing arrangements are in place.
- Going concern of the Group.
- Recommended distribution of profits appropriately reflects the solvency of the Group.

The Committee recommends that the Board approve the Group's financial statements for the 12 month period ended 31 March 2022, including the independent auditors report and unqualified opinion of Deloitte LLP to these financial statements.

SHAREHOLDER RELATIONS

The Board believes that good communication with the Shareholder is a priority. There have been regular quarterly meetings between the Chairman, Chief Executive and Finance Director of Guernsey Post Limited, and senior staff of the States' Trading Supervisory Board. The Group presents its strategic plan to our Shareholder for approval every year.

The Chairman and Senior Independent Director are available to meet with our Shareholder should there be unresolved matters that our Shareholder believes should be brought to its attention. The Executive Team and the Non-Executive Directors meet with our Shareholder at the Annual General Meeting ('AGM').

The date of the AGM is agreed with our Shareholder and notice of ten working days is given. The AGM is chaired by Guernsey Post Limited, with presentations made by the Executive Team to facilitate awareness of the Group's activities and its financial performance. Our Shareholder is given the opportunity to ask questions of the Board and the Chairman of each Board committee during the AGM.

COMMITTEES OF THE BOARD AND MAIN TERMS OF REFERENCE

In addition to regular scheduled Board meetings, the Group operates through various Board Committees, of which the membership and main terms of reference are set out below (except the Audit & Risk Management Committee, which is outlined above).

Mark Dunster is the Chairman of the Nominations Committee, supported by Paula Williams. The main terms of reference of this Committee are to regularly review the structure, size, and composition of the Board and to make recommendations on the role and nomination of Directors for appointment to the Board, Board Committees and as holders of any executive office, as well as ensuring that appropriate succession plans are in place for the Board and the Executive Team. When considering future Board appointments, the Nominations Committee pays due regard to issues of diversity, including gender. The Committee met three times in 2021/22.

Mark Dunster is also the Chairman of the Remuneration Committee, supported by Paula Williams. The main terms of reference of this Committee are to determine and agree with the Board the remuneration policy for the Group's Executive Team, to approve the design of, and determine targets for, any performance related pay schemes operated by the Group and to determine the policy for, and scope of, pension arrangements for each Executive Director. The Committee met three times in 2021/22.

DIRECTORS' REPORT

The Directors present their Consolidated annual report, together with the financial statements, for the year ended 31 March 2022.

PRINCIPAL ACTIVITIES

The Group's principal activities are the provision of a postal service for the Bailiwick of Guernsey through a postal network and retail counter operation in accordance with the license awarded to it by the Guernsey Competition and Regulatory Authority ('GCRA') and the marketing of its postage stamps and other philatelic products to stamp collectors worldwide.

Through the Company's subsidiaries Shoal Bay Holdings Limited and HR Air Ltd, the Group also provides freight and courier services between Guernsey, Jersey and the UK, as well as warehousing and distribution services.

SIGNIFICANT EVENTS

The impact of COVID-19 on Guernsey Post Limited continued to influence operations and services in the year, albeit to a lesser extent than previously experienced.

As COVID-19 related restrictions were gradually lifted both in Guernsey and further afield, Guernsey Post reinstated non-core services such as foreign currency sales and on island marketing initiatives.

Core mail volume decline continued in the year in line with pre-pandemic trends. Once again this has been offset by parcel and packet growth, which continues to increase.

To enable Guernsey Post to efficiently handle the increased volumes of inbound packets and parcels, the Company entered a lease on a secondary location, providing a significant increase in operational workspace.

RESULTS

The results for the year are shown in the Consolidated Statement of Comprehensive Income on page 16 (25*).

DIVIDEND

The Directors recommend a dividend of £0.5m based upon the profits for the year ended 31 March 2022 (2021: £1.3m).

FIXED ASSETS

Fixed asset movements for the year are disclosed in note 6 to the financial statements.

DIRECTORS

The Directors of the Group, who served throughout the year and at the date of this report, were as follows:

Simon Milsted
(resigned 27 December 2021)

Richard Digard

Boley Smillie

Peter Shaefer

Steve Sheridan

Mark Dunster

Jill Thomas
(resigned 31 March 2022)

Paula Williams

Rick Denton
(appointed 16 December 2021)

No Director has an interest, either beneficially or non-beneficially, in any shares of the Group (2021: no interest beneficially, or non-beneficially).

In accordance with the Articles of Association, Paula Williams is due to retire by rotation. Paula Williams, being eligible, has offered herself up for re-election at the forthcoming Annual General Meeting.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

The Companies (Guernsey) Law, 2008 requires the Directors to prepare financial statements for each financial year. Under that law, the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under Company Law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and of the profit or loss of the Group for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The Directors are responsible for keeping proper accounting records that are sufficient to show and explain the Group's transactions and disclose, with reasonable accuracy at any time, the financial position of the Group and enable them to ensure that the financial statements comply with the Companies (Guernsey) Law, 2008. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Group's website. Legislation in Guernsey governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

DISCLOSURE OF INFORMATION TO AUDITORS

The Directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant information of which the Group's auditors are unaware; and each Director has taken all the steps that he ought to have taken as a Director to make himself, or herself, aware of any relevant audit information and to establish that the Group's auditors are aware of that information.

AUDITORS

Deloitte have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

B Smillie
Chief Executive

R Digard
Chairman

*These page numbers refer to the annual financial statements document approved by the auditors.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GUERNSEY POST LIMITED

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

OPINION

In our opinion the consolidated financial statements of Guernsey Post Limited and its subsidiaries (the 'group'):

- give a true and fair view of the state of the group's affairs as at 31 March 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies (Guernsey) Law, 2008.

We have audited the consolidated financial statements which comprise:

- the consolidated statement of comprehensive income;
- the consolidated statement of financial position;
- the consolidated statement of changes in equity;
- the consolidated cash flow statement; and
- the related notes

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

CONCLUSIONS RELATING TO GOING CONCERN

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

OTHER INFORMATION

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or to cease operations, or have no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: *www.frc.org.uk/auditorsresponsibilities*. This description forms part of our auditor's report.

*These page numbers refer to the annual financial statements document approved by the auditors.

EXTENT TO WHICH THE AUDIT WAS CONSIDERED CAPABLE OF DETECTING IRREGULARITIES, INCLUDING FRAUD

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

We considered the nature of the group's industry and its control environment, and reviewed the group's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management about their own identification and assessment of the risks of irregularities.

We obtained an understanding of the legal and regulatory framework that the group operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included the Companies (Guernsey) Law, 2008 and relevant tax legislation; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the group's ability to operate or to avoid a material penalty.

We discussed among the audit engagement team regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

As a result of performing the above, we identified the greatest potential for fraud in the revenue recognition of Bulk and Southbound customers, and our specific procedures performed to address it included are described below:

- assessing the design and implementation of key controls identified around bulk revenue and southbound revenue process;
- obtaining independent third-party confirmation from Royal Mail (with respect to southbound revenue) and a sample of the largest bulk customers;
- agreeing revenue to invoices and bank statements on sample basis for the remaining bulk population;
- inspecting a sample of receipts as per the bank statements and tracing these to supporting documentation and the general ledger for the remaining bulk population to ensure that revenue recorded is complete; and
- obtaining a month-on-month breakdown of southbound and bulk revenue streams and undertaking graphical analysis to analyse the trends to ensure they are in line with our expectations and understanding of the business.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management concerning actual and potential litigation and claims and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

Under the Companies (Guernsey) Law, 2008 we are required to report in respect of the following matters if, in our opinion:

- proper accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of these matters.

USE OF OUR REPORT

This report is made solely to the group's members, as a body, in accordance with Section 262 of the Companies (Guernsey) Law, 2008. Our audit work has been undertaken so that we might state to the group's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the group and the group's members as a body, for our audit work, for this report, or for the opinions we have formed.

Deloitte LLP,

St Peter Port, Guernsey

21 September 2022

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2022

	Notes	**31 March 2022 Consolidated £'000**	31 March 2021 Consolidated £'000
Turnover	1	**42,782**	41,494
Expenses	2	**(41,191)**	(38,707)
Operating Profit		**1,591**	2,787
Other income/(losses)			
Investment returns		**307**	1,522
Rental income		**78**	97
Revaluation of Investment Property	7	**20**	(100)
Profit on ordinary activities before taxation		**1,996**	4,306
Tax (charge)/credit on profit on ordinary activities	3	**(240)**	31
Profit for the financial year		**1,756**	4,337

All activities derive from continuing operations.

The notes on pages 20 to 29 (*29 - 45) form an integral part of these financial statements.

**These page numbers refer to the original Financial Statements document approved by the auditors.*

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2022

	Notes	**31 March 2022 Consolidated £'000**	31 March 2021 Consolidated £'000
Non-current assets			
Tangible fixed assets	6	**10,287**	10,358
Goodwill	5	**3,054**	3,396
Investment property	7	**880**	860
Deferred tax	9	**-**	240
		14,221	14,854
Current assets			
Cash at bank and in hand	1	**3,647**	2,843
Balances with States Treasury	10, 14	**7,746**	8,338
Debtors	8	**4,753**	4,907
Stock		**308**	263
		16,454	16,351
Creditors: Amounts falling due within one year	11	**(3,357)**	(4,343)
Net current assets		**13,097**	12,008
Total assets less current liabilities		**27,318**	26,862
Provisions greater than one year	15	**-**	-
Net assets		**27,318**	26,862
Capital and reserves			
Shareholders' capital	12	**7,886**	7,886
Retained earnings		**19,432**	18,976
		27,318	26,862

The consolidated financial statements were approved by the Board of Directors and authorised for issue on 21 September 2022. They were signed on its behalf by:

B Smillie
Chief Executive

R Digard
Chairman

The notes on pages 20 to 29 (*29 - 45) form an integral part of these financial statements.

**These page numbers refer to the original Financial Statements document approved by the auditors*.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2022

	Shareholder's Capital	Retained Earnings	Total Equity
	£,000	£'000	**£'000**
Balance as at 1 April 2020	7,886	16,083	**23,969**
Profit for the financial year	-	4,337	**4,337**
Dividends	-	(1,444)	**(1,444)**
Total contributions by and distributions to owners	**-**	(1,444)	**(1,444)**
Balance as at 31 March 2021	7,886	18,976	**26,862**
Balance as at 1 April 2021	7,886	18,976	**26,862**
Profit for the financial year	-	1,756	**1,756**
Dividends	-	(1,300)	**(1,300)**
Total contributions by and distributions to owners	**-**	(1,300)	**(1,300)**
Balance as at 31 March 2022	7,886	19,432	**27,318**

The notes on pages 20 to 29 (*29 - 45) form an integral part of these financial statements.

**These page numbers refer to the original Financial Statements document approved by the auditors.*

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 March 2022

	Notes		2022 Consolidated £'000		2021 Consolidated £'000
Operating activities					
Profit or loss for the financial year			**1,756**		4,337
Adjustments for:					
Depreciation and amortisation			**1,290**		932
Profit on sale of tangible fixed assets			**(105)**		(13)
Rental income			**(78)**		(97)
Interest and similar (income)			**(307)**		(1,522)
Revaluation of investment property			**(20)**		100
Taxation			**240**		(31)
(Increase) in stocks			**(45)**		(50)
Decrease / (increase) in debtors			**394**		(388)
(Decrease) / increase in creditors			**(736)**		620
Net cash generated from operations			**2,389**		3,888
Rent received		**78**		97	
Tax received		**(240)**		31	
Net cash inflow from operating activities			**2,227**		4,016
Investing activities					
Purchase of tangible fixed assets		**(1,008)**		(619)	
Investment return		**307**		1,522	
Acquisition of Subsidiary	1	**(250)**		(3,432)	
Proceeds from sale of tangible fixed assets		**236**		162	
Net cash outflow from investing activities			**(715)**		(2,367)
Cash flows from financing activities					
Dividend paid	4	**(1,300)**		(1,444)	
Net cash outflow from financing activities			**(1,300)**		(1,444)
Net increase in cash and cash equivalents			**212**		205
Increase in cash balances			**212**		205
Cash and cash equivalents at 1 April			**11,181**		10,976
Cash at bank and investments held as at 31 March			**11,393**		11,181
Represented by:					
Balances with States Treasury			**7,746**		8,338
Cash			**3,647**		2,843
			11,393		11,181

The notes on pages 20 to 29 (*29 - 45) form an integral part of these financial statements.

**These page numbers refer to the original Financial Statements document approved by the auditors.*

NOTES TO THE FINANCIAL STATEMENTS year ended 31 March 2022

1. Significant accounting policies

Reporting entity

Guernsey Post Limited (the "Company") commenced trading on 1 October 2001 and is registered in Guernsey. The Company's registered address is Envoy House, La Vrangue, St Peter Port, Guernsey, GY1 1AA. The Company is governed by the provision of the Companies (Guernsey) Law, 2008. The principal activity of the Company is the provision of Postal Services throughout the Bailiwick.

Basis of consolidation

On 19 March 2021, Guernsey Post Limited acquired 100% of the ordinary share capital of Shoal Bay Holdings Limited and its subsidiary HR Air Ltd. ("the Subsidiaries" and all together "the Group").

These Group financial statements consolidate the financial statements of the Company and the Subsidiaries up to 31 March 2022. The results of the Subsidaries acquired are consolidated for the periods from, or to the date, on which control passed to Guernsey Post Limited.

Where necessary adjustments are made to the financial statements of the Subsidiaries to bring them in line with the policies used by Guernsey Post Limited, all intra-group transactions, balances, income and expenses are eliminated on consolidation.

Basis of accounting

The financial statements give a true and fair view, comply with the Companies (Guernsey) Law, 2008 and were prepared in compliance with the UK Accounting Standards, including FRS 102 - The Financial Reporting Standard applicable in the UK and Ireland. The presentation currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £1,000 unless otherwise stated.

Going concern

These financial statements are prepared on a going concern basis.

After making enquiries and reviewing the Group's forecasts and projections, taking account of reasonably possible changes in trading performance in light of current economic conditions which may have an impact the volume of mail handled by the Group, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future.

The Group, therefore, continues to adopt the going concern basis in preparing its financial statements.

Use of judgements and estimates

In preparing these financial statements, management has made judgements, estimates and assumptions that affect the application of the Group's accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

a. Judgements

Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognised in the financial statements is included in the following notes:-

- Note 1 - Business combinations - Basis for determining the value and recoverability of goodwill, amortisation period and the basis for consolidation

- Note 1 - Business combinations - determination of the amortisation period of goodwill

- Note 3 – Taxation - Basis for determining classification of regulated and non-regulated profits

- Note 15 - Provisions - dilapidations

b. Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment to amounts reported in the financial statements for the year ended 31 March 2022 is included in the following notes:-

- Note 1 - Tangible Fixed Assets - determination of useful economic life of fixed assets

- Note 7 - Investment Property - determination of fair value of investment property

- Note 9 – Deferred Tax – recognition of deferred tax assets: availability of future taxable profit against which tax losses carried forward can be used

Basis of measurement

The financial statements have been prepared under the historical cost convention, modified to include the revaluation of certain assets.

The Group has consistently applied the following accounting policies to all periods presented in these financial statements.

Turnover

Sales of stamps are accounted for on a receipt of funds basis and no provision is made for postal services expected to be provided for stamps in circulation, as the Directors deem this to be immaterial. All other income from goods and services supplied are accounted for on an accruals basis.

Other income

Rental income is recognised on a straight line basis over the term of the lease. Interest and investment income is recognised in the Consolidated Statement of Comprehensive Income on an accruals basis.

Expenses

Postal operations expenses are charged as incurred. No provision is made for any charges which may be incurred in handling, or delivering, mail in respect of stamps sold but unused at the Balance Sheet date.

Taxation

Income tax expense computations are based on the jurisdictions in which profits were earned at the prevailing rates of tax in the respective jurisdictions. The majority of the Group's profits are reported by Guernsey Post Limited (the "Company").

The Company, as a Guernsey Utility Company regulated by the Guernsey Competition and Regulatory Authority ('GCRA'), is subject to the higher rate of income tax of 20% on its regulated income and 0% on its non-regulated income. The basis of assessment to Guernsey tax continues to be on an actual current year basis. Income from Guernsey land is also subject to the higher rate of income tax of 20%.

NOTES TO THE FINANCIAL STATEMENTS year ended 31 March 2022

1. Significant accounting policies - continued

Deferred Taxation

Provision for deferred taxation is made in full on timing differences which result in an obligation at the Balance Sheet date to pay tax at a future date, at rates expected to apply when they crystallise based on current tax rates and laws. Deferred tax assets are only recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

Dividends

Dividends paid are recognised when the obligation to pay has been established and once approved by the Board.

De-recognition of assets

Non-financial assets are removed from the Balance Sheet, either on disposal, or when they are withdrawn from use and no future economic benefits are expected from their use. In this event, any carrying amount is written off to the Consolidated Statement of Comprehensive Income.

Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, where it is more likely than not that an outflow of resources will be required to settle the obligations and the amount has been readily estimated. Changes in the estimated timing or amount of the expenditure are recognised in the Consolidated Statement of Comprehensive Income when the changes arise.

Impairment of non-financial assets

At each reporting date, non-financial assets are reviewed to determine whether there is any indication that those assets have suffered an impairment loss. In the event that there is an indication of possible impairment, the recoverable amount of any affected asset is estimated and compared with its carrying amount. If the estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount, and an impairment loss is recognised immediately in the Consolidated Statement of Comprehensive Income.

If an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but not in excess of the amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in the Consolidated Statement of Comprehensive Income.

Stock

The cost of definitive stamps, including the non-value indicator self-stick range, is written off over the expected sales life of each type of stamp, which is unlikely to exceed three years. The costs of commemorative stamps, which are only available for one year, are fully written off in the year of issue.

Other stocks are valued at the lower of cost and net realisable value.

Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and any impairment losses. Depreciation is provided on all tangible fixed assets, other than freehold land, at rates calculated to write off the cost of each asset on a straight-line basis over its expected useful economic life. A full year's depreciation is charged in the year of acquisition, whilst none is charged in the year of disposal.

There are periodic reviews of fixed assets and any adjustments required will be recognised in the Consolidated Statement of Comprehensive Income, as and when identified.

	Estimated useful life in years	Depreciation %per annum
Freehold land	N/A	Nil
Buildings	18 - 50	2 - 12.5
Plant and equipment	15	6.67
Furniture & Fittings	3 -13	7.7 - 33.3
Postal Machinery	8 -15	6.67 - 12.5
Motor Vehicles	5 - 10	10 - 20

Goodwill

Goodwill recognised represents the excess of the fair value and directly attributable costs of the purchase consideration over the fair values to the Company's interest in the identifiable net assets, liabilities and contingent liabilities acquired.

Goodwill is amortised over its expected useful life. Where the Company is unable to make a reliable estimate of useful life, goodwill is amortised over a period not exceeding 10 years. Goodwill is assessed for impairment when there are indicators of impairment and any impairment is recognised in impairment of intangible fixed assets in the Consolidated Statement of Comprehensive Income.

Amortisation

Goodwill was acquired as part of the acquisition of Shoal Bay Holdings Limited on the 19 March 2021 (see Note 1 - Business Combinations for more information). Amortisation is being applied on a straight line basis of 10 years.

Basic Financial Instruments

Cash at banks and investment comprises of cash balances, call deposits and short term investments held with the States of Guernsey Treasury.

Debtors are initially recognised at transaction price less attributable transaction costs. Doubtful debts are recognised when collection of the full amount is no longer probable, with the amount of the expected loss recognised in the Consolidated Statement of Comprehensive Income. These are monitored on an ongoing basis.

Creditors are initially recognised at transaction price. Debtors and creditors due within one year continue to be measured after their initial recognition at the undiscounted amount of cash or other consideration expected to be paid or received.

Foreign currency

Foreign currency held in any bank account is translated at the exchange rate prevailing at the Balance Sheet date. In the event of any gains or losses arising, these are taken to the Consolidated Statement of Comprehensive Income at the time of translation. All foreign trading transactions are translated into sterling using the prevailing rate on the date of the transaction.

NOTES TO THE FINANCIAL STATEMENTS year ended 31 March 2022

1. Significant accounting policies - continued

Pension costs

Guernsey Post Limited has an established defined contribution pension scheme, for which all eligible staff are required to join. Both Guernsey Post Limited and its employees pay contributions into this independently administered fund. The cost of providing these benefits is recognised within the Consolidated Statement of Comprehensive Income, and comprise both the amount of contributions payable to the scheme and associated scheme administration costs for the year.

Investment properties

Investment property is initially measured at cost and subsequently at fair value with any change therein recognised in the Consolidated Statement of Comprehensive Income.

Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the purchase method. The cost of the business combination is measured at the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the group in exchange for control of the acquiree plus costs directly attributable to the business combination.

Any excess of the cost of the business combination over the acquirer's interest in the net fair value of the identifiable assets and liabilities is recognised as goodwill. If the net fair value of the identifiable assets and liabilities exceeds the cost of the business combination, the excess is recognised separately on the face of the Consolidated Statement of Comprehensive Income and the Consolidated Statement of Financial Position immediately below goodwill.

On 19 March 2021, Guernsey Post Limited acquired 100% of the ordinary share capital of Shoal Bay Holdings Limited for a total consideration of £4.9m paid in cash.

Shoal Bay Holdings Limited (Incorporated in Jersey) acts as a holding Company to HR Air Ltd (incorporated in Jersey), owning 100% of the ordinary share capital of HR Air Ltd.

The principal activity of HR Air Ltd is to provide courier, freight, warehousing and distribution services from sites in Guernsey, Jersey and the UK.

HR Air Ltd. provides complimentary services to Guernsey Post Limited and is a well established business with strong customer relations, an experienced workforce and the acquisition provides the opportunity to establish synergies and economies of scale through the business combination.

NOTES TO THE FINANCIAL STATEMENTS year ended 31 March 2022

2. Expenses

	31 March 2022 £'000	31 March 2021 £'000
Direct costs	**20,878**	20,807
Staff costs	**14,508**	12,713
Directors' remuneration	**649**	855
Other staff expenditure	**926**	556
Support costs	**2,670**	2,648
Operating Lease payments	**270**	196
Depreciation	**948**	903
Amortisation of goodwill	**342**	29
Total	**41,191**	38,707

Pension scheme payments made into the defined contribution scheme, included within the staff costs heading, were £1,351k (2021: £1,140k).

Average full time equivalent employee numbers for the period were as follows:

	31 March 2022	31 March 2021
Operational staff, including postal workers, post office counter staff and philatelic production staff	**201**	184
All other staff	**87**	85
Total	**288**	269

NOTES TO THE FINANCIAL STATEMENTS year ended 31 March 2022

3. Taxation

	Note	**31 March 2022 £'000**	31 March 2021 £'000
Current year tax		**-**	-
Prior year tax		**-**	-
Deferred tax credit in relation to capital allowances	9	**-**	31
De-recognised deferred tax assets	9	**(240)**	-
		(240)	31

Guernsey Post Limited, as a Guernsey Utility Company regulated by the Guernsey Competition and Regulatory Authority ('GCRA'), is subject to the higher rate of income tax of 20% on its regulated income and 0% on its non-regulated income. The basis of assessment to Guernsey tax continues to be on an actual current year basis.

Income from Guernsey land is also subject to the higher rate of income tax of 20%.

The actual tax credit differs from the expected tax charge computed by applying the higher rate of Guernsey income tax of 20% as follows:

	31 March 2022 £'000	31 March 2021 £'000
Profit on ordinary activities before taxation	**1,996**	4,306
Tax at 20%	**399**	861
Effects of adjusting items:		
Timing differences	**33**	36
Disallowed items	**43**	23
Rate differences on current tax	**(1,013)**	(1,189)
Non-utilised losses	**538**	269
Current tax credit	**-**	-
Deferred tax - timing adjustments	**(240)**	31
Profit and loss taxation adjustments	**(240)**	31

4. Dividends on equity shares

Amounts recognised as distribution to equity holders in the period.

	31 March 2022 £'000	31 March 2021 £'000
Final dividend of 16.5p per share paid in this financial year in respect of the year ended 31 March 2021	**1,300**	1,444

Final dividend paid last year in respect of the year ended 31 March 2020: 18.3p per share.

The Board is proposing a final dividend of £0.5m in respect of the year ended 31 March 2022 (2021: £1.3m).

NOTES TO THE FINANCIAL STATEMENTS year ended 31 March 2022

5. Goodwill

	Total Goodwill £'000
As at 1 April 2021	**3,425**
Acquisitions through business combinations	**-**
As at 31 March 2022	**3,425**
Accumulated amortisation and impairment	
As at 1 April 2021	**(29)**
Amortisation charge for the year	**(342)**
As at 31 March 2022	**(371)**
Carrying amount	
As at 31 March 2021	**3,396**
As at 31 March 2022	**3,054**

The goodwill was recognized as part of the acquisition of Shoal Bay Holdings Limited on 19 March 2021.

6. Tangible fixed assets

	Motor Vehicles £'000	Land & Buildings £'000	Plant & Equipment £'000	Postal Machinery £'000	Furniture & Fittings £'000	**Total £'000**
Opening cost as at 1 April 2021	2,663	12,023	2,662	2,318	2,594	**22,260**
Opening accumulated depreciation as at 1 April 2021	(1,572)	(3,763)	(2,662)	(1,830)	(2,075)	**(11,902)**
Opening Carrying amount as at 1 April 2021	1,091	8,260	-	488	519	**10,358**
Additions	707	66	-	77	158	**1,008**
Depreciation	(409)	(197)	-	(184)	(158)	**(948)**
Disposals - Cost	(268)	(515)	-	-	(1)	**(784)**
Disposals - Accumulated Depreciation	137	515	-	-	1	**653**
Closing carrying amount as at 31 March 2022	1,258	8,129	-	381	519	**10,287**
Represented by:						
Closing cost as at 31 March 2022	3,026	11,575	2,662	2,395	2,668	**22,326**
Closing accumulated depreciation as at 31 March 2022	(1,768)	(3,446)	(2,662)	(2,014)	(2,149)	**(12,039)**
	1,258	8,129	-	381	519	**10,287**

Freehold land with a cost of £2,505,000 (2021: £2,505,000) is not depreciated.

NOTES TO THE FINANCIAL STATEMENTS year ended 31 March 2022

7. Investment property

Reconciliation of carrying amount	**Market Value 31 March 2022 £'000**	Market Value 31 March 2021 £'000
Balance at 1 April	**860**	960
Change in fair value	**20**	(100)
Balance at 31 March	**880**	860

Investment property comprises a single property, which is leased to tenants, comprising part residential and part commercial occupancy. Leases for the residential tenants are reviewed annually, whereas the commercial tenant is subject to a 20 year lease with triennial reviews.

Changes in fair value are recognised as either a gain or a loss in the Consolidated Statement of Comprehensive Income within 'Other Income/(Losses)'. All gains or losses are unrealised.

The fair value of the investment property was determined by an external independent property valuer with recognised professional qualifications and recent experience in the location and category of the property being valued on 31 March 2022. The valuation was undertaken by Wing Lai, MRICS, and Joanna Watts, MRICS, from Watts Property Consultants Limited.

8. Debtors

	31 March 2022 £'000	31 March 2021 £'000
Trade debtors	**4,096**	4,443
Less: Provision for bad debt	**(7)**	-
Other debtors	**215**	14
Prepayment and accrued income	**313**	314
Tax debtors	**136**	136
Total	**4,753**	4,907

NOTES TO THE FINANCIAL STATEMENTS year ended 31 March 2022

9. Deferred Tax

	Deferred taxation - Accelerated Capital Allowances	Total
	£'000	**£'000**
At 1 April 2021	240	**240**
Deferred tax credit in relation to capital allowances	-	**-**
De-recognised deferred tax assets	(240)	**(240)**
At 31 March 2022	-	**-**

Deferred tax in the financial statements is measured at the actual tax rates that are expected to apply to the income in the periods in which the timing differences are expected to reverse. As a Guernsey Utility Company regulated by GCRA, Guernsey Post Limited is subject to tax at 20% on its regulated income and 0% on its non-regulated income. Income from Guernsey land is also subject to the higher rate of income tax of 20%.

De-recognised deferred tax assets
Deferred tax assets have not been recognised as it is not probable that future taxable profit will be available against which the Group can use the benefits therefrom.

10. Balances with States Treasury

The Treasury Department of the States of Guernsey is engaged to invest the Group's liquid funds in excess of its daily requirements and uses a broad range of investments in which to do so. The investment fund retains a proportion of liquid assets which are made available on call. Variable returns are allocated to the fund dependent upon investment performance.

11. Creditors

	31 March 2022	31 March 2021
	£'000	£'000
Amounts falling due within one year		
Trade creditors	**973**	1,499
Other creditors	**1,045**	1,057
Provisions (see Note 15)	**-**	299
Accruals and deferred income	**1,325**	1,474
Rental income paid in advance	**14**	14
Total	**3,357**	4,343

Of the £973k of Trade Creditors, £260k is owed to Royal Mail as part of our ongoing contractual arrangements with them (2021: £790k).

NOTES TO THE FINANCIAL STATEMENTS year ended 31 March 2022

12. Shareholder's capital

	31 March 2022 £'000	31 March 2021 £'000
Authorised		
40,000,000 ordinary shares of £1 each	**40,000**	40,000

	No of shares	£'000
Allotted and fully-paid	7,886,258	7,886
Opening share capital at 01 April 2021	7,886,258	7,886
As at 31 March 2022	7,886,258	7,886

100% of the shares of the Company are owned beneficially by the States of Guernsey.

Shareholder's capital - represents the nominal value of shares that have been issued.

13. Operating Leases

Non-cancellable operating lease rentals are payable as follows:

	Land and buildings	Land and buildings
	31 March 2022 £'000	31 March 2021 £'000
Less than one year	**257**	172
Between one and five years	**534**	476
More than five years	**1,506**	1,531
	2,297	2,179

Leases of land and buildings are subject to rent reviews at specified intervals, typically annually, and provide for the lessee to pay all insurance, maintenance and repair costs.

The Group leases one property in St Peter Port; 'North Plantation' to run its Business Hub. The group took out a new lease at Bulwer Avenue starting on 12 January 2022 to assist with its operations. In addition, the Group leases property to fulfil its postal operation in Alderney and warehouse spaces in Jersey and Guernsey for the use of HR Air Ltd.

The lease on the Smith Street property expired at the end of June 2021, at which stage the property was returned to the landlord. Two short term leases, originally taken out as a result of the pandemic, also expired during the financial year at the end of June 2021 and August 2021.

NOTES TO THE FINANCIAL STATEMENTS year ended 31 March 2022

14. Related party transactions

The Group is wholly owned and ultimately controlled by the States of Guernsey.

Through the normal course of its business activity, the Group makes both purchases from and provides services to its Shareholder, or entities, under the controlling influence of the Shareholder body. These entities include States Trading Companies, companies whose equity is wholly owned by the States, States Departments and Committees operated by the States. All such transactions have been on an arm's length basis. The total value of the sales for the year ended 31 March 2022 amount to £1,064,463, or 2.5% of total turnover (2021: £1,031,797, or 2.5%). The total value of purchases for the year amounted to £3,334,932, or 8.1% of total expenses (2020: £3,241,359, or 8.4%).

The States also provides, through its Policy & Resources Department, management of the Group's liquid funds in excess of short term needs. At 31 March 2022, the balance held was £7,745,611 (2021: £8,337,850). The investment return for the financial year ending 31 March 2022 was £307,495 (2021: £1,522,329).

Director's remuneration is shown in note 2.

15. Provisions

	Dilapidations £'000	Deferred Considerations £'000	Total £'000
Balance at 1 April 2021	**49**	250	**299**
Provision (released)/made during the year	(49)	(250)	(299)
Balance at 31 March 2022	**-**	-	-
Non-current	-	-	-
Current	-	-	-
	-	-	-

Dilapidations

This provision is in respect of the reinstatement obligations related to the Smith Street leasehold property. The lease on this property terminated in June 2021.

Deferred Considerations

The purchase of Shoal Bay Holdings Limited on 19 March 2021 included £250,000 of deferred consideration which was paid on 19 September 2021.

Contingent obligations - Financial Guarantee Contracts

Guernsey Post Limited has financial guarantee contracts in place with the States of Guernsey Customs and Excise and HM Revenue and Customs for £20,000 and £100,000, respectively. In addition, HR Air Ltd has financial guarantee contracts in place with HM Revenue and Customs for £30,000 and Customs and Immigration Services for £1,000. These contingent obligations are in place to provide security in the event that import and export duties paid to Guernsey Post Limited and HR Air Ltd from their customers are not subsequently paid on to the respective authorities. The Group does not carry any liability to either the States of Guernsey Customs and Excise, HM Revenue and Customs or Customs and Immigration, in the event that customers directly withhold payment of import and export duties to Guernsey Post Limited.

16. Subsequent events

There have been no significant events between the year-end and the date of approval of these financial statements, which would require a change to, or disclosure in, the financial statements.

GUERNSEY
POST

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INVESTOR IN PEOPLE

STATUTORY INSTRUMENT LAID BEFORE THE STATES

The States of Deliberation have the power to annul the Statutory Instrument detailed below.

No. 80 of 2022

THE INCOME TAX (GUERNSEY) (VALUATION OF BENEFITS IN KIND) (AMENDMENT) REGULATIONS, 2022

In pursuance of section 203A of the Income Tax (Guernsey) Law, 1975, as amended, "The Income Tax (Guernsey) (Valuation of Benefits in Kind) (Amendment) Regulations, 2022" made by the Policy & Resources Committee on 8th November 2022, are laid before the States.

EXPLANATORY MEMORANDUM

These Regulations amend the Income Tax (Guernsey) (Valuation of Benefits in Kind) Regulations, 2010 by increasing the value of the benefits from motor vehicles, and accommodation benefits for the specified categories of taxpayer (for example, proprietary directors and proprietary employees in a hotel or guesthouse), for the years of charge 2023, 2024 and 2025 (and, unless further provision is made, any subsequent year).

The full text of the legislation can be found at: http://www.guernseylegalresources.gg

THE STATES OF DELIBERATION
of the
ISLAND OF GUERNSEY

THE AIR ACCIDENT INVESTIGATION (GUERNSEY) ORDINANCE, 2022

The States are asked to decide:-

Whether they are of the opinion to approve the draft Ordinance entitled "The Air Accident Investigation (Guernsey) Ordinance, 2022", and to direct that the same shall have effect as an Ordinance of the States.

EXPLANATORY MEMORANDUM

This Ordinance implements Regulation (EU) 996/2010 of the European Parliament and of the Council of 20 October 2010 on the investigation and prevention of accidents and incidents in civil aviation and repealing Directive 94/56/EC ("Regulation 996/2010"), as amended by further EU Regulations, with modifications for Guernsey.

The modifications take account of the amendments made to Regulation 996/2010 by the United Kingdom in the Aviation Safety (Amendment, etc.) (EU Exit) Regulations 2019 consequent on the exit of the United Kingdom from the European Union.

Regulation 996/2010, as modified, sets out the statutory requirements for the carrying out of air accident investigations, for example where there has been an accident or other incident in the Bailiwick, or where an aircraft registered in the Bailiwick has an accident or other incident and no other State is required to hold an air accident investigation.

The Air Accident and Investigation (Guernsey) Ordinance, 2022

THE STATES, in pursuance of their Resolution of the 16th December, 2021[a], and in exercise of the powers conferred on them by sections 1 and 4 of the European Communities (Implementation) (Bailiwick of Guernsey) Law, 1994[b], and all other powers enabling them in that behalf, hereby order:-

EU Regulations to have effect in Guernsey.

1. (1) The EU provisions listed in subsection (2) shall have full force and effect in Guernsey subject to the adaptations, exceptions and modifications set out in the Schedule.

(2) The EU provisions for the purposes of subsection (1) are -

(a) Regulation (EU) No. 996/2010 of the European Parliament and of the Council of 20 October 2010 on the investigation and prevention of accidents and incidents in civil aviation and repealing Directive 94/56/EC,

(b) article 22 of Regulation (EU) No 376/2014 of the European Parliament and of the Council of 3 April 2014 on the reporting, analysis and follow-up of occurrences in civil aviation, amending Regulation (EU) No.

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a Article X of Billet d'État XXV of 2021.

b Ordres en Conseil Vol. XXXV(1),p. 65; this enactment has been amended.

996/2010 of the European Parliament and of the Council and repealing Directive 2003/42/EC of the European Parliament and of the Council and Commission regulations (EC) No 1321/2007 and (EC) No 1330/2007, and

(c) article 135 of Regulation (EU) 2018/1139 of the European Parliament and of the Council of 4 July 2018 on common rules in the field of civil aviation and establishing a European Aviation Safety Agency and amending regulations (EU) No 2111/2015, (EC) No 1008/2008, (EU) No 996/2010, (EU) No 376/2014 and Directives 2014/30/EU and 2014/53/EU of the European Parliament and of the Council, and repealing Regulations (EC) No 552/2004 and (EC) No 216/2008 of the European Parliament and of the Council and Council Regulation (EEC) No 3922/91.

Extent.

2. This Ordinance has effect in the islands of Guernsey, Herm and Jethou.

Citation.

3. This Ordinance may be cited as the Air Accident and Investigation (Guernsey) Ordinance, 2022.

Commencement.

4. This Ordinance shall come into force on the day appointed by regulations of the States of Guernsey Committee for Economic Development.

SCHEDULE

Section 1

Modifications to Regulation (EU) No. 996/2010 of the European Parliament and of the Council of 20 October 2010 on the investigation and prevention of accidents and incidents in civil aviation and repealing Directive 94/56/EC.

1. In Article 1 (subject matter) -

(a) in paragraph 1 -

(i) in the first place it occurs, omit "European",

(ii) after "safety investigations", insert "in the Bailiwick", and

(iii) omit the words from ", including through" to "Safety Investigation Authorities", and

(b) omit paragraph 2.

2. In Article 2 (definitions) -

(a) in paragraph (2), delete "Member",

(b) in paragraph (3), after "a State" insert "(on its own behalf or on behalf of a British Territory, or an entity established in the State or British Territory)",

(c) after paragraph (3), insert the following paragraphs -

"(3a) 'aircraft' means any machine that can derive support in the atmosphere from the reactions of the air other than reactions of the air against the earth's surface;

(3b) 'Annex 13' means Annex 13 to the Chicago Convention, as that Annex has effect from time to time;

(3c) 'British Territory' means the Bailiwick of Guernsey, Bailiwick of Jersey, the Isle of Man or a British overseas territory;",

(d) after paragraph (4), insert the following paragraphs -

"(4a) 'Chicago Convention' means the Convention on International Civil Aviation which was, on 7 December 1944, signed in Chicago on behalf of the Government of the United Kingdom, as that Convention has effect from time to time;

(4b) 'contributing factors' has the meaning given in Annex 13;

(4c) 'DCA' means -

(a) the Director of Civil Aviation of the Bailiwick of Guernsey; or

(b) where there is no such Director or the Director is unable to exercise the functions and duties of Director, any person who has been appointed as Deputy Director, or Acting Director, of Civil Aviation in accordance with the Aviation (Bailiwick of Guernsey) Law, 2008;

(4d) 'enactment' has the meaning given in the Interpretation and Standard Provisions (Bailiwick of Guernsey) Law, 2016;",

(e) in paragraph (11), for "staff of the national civil aviation authority, or staff of EASA" substitute "the DCA and the staff of the Office of the DCA",

(f) in paragraph (16), after the words "in the Annex" insert "to this Regulation", and

(g) after paragraph (17), insert the following paragraphs -

"(18) 'State of Design', 'States of Manufacture', 'State of Occurrence', 'State of Registry' have the meanings given by Chapter 1 of Annex 13;

(19) 'an act of unlawful interference', for the purposes of Article 12(2), means any act which constitutes an offence under any of the following provisions of the United Kingdom Aviation Security Act 1982 ("the 1982 Act") as it applies in the Bailiwick -

(a) subsection (1) of section 1 (hijacking) of the 1982 Act, but as if subsection (2) of that section (and the reference to subsection (2) in subsection (1)) was omitted;

(b) subsection (1) or (2) of section 2 (destroying, damaging or endangering safety of aircraft) of the 1982 Act, but as if subsection (4) of that section (and the references to subsection (4) in subsections (1) and (2)) was omitted; or

(c) subsection (1) or (3) of section 3 (other acts endangering or likely to endanger safety of aircraft) of the 1982 Act, but as if subsections (5) and (6) of that section (and the references to subsections (5) and (6) in subsection (1) and the reference to subsection (5) in subsection (3)) were omitted; and

(20) 'victim', for the purposes of Article 15(4) and (5), means any person who suffers a fatal injury or a serious injury in any of the circumstances described in Article 2(1)(a) and for the purposes of this definition 'fatal injury' and 'serious injury' have the same meanings given in paragraphs 5 and 17 of this Article, respectively.".

3. In Article 3 (scope) -

(a) for paragraph 1, substitute the following paragraph -

"1. This Regulation shall apply to safety investigations into accidents and serious incidents:

(a) which have occurred in the Bailiwick;

(b) involving aircraft registered in the Bailiwick or operated by an undertaking established in the Bailiwick, which have occurred outside the Bailiwick, when such investigations are not conducted by the United Kingdom, other State or a British Territory;

(c) in which the United Kingdom (on behalf of the Bailiwick) is entitled, according to international standards and recommended practices, to appoint an accredited representative to participate as a State of Registry, State of the Operator, State of Design, State of Manufacture or State providing information, facilities or experts at the request of the State conducting the investigation; and

(d) in which the United Kingdom (on behalf of the Bailiwick), having a special interest by virtue of fatalities or serious injuries to its citizens, is permitted by the State conducting the investigation to appoint an expert.", and

(b) in paragraph 3 –

(i) for "Member State concerned" substitute "Bailiwick", and

(ii) for "national legislation" substitute "any other relevant enactment".

4. In Article 4 (civil aviation safety investigation authority) -

(a) in paragraph 1, for "Each Member State" substitute "The Bailiwick",

(b) in paragraph 5, for "at national level" substitute "for the Bailiwick by the safety investigatory authority", and

(c) omit paragraph 6.

5. In Article 5 (obligation to investigate) -

(a) for paragraph 1, substitute the following paragraph -

"1. Every accident or serious incident in the Bailiwick involving any aircraft (other than an aircraft identified in Annex I to Regulation (EU) 2018/1139 of the European Parliament and of the Council of 4 July 2018) shall be the subject of a safety investigation conducted by the safety investigation authority of the Bailiwick.",

(b) for paragraph 2, substitute the following paragraph -

"2. Where an aircraft which is registered in the Bailiwick (other than an aircraft identified in Annex I to Regulation (EU) 2018/1139 of the European Parliament and of the Council of 4 July 2018) is involved in an accident or a serious incident the location of which cannot be definitively established as being in the territory of the United Kingdom, another State or a British Territory, a safety investigation shall be conducted by the safety investigation authority of the Bailiwick.",

(c) in paragraph 4 -

(i) for "Safety investigation authorities" substitute "The safety investigation authority",

(ii) for "accidents or serious incidents to other types of aircraft" substitute "accidents, serious incidents or other incidents to aircraft engaged in military, customs, police or similar services", and

(iii) for "the national legislation of the Member States, when they expect" substitute "any relevant enactment, when it expects", and

(d) in paragraph 5, for "for which a certificate or declaration is not required pursuant to Article 56(1) and (5) of Regulation (EU) 2018/1139, or concerns a manned aircraft with a maximum take-off mass less than or equal to 2 250 kg, and", substitute the following subparagraphs -

"(a) a manned aircraft with a maximum take-off weight mass of less than or equal to 2 250 kg, or

(b) an unmanned aircraft,".

6. In Article 6 (cooperation between safety investigation authorities) -

(a) for paragraph 1, substitute -

"1. The safety investigation authority may request the assistance of safety investigation authorities from the United Kingdom, any other State or a British Territory and may provide assistance to such authorities if requested.",

(b) at the start of paragraph 2, for "A" substitute "The", and

(c) after paragraph 2, insert the following paragraph -

"3. For the avoidance of doubt and for the purposes of paragraph 2 -

(a) the safety investigation authority may temporarily delegate the task of conducting a specified element of an investigation into an accident or serious incident to the safety investigation authority designated for the purposes of that Article for any other jurisdiction within the British Islands ("the delegated safety investigation authority") in order for that authority to exercise specified powers under the legislation relating to air accident and incident investigation applying from time to time in that jurisdiction where it is necessary or expedient for those powers to be exercised for the purposes of such an investigation commenced in the Bailiwick; and

(b) subject to mutual agreement to the contrary, the safety investigation

authority shall resume the conduct of such an investigation after the exercise by the designated safety investigation authority of the specified powers.".

7. Omit Article 7 (European network of civil aviation safety investigation authorities).

8. In Article 8 (participation of EASA and national civil aviation authorities in safety investigations) -

(a) in the heading, for "EASA and national civil aviation authorities" substitute "the DCA",

(b) in paragraph 1 -

(i) for the words from the start to "respective competence, to" substitute -

"1. The DCA must, provided that the requirement of no conflict of interest is satisfied,",

(ii) in point (a), for "territory of a Member State", substitute "Bailiwick", and

(iii) in point (b) -

(A) omit "of the Member States", and

(B) for "third country" substitute "State (other than the United Kingdom) or a British Territory", and

(c) in paragraph 3, for "EASA and the national civil aviation authorities", substitute "The DCA".

9. In Article 9 (obligation to notify accidents and serious incidents) -

(a) in paragraph 1, for "Any" substitute "Unless otherwise required by a relevant enactment, any", and

(b) in paragraph 2 -

(i) for "the Commission, EASA" substitute "the DCA",

(ii) omit ", the Member States", and

(iii) for "third countries", substitute "the United Kingdom, any other State or British Territory".

10. In Article 10 (participation of the Member States in safety investigations) -

(a) in the heading, for "Member States" substitute "safety investigation authority",

(b) in paragraph 1 -

(i) for the first sentence substitute -

"Upon receipt of the notification of the occurrence of an accident or serious incident from another State or British Territory, to the United Kingdom (in relation to the Bailiwick as the State of

Registry, the State of the Operator, the State of Design or the State of Manufacture), the safety investigation authority must, as soon as possible, inform the country concerned whether the safety investigation authority intends to appoint an accredited representative in accordance with international standards and recommended practices.", and

(ii) in the second sentence for "country" substitute "State or British Territory", and

(c) omit paragraph 2.

11. In Article 11(2) (status of safety investigators) -

(a) for "the legal acts of the Union or national" substitute "any relevant", and

(b) in point (g) omit "EASA".

12. In Article 12 -

(a) in paragraph 1, for "national" substitute "any relevant",

(b) in the first sentence of paragraph 2, for "national" substitute "any relevant" wherever it appears, and

(c) in paragraph 3 (coordination of investigations) -

(i) in the first paragraph, for "Member States shall ensure that safety investigation authorities" substitute "The Bailiwick must ensure that the safety investigation authority", and

(ii) omit the last paragraph.

13. In Article 13(1) (preservation of evidence), for the words from the beginning to "occurred" substitute "Where the accident or serious incident occurred in the Bailiwick, the safety investigation authority".

14. In Article 14 (protection of sensitive safety information) -

(a) in paragraph 1, in point (e) for "other Member States or third countries" substitute "the United Kingdom, other State or a British Territory" ,

(b) in paragraph 2, in point (d), for "Directive 2003/42/EC" substitute "section 124 or 125 of the Air Navigation (Bailiwick of Guernsey) Law, 2012", and

(c) in paragraph 3 -

(i) in the first subparagraph -

(A) for "national" substitute "any relevant", and

(B) omit the second sentence, and

(ii) omit the second subparagraph.

15. In Article 15 (communication of information) -

(a) in paragraph 1, for "applicable rules of professional secrecy" substitute "obligations of confidentiality under any relevant law", and

(b) in paragraph 3 -

(i) in the first sentence, for "EASA and national civil aviation authorities" substitute "the DCA", and

(ii) in the second sentence -

(A) for "EASA and the national civil aviation authorities" substitute "the DCA", and

(B) for the words from "applicable" to the end substitute "any other relevant enactment".

16. In Article 16 (investigation report) -

(a) in paragraph 3 -

(i) for "EASA," substitute "the DCA (where appropriate)", and

(ii) for "applicable rules of professional secrecy" substitute "obligations of confidentiality under any relevant law",

(b) in paragraph 4 -

(i) for "EASA," substitute "the DCA (where appropriate)", and

(ii) for "applicable rules of professional secrecy" substitute "obligations of confidentiality under any relevant law", and

(c) in paragraph 8 -

(i) in point (b), for ";" substitute ".", and

(ii) omit point (c).

17. In Article 17 (safety recommendations) -

(a) in paragraph 1, for "those in other Member States or third countries", substitute "the DCA (where necessary) and any authority concerned in the United Kingdom, another State or a British territory", and

(b) in paragraph 2, at the start, for "A" substitute "The".

18. In Article 18 (follow-up to safety recommendations and safety recommendations database) -

(a) in paragraph 3, for "Each" substitute "The",

(b) in paragraph 4, omit the words ", including the authorities responsible for civil aviation safety at the Member State and Union level,", and

(c) omit paragraph 5.

19. In Article 20 (information on persons and dangerous goods on board) -

(a) in paragraph 1, for the words "Union airlines" to "the Treaties apply" substitute "Operators of aircraft arriving in or departing from the Bailiwick",

(b) in paragraph 2 -

(i) omit "in charge", and

(ii) for "each Member State" substitute "the DCA", and

(c) in paragraph 4, for "the legal acts of the Union and national" substitute "any relevant".

20. Article 21 (assistance to the victims of air accidents and their relatives) -

(a) in paragraph 1 -

(i) omit "and harmonised",

(ii) for "at EU level, each Member State shall establish" substitute ", the DCA shall cause to be established", and

(iii) for "at national level" substitute "for the Bailiwick",

(b) in paragraph 2 -

(i) in the first sentence -

(A) for "Member States" substitute "The DCA", and

(B) for "their territory" substitute "the Bailiwick",

(ii) in the third sentence -

(A) for "Member States" substitute "DCA", and

(B) for "their territory" substitute "the Bailiwick",

(iii) in the fourth sentence -

(A) for "Member States" substitute "The DCA", and

(B) for "third-country airlines which operate in the Union" substitute "airlines established outside the Bailiwick but which operate in the Bailiwick",

(c) in paragraph 3, for the words from "Member State" in the first place it occurs, to "accident" in the third place it occurs, substitute "DCA",

(d) in paragraph 4 -

(i) for "Member State or a third country" substitute "State (other than the United Kingdom)", and

(ii) for the words from "territories" to "apply" substitute "Bailiwick",

(e) in paragraph 5, for "its State" substitute "the relevant State", and

(f) omit paragraph 6.

21. Article 22 (access to documents and protection of personal data) -

(a) omit paragraph 1, and

(b) in paragraph 2, for the words from "Directive 95/46/EC" to the end substitute "the Data Protection (Bailiwick of Guernsey) Law, 2018, as it has effect from time to time".

22. Omit Article 23 (penalties).

23. Omit Article 24 (amendment of the Regulation).

24. Omit Article 25 (repeals)

25. Omit Article 26 (entry into force).

THE STATES OF DELIBERATION
of the
ISLAND OF GUERNSEY

POLICY & RESOURCES COMMITTEE

THE TAX REVIEW: PHASE 2

The States are asked to decide:

Whether, after consideration of the Policy Letter "The Tax Review: Phase 2" dated 28 November 2022, they are of the opinion:-

1) To agree that the projected financial position of the States of Guernsey is unsustainable and that measures must be implemented before the end of this political term to address the issue.

2.

A) To approve the development and implementation of a package of revenue raising measures designed to increase States' revenues by £50-60m by no later than the end of 2025 through:

   i. A restructure of the Social Security Contributions system, as outlined in section 8, including that all contributors be entitled to an allowance set at the same level as the personal income tax allowance and be liable for contributions on all income regardless of source;

   ii. The introduction of a broad-based GST at a rate of 5%, as laid out in section 6, with minimal exemptions and zero rating;

   iii. The introduction of a lower rate of income tax at 15% that applies to the difference between the first £30,000 of an individual's income, as calculated for the definition of "gross household income" under the Family Allowances (Guernsey) Law, 1950, and the personal and other tax allowances, mortgage interest relief and deductions for pension contributions they are entitled to; and

   iv. An increase in the Personal Income Tax Allowance of £600;

   and to direct the Policy & Resources Committee to include appropriate transitional proposals in future States of Guernsey Annual Budgets if required to implement the above package of measures.

AND:

B) To direct the Policy & Resources Committee to:

i. Prepare the States of Guernsey Annual Budgets for 2024 and 2025 to include no real-terms growth in revenue expenditure, excepting the budget of the Committee *for* Health & Social Care; and

ii. Include proposals within the Government Work Plan 2023 to reprioritise initiatives for which funding has not yet been released to the extent necessary to limit the additional expenditure to deliver these initiatives over the remainder of this term to a maximum of £5.7m, being 1% of the 2023 General Revenue budget.

AND:

C) To agree that, prior to the implementation of a GST:

i. Income support benefit rates are increased by the percentage equal to the rate of GST applied to pre-empt the expected impact of the GST on low income households;

ii. The States Pension and other benefit rates are increased by a rate equal to the forecast impact of the GST on RPIX;

iii. A cost support scheme is made available to households with a gross income of less than £28,000 who are not in receipt of income support at an initial rate of £450 a year for a single adult and £675 for a couple;

and to incorporate within the uprating of such benefits in the subsequent January, any adjustment necessary to align the change in benefits with the actual impact of GST on inflation should this prove greater or less than the forecast amount.

AND:

D) To note the intention of the Committee *for* Employment & Social Security to adjust the ten year plan for increasing contributions each year, in light of the resolutions following the debate on the Tax Review, in its annual Policy Letter on Contributory Benefits and Contribution Rates.

3) If the package of measures approved in proposition 2 is not sufficient to raise at least £50-60 million per annum, to direct the Policy & Resources Committee to prepare the States of Guernsey Annual Budgets for 2024, 2025 and 2026 to reduce States' expenditure on public services by such amount

necessary to put States finances in the position they would have been if that £50-60 million had been raised

4) To direct the Policy & Resources Committee to engage with industry and the other Crown Dependencies in order to develop proposals for raising further revenues from the corporate sector without unduly negatively impacting Guernsey's competitive position or compliance with international standards; this work to include developing proposals, which should be presented to the States for consideration no later than November 2023, for an alternative corporate vehicle or other appropriate form of entity or taxing structure which will be subject to income tax at 15% or such other rate or basis as the review may determine.

5) To endorse the intention of the Policy & Resources Committee to approve funding from the Budget Reserve to implement the proposals as outlined in section 11.

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

THE STATES OF DELIBERATION
of the
ISLAND OF GUERNSEY

POLICY & RESOURCES COMMITTEE

THE TAX REVIEW: PHASE 2

The Presiding Officer
States of Guernsey
Royal Court House
St Peter Port

28 November2022

Dear Sir

1. Executive Summary

1.1 The States of Guernsey faces a growing structural deficit. As our population ages and the demand for pensions, health and care services grows, the gap between income and expenditure will continue to widen. This Policy Letter presents a package of measures which seek to address a significant part of the identified funding gap. At the same time, it takes the opportunity to address some of the key weaknesses within our current tax base, including the over reliance on direct taxes charged against personal income and the inequities inherent in the current Social Security Contributions system.

1.2 The key objectives and principles of this project were agreed by the States Assembly (Billet d'État I, Jan 2020) as follows:

The revised tax system must:

- be capable of raising revenues of up to 24% of GDP in a way that is economically and socially sustainable;
- be diversified between different forms of taxation;
- be transparent, simple and credible;
- be resilient to demographic change and economic shocks;
- support and facilitate sustainable economic growth and employment;
- comply with international tax standards;
- maintain alignment on corporate tax policy with Jersey and the Isle of Man;

- overall, reflect people's ability to pay and be generally progressive, while accepting that a balanced tax system will include some elements (such as excise taxes) which are considered regressive in nature;

- not discriminate on the basis of age, gender, marital status or employment status in assessing or determining the amount an individual must pay; and,

- support the delivery of environmental and social objectives if there are opportunities to do so without breaching the previous principles.

1.3 The total size of the funding gap identified was estimated at £80m to £90m by 2040 in the Tax Review Green Paper presented on this issue (Billet d'État XIX, September 2021). In the intervening period various risks have manifested which suggest that, without intervention, the funding gap could become as large as £100m. For example, the savings incorporated into the forecasts from Public Service Reform are now expected to be very significantly less than the £10m a year previously assumed, and the assumption that demand on health services would create an additional £3m of expenditure each year is unlikely to be sufficient.

1.4 However, there are also several potential opportunities which may contribute to a long-term solution. Some of these, such as the implementation of the OECD Pillar 2 rules and a change in the assumptions around migration, are dependent on external factors which government cannot directly control. Others, including wider reforms in corporate income tax, the future of how we tax motoring and exploration of taxation to support environmental issues, are still relatively early in their development. There maybe further opportunities to enable companies who wish to contribute more to the islands, perhaps for Environmental, Social and Governance ("ESG") purposes, to easily convert to an alternative corporate vehicle which will be subject to income tax at 15% on their profits. How much these factors might contribute is difficult to estimate, but it is hoped that combined they might contribute £40m to £50m.

1.5 Given that these opportunities exist, the Policy & Resources Committee recommends a lower revenue raising target of £50m to £60m to be achieved from the measures presented in this Policy Letter.

1.6 All of the alternative options and routes to closing the funding gap identified come with significant uncertainty. It cannot be guaranteed that they will deliver the expected financial benefit. If they do not, or if further cost pressures manifest beyond those incorporated into the forecasts, then subsequent Assemblies will face these difficult decisions again. Therefore, the structure proposed in this Policy Letter also needs to be capable of raising more if those other initiatives do not deliver.

1.7 Raising more revenue in total is the fundamental purpose of the measures presented and the recommended package raises an estimated £55m from a combination of businesses, visitors and households. However, the principles agreed require that how we raise revenues reflects people's ability to pay.

1.8 The Committee is conscious that the poorest in our community struggle financially and so the package of measures presented is designed to protect lower income households. The proposals, if adopted as a package, are not regressive, despite the inclusion of a GST. They are designed to ensure that the poorest households pay less than they do today and place the burden of additional revenue raising on those more able to pay. In fact, the analysis shows that more than 73% of the poorest third of households would be financially better off than they are today. This is made possible because the revenue raising is more widely distributed between households, businesses and visitors and non-residents and because the restructuring of the Income Tax and Social Security Systems will directly and deliberately help those on the lowest incomes.

1.9 The preferred package has a number of key elements:

- The introduction of a new 15% rate of income tax on income up to £30,000. This means that people will pay a lower rate on all income between the value of the personal and other tax allowances (including pension contributions, mortgage interest relief or transferred allowances) they are entitled to and the £30,000 threshold, which would provide a maximum reduction of over £800 a year (over £1,600 a year for a couple). Combined with the increase in the personal income tax allowance this will reduce personal income tax receipts by £29m.

- A progressive restructure of the Social Security Contribution system which reduces the liability of low- and middle-income households with a headline rate of 8.5% for employees and 8.0% for employers. This restructure raises £19m of revenues. This restructure will add an allowance for all classes of contributions which is aligned with the personal income tax allowance.

- An increase in the personal income tax allowance by £600 which reduces the income tax liability of low- and middle-income households by up to £120 per taxpayer (£240 per couple) with a further £1,150 (£2,300 for a couple) gained by applying the same higher allowance in full to social security contributions.

- A Goods and Services Tax (GST) at 5% which will form the primary mechanism for raising revenue estimated at £68m.

- A pre-emptive increase in the States pension and other benefits by 3.4% to reflect the increase in prices anticipated at the introduction of the GST.

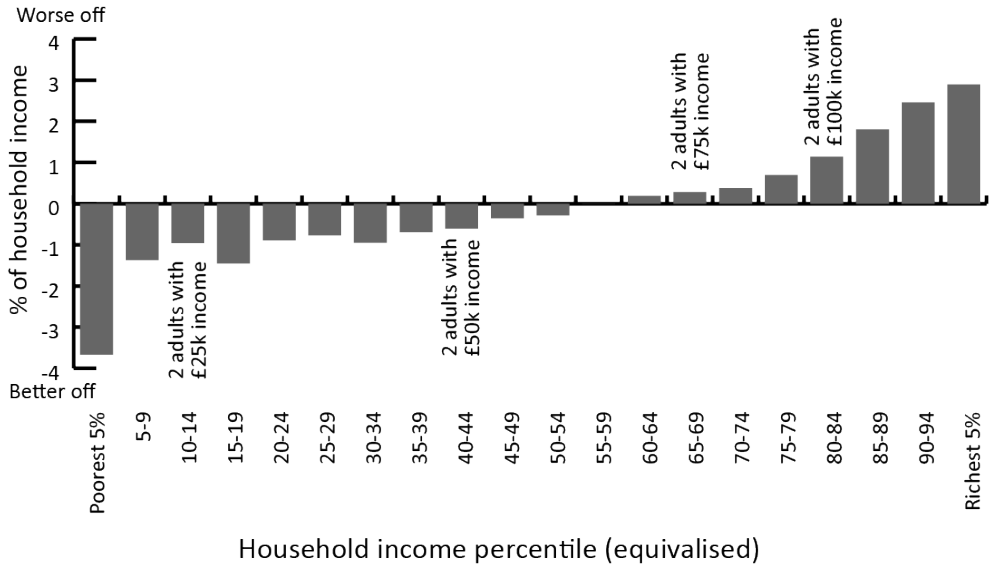
- A pre-emptive increase in Income Support rates by 5% to reflect the increase in prices of items in the Income Support "basket of goods" anticipated at the introduction of the GST.

- A further package aimed at providing financial support for low-income households outside of the welfare system.

1.10 The package presented will provide an ongoing net gain of approximately £55m a year in income to the States. Because the revenue raising is split across social security contributions and a 5% GST combined with a reduction in revenues from personal income taxes, the net impact is split between households (41% or £23m), businesses (48% or £27m) and visitors and other non-residents (11% or £6m). As a result, this package has allowed a lower impact on households than could be achieved if the proposals were reliant solely on income-based taxes.

1.11 The proposals as a whole are designed so that, after allowing for inflationary increases in pensions and benefits, the overall change is progressive (Figure 1). On average, households in the bottom third by income would expect to be financially benefited by the proposals, the impact on the middle third of households should be, on average, less than 1% of their income either better or worse off and those in the most affluent third would be expected to pay more overall (up to an average of 3% for the top 5%).

Figure 1: Impact of proposed changes as a percentage of gross household income



1.12 The restructure of the social security system is central to these proposals and particularly beneficial for low income working families. The proposed changes have been designed so that they will raise £19m – just over half of the £34m of underfunding identified within the social security system which the States have previously agreed to address through the 10-year gradual increase in contributions.

1.13 For someone working 35 hours a week on minimum wage (about £17,400 a year) the proposed restructure would reduce their contributions liability by about £860 a year against what they would be expected to pay in 2022 and by £1,070 a year against what they would be paying if the increase in contribution rates under the current structure agreed in October 2021 proceeds unchanged (a net benefit of 5.0% or 6.2% of their income respectively). For those in low-income employment the change in the contributions system alone may be enough to compensate them for the increased prices as a result of a GST and they will be further supported by changes in personal income tax and benefits.

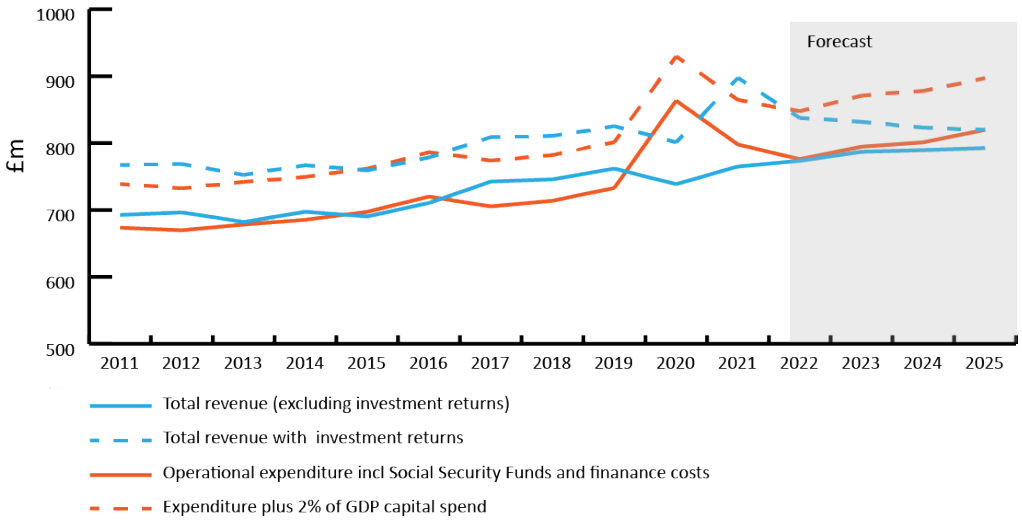
1.14 The proposals presented on income tax are intended to reduce the personal income tax liability for all uncapped taxpayers. By including both a 15% tax band on income up to £30,000 and a moderate increase in the personal tax allowance, households across the income profile will have the cost of GST at least partially offset, but this benefit will be focused on middle- and lower-income households.

1.15 Higher income households will pay more both through the restructure of the contributions system and via the GST.

2. The funding gap

2.1 The update to the Funding and Investment Plan (F&IP) included in the 2022 update to the Government Work Plan (Billet d'Etat X, June 2022, 2022) presented a reforecast of the States expenditure over the remainder of this political term.

Figure 2: States aggregate income and expenditure 2011-2025 (at 2021 prices)

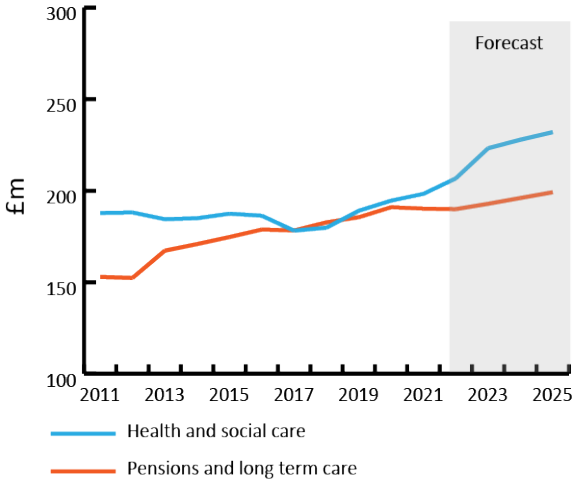


2.2 The much better than expected outturn for 2021 as the economy bounced back faster than anticipated following the COVID lockdown means that it is unlikely that the States will need to take out any further external borrowing in this term to fund the capital portfolio. However, the current tax system and rates do not generate enough revenue to cover both our increasing operational and capital requirements and the execution of the plan will still result in the large majority of the States' reserves (except those allocated to support the social security system) and the balance of the Bond issue being expended over the remainder of this term. The States' current accounting presentation also separates the financial position of General Revenue from the growing deficit carried by the Social Security Funds. The intention is to consolidate these accounts from 2023 and it is this aggregated position which is important when planning the States' finances in the long term.

2.3 Figure 2 shows both the history of States income and expenditure over the last decade and the financial position forecast over the lifespan of the F&IP (*note that investment returns have been averaged to make the interpretation easier*). This shows how the States' general financial position has changed over the last decade and how this is expected to progress over the next 4 years[1].

2.4 Between 2011 and 2025 operational expenditure is forecast to have increased by 22% in real terms. This is driven by increases in the total spend on health and social care services (24%) and States pensions and long-term care (30%) as the population ages (see Figure 3).

Figure 3: States expenditure on key services 2011-2021 (at 2021 prices)



2.5 It is anticipated that the States' revenues, before investment return, will also have increased but more slowly, as the balance of the population shifts towards a larger proportion of pensioners.

2.6 A structural deficit already exists – there is a mismatch between income and expenditure which is not a result of economic conditions but will persist, and worsen, over time. While the revenues generated are currently sufficient to fund

[1] These forecasts include the impact of any policy formally approved by the States. That includes the implementation of NICE drugs up to the end of stage 2, and secondary pensions. It does not include policy in development and not yet approved and/or fully costed. Potential policy changes not incorporated include the expansion of the LTCF to cover care in persons own home and the review of primary care.

the majority of day to day expenditure, they do not cover all of the costs of the social security schemes or the required investment in infrastructure and replacement of assets. The 2023 budget outlines a structural deficit (including an assumed 2% of GDP of capital spend) which already totals £43m, and which reaches £58m when the deficit on the Social Security Funds is included.

2.7 The Funding & Investment Plan (F&IP) outlines how the States' reserves will be used to support its capital programme over this term. This is a short-term solution. Once those reserves have been used an alternative source of funds will be needed to continue to meet all the States' funding requirements and invest in infrastructure.

2.8 The use of these reserves also means that investment returns will fall over the period[2]. Further the States have been planning for some time to use the reserves accumulated in the Guernsey Insurance (GIF) and Long-Term Care (LTCF) Funds to help smooth the additional cost impact of the ageing population on the benefits they fund. This means the investment returns on these funds are also expected to reduce over time. This loss of investment returns as the capital is depleted is itself a symptom of the structural deficit. When investment returns are included the increase in income between 2011 and 2025 is only 7% - just a third of the increase in expenditure over the same period.

2.9 The analysis shows the States' existing structural deficit is getting wider. Within General Revenue this is expected to amount to approximately £43m in 2023 if the States are to meet the requirement to spend an average 2% of GDP on capital (Figure 3). The Social Security contributory benefits schemes are expected to be running a combined deficit (including investment return) of £14m in 2023 bringing the total structural deficit in 2023 to £58m. However, the long-term actuarial forecasts show that, even with the managed drawdown of most of the reserves held, these schemes will need up to £34m of additional revenues each year so they can continue supporting pensions and long-term care services over the next 50 years. The States have already agreed a 10 year programme of increase to Social Security Contributions to address this should the Tax Review not deliver an alternative.

[2] If the States had opted to keep the reserves and borrow instead the annual repayments would be added to the operational expenditure. This amount would likely be of similar magnitude to the loss of investment returns.

Figure 3: Forecast structural deficit

	2023 Budget
General Revenue Income	582
General Revenue Expenditure (incl GWP)	(573)
Revenue Surplus/(Deficit)	9
Capital income	3
Investment Return	27
Provision for trading losses	(6)
Assumed capital requirement (2% GDP)	(76)
Overall General Revenue Surplus/(Deficit)	(43)
Combined deficit on States' pension and long term care scheme	(14)
Combined Surplus/(Deficit)	(58)

Changes anticipated between 2023 and 2040	
Secondary pensions impact (additional revenue impact to peak)	(9)
Health and Social Care increased demand	(45)
Additional funding required to balance States' pension and Long Term Care scheme (beyond £14m included to 2025)	(20)
Loss of investment return	(10-20)
Economic and revenue growth	60
Forecast Structural Deficit by c2040	(80-90)

Forecast risks and new pressures

- Higher than forecast pressure on Health and Care spend (up to £20m)
- Lower than forecast delivery of savings (up to £10m)

Adjusted Structural Deficit by 2040	£100-£120

Alternative routes to closing the funding gap

- Higher net migration, participation and/or productivity (c£10-£20m)
- Corporate income tax reform and application of OECD rules (up to £20m)
- Smaller revenue streams including environmental and motoring taxes (up to £10m)

Immediate revenue raising target	50-60

2.10 Beyond this horizon, this structural deficit is expected to widen further. The cost of providing health care services is likely to continue rising as the population continues to age. The baseline estimate is that this could add a further £45m to annual expenditure by 2040 (an increase of around £3m each year). In the very long-term Secondary Pensions is expected to be revenue neutral, but there is an

extended transition during which time the lost revenues (estimated to peak at around £9m) will need to be replaced.

2.11 The States have utilised much of its reserves over the last 15 years for a variety of reasons. The States have a policy in place that the Core Investment Reserve should hold the equivalent of one year's worth of expenditure. It currently holds less than 30% of the forecast spend for 2023, but no allowance has been made in the forecasting for replenishing its value.

2.12 Combined, these factors imply a forecast structural deficit position of between £80m and £90m within the next 20 years.

Risks to the forecasts

2.13 The future is difficult to predict and, in any forecast, there are risks that the outcome will be better or worse than expected because of factors that may be difficult to predict or control. The factors listed below are those areas identified as most likely to negatively impact the outcome.

- ***Larger than anticipated demand pressure***

2.14 As outlined above, the forecasting in the F&IP assumed an average increase in the cost of health care services resulting in a real increase in health spending at a rate of around £3m each year. This assumption is based on an analysis of the spending baseline and the application of cost across the population and incorporates an increase in the proportion of people in older age groups who typically require more care.

2.15 However, the budgetary pressures evident over the last few years show that at present the cost pressures are significantly higher than this and there is a risk that this will persist.

- ***Savings delivery***

2.16 Failure to meet projected savings could widen the structural deficit. For example, the forecasts include £10m a year in savings by 2025 but progress with delivery of such savings has been slower than expected and those delivered have generally been lower than planned. Further significant efficiency savings may prove unrealistic, given that Guernsey's government is already small relative to its comparators.

- ***Future service development and unforeseen costs***

2.17 The forecasts incorporate only costs for which there is a clear political direction and formal cost estimates of provision. There will inevitably be other cost pressures which will arise outside of those currently foreseen. In recent years the most significant example of these is the introduction of NICE TA drugs,

treatments and devices following a Requête laid in 2018. The forecast cost of this decision by 2025 is £5m a year.

2.18 There are also policy development workstreams within the GWP which have the potential to add additional on-going costs should that be the direction provided by the States when these are brought for debate. This may include further development of proposals around access to Primary Care or the long-term care services provided in people's homes. However, until this work has been completed and the States' have agreed a policy direction, the cost impact cannot be incorporated into the forecasting.

Alternative routes to closing the funding gap

2.19 There are a number of opportunities and measures which might help to address the deficit. These are discussed below, together with the Policy & Resources Committee's recommendations as to the extent to which the initial revenue raising target (that to be achieved in the first tranche of changes) should be reduced to reflect the possibility that additional financial gains might be made from these. Given that these other measures between them have the potential to close the funding gap by £30-40m, the proposals in this Policy Letter only seek to raise part of the overall funding needed.

2.20 None of these are certain. Any or all of them could ultimately fail in delivery of the level of financial benefit expected. Should that be the case then the first tranche of structural changes may need to be followed by further revenue raising by future Assemblies. An important element of the structure presented is that it could raise more revenue in a sustainable way if required.

- ***Population, participation, and productivity***

2.21 The forecasts presented, here and in the F&IP were presented on the assumption that in the short term, net migration would be above average but that in the long-term migration would average about +100 people per year – the average level of net immigration experienced since 2008. It also assumes that participation would remain constant and productivity growth would be relatively modest.

2.22 These assumptions have implications for Guernsey's finances, both in terms of revenue and expenditure. As outlined in the Policy Letter on the Population and Immigration Policy Review (Billet d'État XVIII, October 2022), a higher level of net migration of +300 people per year would mean more people in employment and more economic activity which would increase States' Revenues. However, it also implies a larger population and higher demand for public services and the need to provide more infrastructure (and a greater provision of housing in particular).

2.23 On balance, a higher level of net migration should be a net positive for Guernsey's finances in the medium-term. If net migration increased to on average 300 people per year, the financial position might be expected to improve, at a 20-year horizon, by between £14m and £23m a year (Billet d'État XVIII, October 2022). Much of this is likely to benefit the Social Security funds, where the additional revenue gained would help slow the drawdown of the funds supporting a greater level of investment return for longer. However, that net gain is likely to reduce in the longer term as these additional residents begin requiring a greater level of services as they themselves age. Additional revenue will also accrue to General Revenue, largely through personal income tax, but General Revenue will also bear additional cost for infrastructure and service provision to support a larger population, which reduces the net gain.

2.24 Guernsey's current level of net migration is higher than the long-term assumption of 100 people per year - net immigration in the year ending December 2021 was 585 and (excluding the period of lockdown in 2020) it has been above 100 since 2017. However, migration is cyclical and even within the last ten years Guernsey has experienced periods of net emigration peaking at a net loss of 464 people in the year ending March 2013. The current very high levels of net migration are likely to end when economic conditions, either domestically or externally, change so that Guernsey becomes less attractive as a place to live relative to competitor jurisdictions.

2.25 In October 2022 the States resolved to "…assume, for the purpose of planning future infrastructure and service provision, that net migration will average up to +300 per year over the next thirty years. This assumption will support the capacity of the Island's workforce so that it remains a desirable and competitive jurisdiction and will ensure that the Island can meet the needs of the economy with the necessary housing and infrastructure." (Billet d'État XVIII, October 2022)

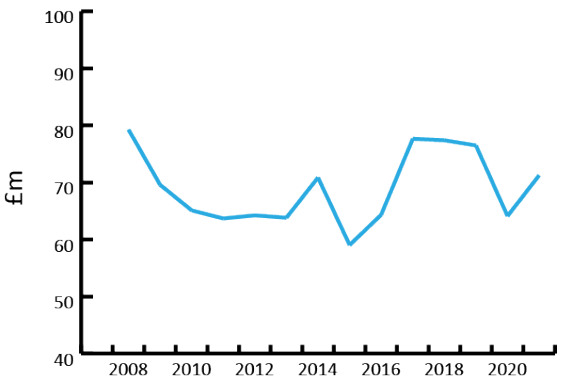
2.26 The agreed resolution specifically relates to the planning of infrastructure and service provision with the intention that the Island has the *capacity* to support a larger population and that a lack of capacity does not become a barrier to growth. It is not in any way a guarantee that in the long term a higher level of net migration will be achieved, particularly given that net migration is cyclical and largely driven by factors outside the States' direct control. None-the-less a higher level of net migration, participation or productivity, could ameliorate the financial gap.

2.27 The Committee notes that this gain is far from assured but does consider that some amelioration of the immediate revenue raising target is appropriate to reflect this opportunity.

- ***Corporate income tax***

2.28 Corporate income taxes make up approximately 10% of Guernsey's current revenues. Despite the headline 0% rate the proportion of government revenues they comprise is similar to the international average (although this varies considerably from country to country). Taxes on company profits tend to be volatile since they are very sensitive to economic conditions (Figure 4). This means few countries choose to rely on these as their primary source of revenue.

Figure 4: Corporate tax revenues incl. distributions (at 2021 prices)



2.29 The progression of the OECD's international agenda on anti-Base Erosion and Profit Shifting has resulted in an international move to ensure that the world's largest companies (those multinational groups with global revenues of more than €750m) pay a minimum effective rate of tax of 15%. The first Policy Letter on the Tax Review debated in September 2021 incorporated an assumption that responding to Pillar 2, would contribute an estimated £10m of additional revenue. This assumption remains unchanged at this stage, but final estimates will depend on how these new proposals are applied both here and elsewhere, what opportunities may arise from applying a "top-up" tax to subsidiaries of these businesses present in Guernsey, and how much of this income is already taxed in other jurisdictions.

2.30 It is evident that the international corporate tax environment is changing. Longer term it is possible that the OECD will seek to lower the threshold at which minimum effective tax rates apply to large multinational enterprises (currently global revenues in excess of €750m) and the international pressure on the Crown Dependencies is likely to continue.

2.31 During the phase of work on this project since September 2021, an exercise has been undertaken to examine what further options might be available to Guernsey to modify its corporate tax regime in a way that remains internationally acceptable and competitive. The report commissioned to investigate the available options is provided in Appendix 3. The high-level investigation into the possibilities of raising more revenue from corporate tax, beyond the £10m of revenue assumed from responding to Pillar 2, suggests that there are opportunities, but they are not sufficient to meet the funding gap. Any structural change is also likely to overlap with the £10m already assumed from responding to Pillar 2. Based on the analysis provided, the maximum level of revenues that

could be raised through an expansion of the zero-10 regime is £20m. A move to a territorial tax system, with suitable provisions for those entities that require tax neutrality to operate effectively in an international market, would raise a similar amount.

2.32 Several options will be examined further including:

- a specific corporate vehicle which would enable companies otherwise taxed at 0% to pay a 15% tax rate for the purpose of fulfilling their Environmental, Social and Governance objectives.

- a fixed annual fee to companies that benefit from Guernsey's regulatory and judicial regimes.

2.33 The Policy & Resources Committee does believe there are opportunities to raise more revenue in this area. However, it is not possible to present detail without extensive engagement with industry and the other Crown Dependencies which will need to be carried out in tandem with the proposals in this Policy Letter. This will take some time as this work is economically sensitive and cannot be done in isolation or without extensive consultation and testing.

- ***Smaller revenue streams including environmental and motoring taxes***

2.34 The States have a small number of other revenue streams, including TRP, excise duties and document duties. There are also specific elements of the income tax system which can be modified to raise small amounts of revenue, including the threshold at which allowances are withdrawn for high earners, and the various tax caps. Generally, these are adjusted each year through the annual budget. Individually these have limited scope for raising revenues (discussed further in Appendix 5).

2.35 The F&IP already assumes that £1m of additional revenue will be raised each year from such measures and smaller taxes, such as real terms increase in TRP or excise duties, are the most likely route to achieve this. Such measures generally do not require major reforms and they are better suited to consideration within the annual budget process than as part of the consideration of these, more structural, proposals. This approach provides greater flexibility to adapt plans to the prevailing economic circumstances at the discussion of each budget.

2.36 The States have also identified that revenue from fuel duties is becoming increasingly unsustainable, as vehicles become more efficient and increasing numbers of households' transition to electric vehicles. A workstream to investigate the future of motor taxes, including the potential for distance charging, has been delegated to the Committee *for the* Environment & Infrastructure. It should be noted that the primary intention of this workstream is to address the current erosion of fuel duty receipts. The original proposition is

phrased such that it should raise the same amount of revenue as the current fuel duty. There may be some capacity to raise revenue beyond this, and the Policy & Resources Committee have asked the Committee *for the* Environment & Infrastructure to consider this, but any such excess revenue is likely to be relatively modest.

2.37 Given the feedback from the Green Paper debate, the Policy & Resources Committee has requested the Committee *for the* Environment & Infrastructure to investigate opportunities for environmental taxes. However, such taxes, which are designed to influence behaviour, are poor candidates for revenue raising in the long term, since where they are successful in achieving their environmental aims, their revenue raising potential erodes over time. They also tend to be regressive, because they typically require a capital outlay to minimise their cost (for example buying a more fuel-efficient car or insulating a house) and those on lower incomes tend to have limited capacity to make these adaptations unless specific support is provided by the Government, which itself erodes the revenue gain.

Revenue raising target

2.38 The opportunities outlined above could meet a significant proportion of the funding gap, albeit they all come with a substantial level of uncertainty around deliverability and timeframe. Given that these opportunities exist, the Policy & Resources Committee consider it appropriate to use this as a basis on which to set the target for revenue raising from the measures presented in this Policy Letter at a level lower than the full estimate of the funding gap. However, any reduction in the immediate target needs to be offset by the known risks to the forecasts including the significant reduction in expected savings from Public Service Reform and the higher than anticipated pressure on health spending. It is also necessary to recognise the risk associated with these opportunities which may not deliver the full extent of the expected benefit.

2.39 **Combining these factors, the short-term target of the measures presented in this Policy Letter is to raise £50m to £60m by non-corporate tax measures which it proposes be put in place over the remainder of this political term.**

2.40 The balance of the shortfall will need to be met by changes in corporate and other taxes, improved economic growth and productivity and spending restraint over a longer time horizon.

3. Cost savings and service cuts

3.1 As part of the work undertaken to justify and understand the need for addressing the structural deficit, the Policy & Resources Committee has engaged with Principal Committees to examine the scope for reductions in the cost of public services, recognising that identification of opportunities to make savings within

Committee budgets is best performed by each Committee. The work undertaken was overseen by the Cost of Public Services Sub Committee, which was established following the first debate on the Tax Review in September 2021. This Sub Committee was chaired by Deputy Helyar and included a representative from each Principal Committee.

3.2 In undertaking this exercise, the Committee wishes to stress that it is **not** intending to propose such significant budget reductions. However, it is important to outline what measures would need to be taken should it be necessary to make substantial reductions in Committee budgets in order to fund the known cost increases as a result of the ageing population and policy decisions already taken. This is so that we have a clearer understanding of the consequences of a choice between reduced services and increased taxation.

3.3 All Principal Committees were requested to complete a framework document outlining what measures they felt they would need to consider *if* they were asked to reduce their Committee budget by 5%, 10% or 15% (Figure 5. Should there be a desire to close the structural deficit by cuts in expenditure/services alone, then budgets would need to be reduced by circa 13%.

3.4 **It was stressed that the aim is to establish the consequences of a significant reduction in spending on existing services for illustration purposes only and that the results of this exercise would be used to inform our continuing discussion on taxation and spending. At this stage these potential "savings" are entirely hypothetical. Significantly more work would be needed to assess both their feasibility and understand the overall consequences.**

Figure 5: 2022 Budgets of principle committees

COMMITTEE	**2022 General Revenue Budget £'000**	**5% £'000**	**10% £'000**	**15% £'000**
Economic Development	8,425	420	840	1,260
Education, Sport & Culture	84,040	4,200	8,400	12,600
Employment & Social Security	76,885	3,845	7,690	11,535
Environment & Infrastructure	12,905	645	1,290	1,935
Health & Social Care	198,100	9,900	19,800	29,700
Home Affairs	34,965	1,750	3,500	5,250
Policy & Resources – Core Services	14,280	715	1,430	2,145
Corporate Services	43,175	2,160	4,320	6,480
TOTAL	**472,775**	**23,635**	**47,270**	**70,905**
Social Security Fund expenditure	**195,175**	**9,760**	**19,520**	**29,280**

3.5 Each Committee was requested to provide a brief, high level outline of areas that would be prioritised for investigation at the various levels of cost reduction and their primary risks and benefits (including where these risks might impact other Committees). These areas were classified as:

- Sustainable efficiency savings[3]
  - These are cost savings which will not impact the level of service received by the population (although it may change the way in which it is delivered).
  - Any measure given serious consideration should be both recurring and sustainable.
  - These should be in addition to measures which are already part of Public Service Reform.
- Restrictions in access to public services
  - This is intended to cover areas where restrictions are placed on who can access services. For example, the means testing of Family Allowance or the tighter residency restrictions proposed for entitlement to Long Term Care Grants.
- Reductions in public services
  - This would reduce the level of service available to all users of a service. This might include examples where opening hours are reduced, the scope of the service provided is reduced or a service withdrawn entirely.
- Revenue generation
  - This would include areas where fees or charges were applied to services at an appropriate level.
  - Other operating revenues, such as charging for services which are currently free at the point of delivery might also be considered.

[3] If Committees identified strong opportunities in this area, they were encouraged to either progress these within their Committees if they are able, or to enter into discussions to incorporate these within the Public Service Reform Programme.

Figure 6: Approximate distributions of cost saving measures identified

COMMITTEE	**15% £'000**	Sustainable efficiency savings[4]	Restrictions in access to public services, or remodelling of services	Reductions in public services	Revenue generation
Economic Development	1,260	0%	30%	62%	8%
Education, Sport & Culture	12,600	2%	19%	79%	0%
Employment & Social Security (including funds)	40,815	0%	0%	100%	0%
Environment & Infrastructure (preferred approach)	1,935	0%	0%	0%	100%
Health & Social Care	29,700	7%	90%	2%	1%
Home Affairs	5,250	n/a	n/a	n/a	n/a
Policy & Resources – Core Services	2,145	0%	0%	100%	0%
Corporate Services	6,480	0%	0%	100%	0%
TOTAL	**100,185**	**3%**	**31%**	**64%**	**2%**

3.6 **Principal Committees identified cuts that could be made but all have stressed that these would have very significant consequences for the range and quality of public services delivered in Guernsey and have wider negative consequences for the community**. In submitting the options, Principal Committees were also all of the opinion that it would be counterproductive to publish a list of the items that would be considered given their far-reaching consequences and the hypothetical nature of the exercise.

3.7 However, the Policy & Resources Committee is of the opinion that it is important that – in helping the States to decide whether to impose new and increased taxation on the community – this Policy Letter includes illustrations of the type and extent of the cuts that would be necessary should no additional revenue be secured. The examples listed below cover some of the items identified if they were to reduce expenditure by up to 15%.

[4] If Committees identified strong opportunities in this area, they were encouraged to either progress these within their Committees if they are able, or to enter into discussions to incorporate these within the Public Service Reform Programme.

3.8 The **Committee *for* Economic Development** identified a range of measures including;

- A reduction in the Committee's core policy and operational areas which would reduce the Committee's ability to support the finance sector and to support business innovation and growth;
- A reduction in the budget for Grant & Support Schemes which would reduce the ability of third-party organisations funded by the Committee to deliver their core activities;
- A reduction in the Marketing & Tourism budget which would reduce the reach of marketing campaigns and lead to fewer visitors to the Islands.

3.9 However, the Committee advised that *"a budget reduction of 10% and 15% respectively would have a severely detrimental impact on the Committee's ability to deliver on key work streams identified within the Government Work Plan"* and that *"We urge Members to consider the core remit of the Committee for Economic Development, which is to facilitate economic development and growth within the Bailiwick, to generate incremental employment and tax take for the benefit of the local community. It is this Committee's opinion, therefore, that any further budget reductions over and above 5% would be to the detriment of GDP, employment and subsequent tax take and therefore, a false economy."*

3.10 The **Committee *for* Education, Sport & Culture** identified measures which could reduce expenditure by £12.2million predominantly through reductions in or restrictions to access of public services. Achieving this kind of reduction in expenditure would require measures such as:

- Removal/reduction of grant funding (e.g. Grant-Aided Colleges; Guernsey Sports Commission, Youth Commission)
- A change in eligibility criteria to reduce Higher Education expenditure;
- Ceasing funding for Guille Alles library;
- Removal/reduction of non-mandatory services (e.g. Museums Service, Schools Music Service); and
- The closure of a Primary School.

3.11 The Committee would wish to stress that substantially more work is required to understand the implications of cuts of this magnitude on the community, the third sector and wider committee mandates. The Committee further notes that such measures might be counterproductive given the important role of education and enrichment in supporting skills and development which are integral to supporting the earnings capacity of the future working population, particularly among those who might not be able to access these services without government support.

3.12 The **Committee *for* Employment & Social Security** identified a range of measures which it advises could deliver significant reductions in expenditure. Potential options included:

- A complete removal of family allowance;
- A reduction in all benefit rates noting that a 5% budget cut would require a 5.7% reduction in rates and a 15% cut would require a 23.5% reduction in rate;
- A restriction of access to benefits (including an affluence cap for the States' pension);
- Removal or means-testing of some benefits (including death grant, industrial injury, parental, bereavement, unemployment, winter fuel allowance for energy efficient households, Severe Disability and Carers Allowance, school uniform grants); and
- Changes in long-term care provision so people have to support more of the cost themselves, which may be supported by an equity release scheme.

3.13 In its response the Committee *for* Employment & Social Security noted that restrictions in benefit levels would be hugely unpalatable, and in particular highlighted the role of income support "*to avoid intolerable poverty*". It noted that while the indicative reductions in income support to achieve the hypothetical savings have been provided as part of this exercise, the Committee would consider this completely unacceptable in practice.

3.14 The **Committee *for the* Environment & Infrastructure** advises that its preferred option would be revenue-raising instead of expenditure reductions and has identified a range of measures for increased prices / introduction of new charges that would generate additional income which would negate the need for a wider range of spending cuts including:

- Charging for roadworks and parking suspensions;
- Introducing charges for corporate and commuter parking in some locations; and
- Charging for school bus services.

3.15 Should it be required to deliver expenditure reductions, the Committee has identified measures such as:

- Stopping beach cleaning, cutting the south coast cliffs and works in winter to maintain steps;
- Stop maintaining / dispose of Candie Gardens and coastal and town plantations; and
- A reduction in off-peak bus services.

3.16 The Committee notes that "cutting services in these areas… would negatively impact both tourism and visitor experience and also the local community."

3.17 The **Committee *for* Health & Social Care** advised that measures totalling £29.85m have been identified although £4.5m are categorised as cost avoidance (i.e. not saving money from existing budget but avoiding the need for an increased budget in the future).

3.18 The large majority of these reductions would come from service restrictions and reductions or a remodelling of existing services. In view of the large spread of services which the Committee provides, there are a number of initiatives which could reduce revenue expenditure but would result in lesser service provision and may be counter-productive in the long-term. These might include:

- Reviewing the progression of the funding of NICE TAs;
- Reviewing the model of service provision for adult community services;
- Increasing emergency department charges for adults; and
- Consideration of moving to a partial user-pays model for secondary care.

3.19 The Committee notes that these suggestions, including asking the community to contribute financially to a wider range of health care services, would represent a shift in the current model for funding for health and care and would require further detailed consideration and analysis to examine the consequences of such a change.

3.20 The **Committee *for* Home Affairs** has not provided any new initiatives to the £300,000 of potential savings opportunities it identified at the end of 2021. The Committee has advised that *"the Committee already operates exceptionally lean services, and believes strongly that further budget reductions risks damaging the infrastructure that ensures the safety and security of the Bailiwick"* and *"the Committee would describe any cost cutting exercise that would see budgets reduced by 5% as unachievable and potentially dangerous for the community."*

3.21 Opportunities previously identified included:

- *Tagging as an alternative to custodial sentences*;
- *Modernisation of fixed penalty notices*;
- *Adoption of the National 'Single Online Home' web-based platform for digital, contact and crime reporting; and*
- *Outsourcing of 'Court Group' prison officers.*

3.22 Reductions in the core budget provided to the **Policy & Resources Committee** of up to £2.75m were identified which would involve measures such as:

- Restricting the service levels on the Alderney PSO contract;

- Reducing the size of all Revenue Service teams with the consequential impact for service delivery and meeting international commitments; and
- Withdrawing from the Bureau des Iles Anglo-Normandes and the Channel Island Brussels Office.

3.23 In respect of **Corporate Services,** measures that would need to be considered include:

- Reducing the size of all enabling service teams with the consequential impact for service area support;
- Cessation of various IT contracts;
- Reducing insurance coverage in order to lower premiums (increasing the level of risk and self-insurance); and
- Restrictions/closures of public conveniences.

3.24 The Policy & Resources Committee appreciates the significant work undertaken by Principal Committees in compiling the possible cost cutting measures but also that these are theoretical only. Should the States not have an appetite to raise the revenues required to continue to fund the level of public services currently offered, further detailed work would be required by all Committees to further understand the options and implications of such drastic expenditure reductions.

3.25 The charts below show the growth of public expenditure in real terms over the past ten years. Although some of this growth has been as a result of increased demand, particularly in health and social care services and benefit expenditure (predominantly the States Pension), part of the increase is as a result of new legislation, service developments and policy changes

Figure 8: Aggregate operational expenditure including pensions and long-term care (at 2021 prices)

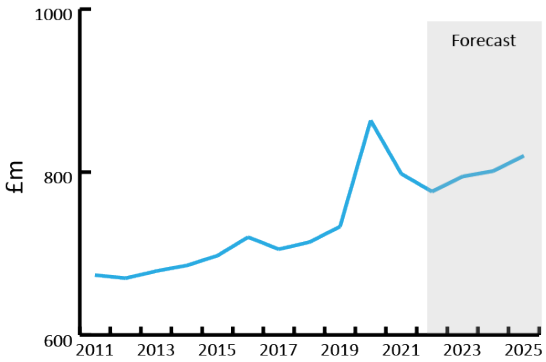
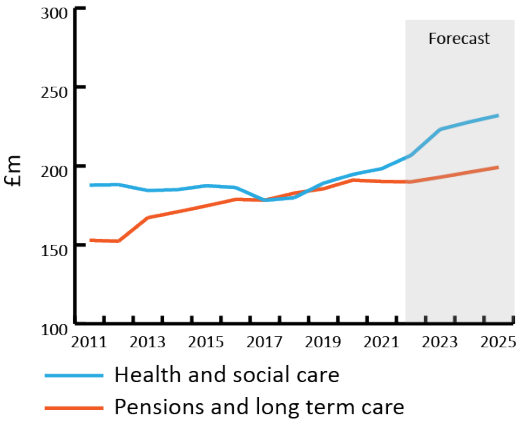


Figure 7: State expenditure on key services 2011-2025 (at 2021 prices)



3.26 Given the known impending increases in cost because of the changing demand for services and the ageing population, the Policy & Resources Committee

believes that it is necessary to try and slow the real terms increases as part of the States' commitment to addressing the deficit. Therefore, the Committee is proposing three measures designed to address this:

- For the remaining budgets of this term, baseline general revenue expenditure (other than in respect of demand pressures in health and care services) should not increase in real terms.

- It should be noted that the Funding & Investment Plan already includes an allowance for savings of £10m per annum in the baseline budget. To date, progress with achieving this has been limited and so the Committee will look to allocate the remaining target across Committees in future budgets.

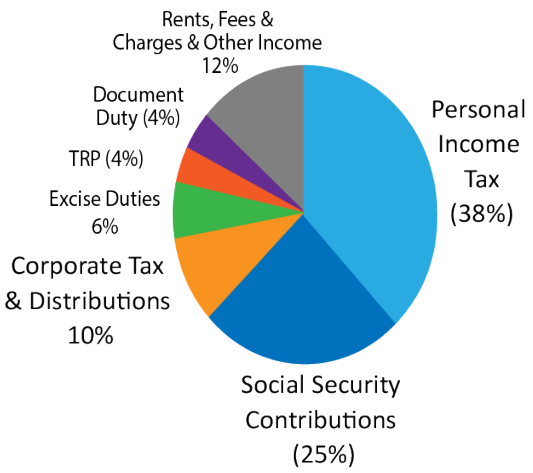
- In addition, initiatives pursued under the banner of the Government Work Plan in this term have added £26m to the baseline costs of the States to date. The Committee considers that in future a cap should be placed on the level of policy and service developments funded through the Government Work Plan with the aim of balancing policy ambition and fiscal realism.

4. Our current tax base

4.1 The makeup of our current tax base was covered in detail in the previous Policy Letter (Billet d'État XIX, September 2021) but is summarised again here. Our current tax base has some significant strengths, but it also has two integral weaknesses:

- it is exceptionally small;
- it is unusually narrow.

Figure 9: Distribution of States Revenues



4.2 Excluding investment returns, Guernsey collects about 22% of GDP from the community in taxes and other income sources each year (19% of which is taxes). By comparison, Jersey - which is our closest comparator in terms of size and economic makeup - collects approximately 26% of its GDP[5]. That gap is equivalent to more than £100m of revenue each year.

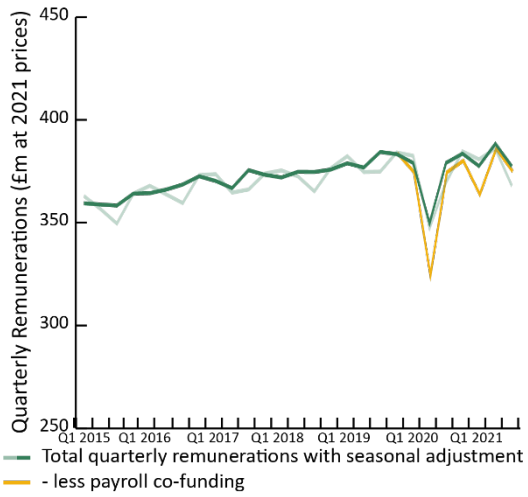
[5] Derived from 2021 accounts. For comparability this excludes trading operations, investment income and non-core entities

4.3 At the same time, there is an expectation that Guernsey will provide its residents with services broadly comparable to those offered in Jersey and in the UK (which collects around 33% of GDP[6]). That position is becoming increasingly difficult to sustain.

4.4 The lack of a consumption tax in Guernsey's current tax base means that it is unusually reliant on personal income tax and social security contributions (both of which are charged against earnings/income), which together represent 64% of total government revenues. The extent to which Guernsey relies on this single income source is highly unusual. Almost every other jurisdiction in the world balances their income across a broader range of taxes, including taxes on consumption.

4.5 The COVID-19 pandemic has highlighted that the heavy reliance on income-based taxes leaves Guernsey particularly vulnerable to shocks to the labour market. While ETI revenues held up much better than anticipated in 2020 and 2021, this is at least in part because remunerations were supported through the States' business support scheme, which at least halved the impact of lockdown measures on revenues. In Jersey this impact on tax revenues was softened by strong GST receipts.

Figure 10: Total remunerations (at 2021 prices)



4.6 While COVID-19 might be considered a once in a generation event, economic cycles mean that fluctuations in income will happen periodically. In fact, the real fall in income tax receipts from individuals in the wake of the financial crisis (a total of 10.2% between 2008 and 2010) was larger than that seen during 2020 (4.5%) and the recovery from the financial crisis much slower.

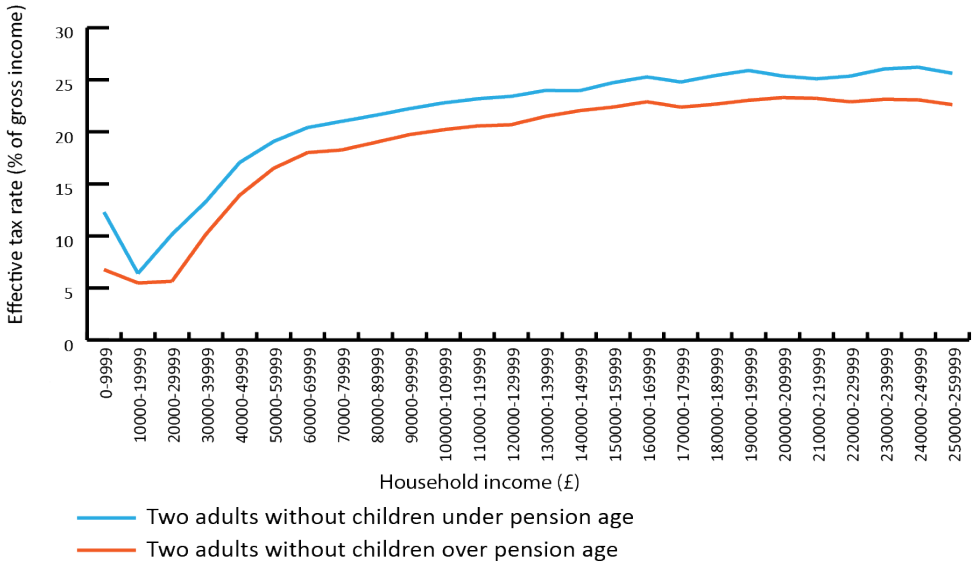
4.7 The structure of the tax system also means that the tax liability is focused quite heavily on the population below pension age. Relative to their income, working age households pay more tax than pensioner households. To a large extent this reflects the fact that pensioners face lower rates of contributions because they are no longer required to contribute to the States' pension scheme. However, they also already benefit from an allowance on their contributions and are protected by the lower income limit, which means if their income is less than £19,760 they are not liable for contributions at all. In the case of pensioner

[6] Revenue Statistics: Key findings for the United Kingdom (oecd.org)

couples, they are more likely to be utilising the ability to transfer allowances between spouses. As a result, many low-income pensioner couples can pay little or no income tax.

4.8 Many pensioners also rely more on their capital assets (including a high percentage who own their own home without a mortgage and are therefore relieved from the cost of rents or mortgages) to support their lifestyle.

Figure 11: Comparison of current effective tax rates (% of gross household income including income tax, social security contributions, TRP and excise duties)



4.9 As the balance of the population shifts towards a larger proportion of people above pension age this will tend to erode the amount of revenue generated per head of population while the cost of public services per capita will increase.

4.10 The ageing of both our own population and the population in those countries we are most likely to turn to, or compete with, for migration to our productive workforce makes Guernsey's current heavy reliance on income-based taxes a risky long-term strategy. Most of our eggs are in one basket and, notwithstanding the debate on population policy in October 2022, it is at risk of shrinking in size.

4.11 The revenue collected from different sources responds in different ways to economic stresses. Even within Guernsey's own tax base COVID-19 resulted in much higher than anticipated excise duty receipts because of the lack of availability of duty free while the borders were restricted, and the exceptionally strong housing market through 2020 and 2021 has provided a significant boost to document duty receipts. In this way the stronger performance of some taxes in response to economic conditions relative to others helps improve the resilience of the tax base to shocks.

4.12 However, in Guernsey's current tax base these taxes make up a very small proportion of revenues. Combined, commercial and domestic TRP, document duty and excise duties make up approximately 12% of Guernsey's tax base. Some increases in these may be possible but they are not realistically appropriate to form the cornerstone of any proposals to raise revenues and in most jurisdictions these taxes play a secondary role in government revenues.

4.13 Following the debate in September 2021 the Policy & Resources Committee was directed to further investigate the alternative options. Through this process it has become clear that a GST combined with other elements to make the changes progressive was the best way forward. Details of some of the other options explored but rejected are included in Appendix 5.

5. The preferred package

5.1 The preferred package as presented has a number of key elements:

- A progressive restructure of the Social Security Contribution system which reduces the liability of low- and middle-income households with a headline rate of 8.5% for employees and 8.0% for employers. This restructure raises £19m of revenues. This restructure will add an allowance for all classes of contributions which is aligned with the personal income tax allowance.

- The introduction of a new 15% rate of income tax on income up to £30,000. This means that people will pay a lower rate on all income between the value of the personal and other tax allowances (including pension contributions, mortgage interest relief or transferred allowances) they are entitled to and the £30,000 threshold, which would provide a maximum reduction of over £800 a year (over £1,600 a year for a couple). Combined with the increase in the personal income tax allowance this will reduce personal income tax receipts by £29m.

- An increase in the personal income tax allowance by £600 which reduces the income tax liability of low- and middle-income households by up to £120 per taxpayer (£240 per couple) with a further £1,150 (£2,300 for a couple) gained by applying the same higher allowance in full to social security contributions.

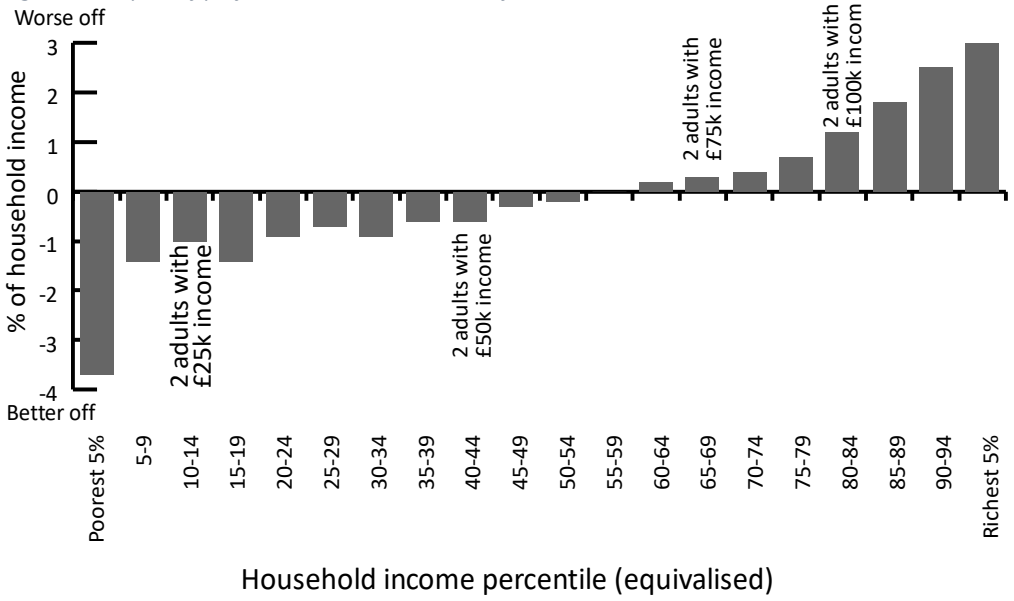
- A Goods and Services Tax (GST) at 5% which will form the primary mechanism for raising revenue estimated at £68m.

- A pre-emptive increase in the States pension by 3.4% and other benefits to reflect the increase in prices anticipated at the introduction of the GST.

- A pre-emptive increase in Income Support rates by 5% to reflect the increase in prices of items in the Income Support "basket of goods" anticipated at the introduction the GST.

- A further package aimed at providing financial support for low-income households outside of the benefits system.

Figure 12: Impact of preferred model on household finances



5.2 The net additional revenue generated by this package of measures is estimated to be £55m. Overall, the package is structured to be beneficial to households (particularly working households) with a low or middle income. Households with a higher income should expect to pay more overall. This creates a change in the tax system which is progressive overall.

5.3 The various elements of this package are discussed in more detail in the following sections, including a transition plan for implementation. A guide to interpreting the graphs and analysis presented is included in Appendix 4. More granular detail of the impact of the proposals on households by household type is included in Section 10.

5.4 Appendix 5 of this report includes analysis of tax levers which do not form part of the preferred package. Some of these, such as domestic TRP rates, may be appropriate to consider as budget measures.

5.5 Appendix 6 also includes an analysis of alternative packages which raises a similar amount of revenues without the inclusion of a GST. These include both

alternatives with a GST, but using a different mechanism to reduce income tax liability; and models without a GST which utilise income based taxes.

Why is a GST preferred over income-based taxes?

5.6 Extensive analysis was conducted on numerous types of taxes. Discussion of these has formed a significant part of the regular updates provided to States Members over the course of the last year and analysis of these is included in Appendix 5. This work has led to a clear conclusion. While other forms of tax may support revenue raising there are only two options for raising revenues which have the capacity to form the corner stone of any package. This is either an increase in direct taxation (income tax and social security contributions) or a Goods and Services Tax.

5.7 Many people assume an income-based tax is "fairer", however, the Committee presents a GST based package which reduces the income tax and contributions liability of households in order to produce a model which will support low-income households (options which show an "income only" based approach are presented in Appendix 6). There are multiple reasons for this.

5.8 The use of direct taxes only increases Guernsey's already heavy reliance on taxes based on income. Because income-based taxes tend to focus more on the working age population than a consumption tax (which will also generate revenue when people spend capital or savings), further increasing Guernsey's reliance on income-based taxes exacerbates the tax system's vulnerability to labour market shocks and the ageing of the population.

5.9 The absence of a GST or similar consumption-based tax from Guernsey's tax base makes Guernsey highly unusual. Almost every other jurisdiction in the world applies one. The economic analysis (see Appendix 2) suggests that a GST based solution is likely to be less economically damaging than one based on income, particularly if it is structured to include a reduction in revenues from income-based taxes.

This is because consumption-based taxes are relatively stable in the amount of revenues they raise, create limited distortion to consumer choices (if applied evenly) and do not impact labour market decisions. In economic terms, they are considered one of the least economically damaging sources of tax and, in most jurisdictions, they are the second (sometimes third) largest source of revenue after direct taxes on income.

5.10 Jersey raises approximately 8% of its annual revenues from a GST at 5% and the package presented would raise a similar proportion of revenues from a GST in Guernsey. A comparison of Jersey's revenue streams in 2020 illustrates the differences in the way different taxes can respond to economic stresses. Personal

income tax receipts fell by £12m in 2020 (2.5%) compared to 2019[7] but GST receipts increased by £3m (4%). The inclusion of a GST within the tax base, even at a low rate, therefore, improves the resilience of the tax base to economic stress.

5.11 A GST also spreads the distribution of the tax burden more evenly than income-based taxes, incorporating spend by those who support their income by capital or savings (which is most common among those above pension age), visitors to Guernsey and those who spend periods of time in Guernsey but are not tax resident here (for example, they may own a second home in the islands). It also incorporates a contribution from finance sector businesses.

5.12 By contrast, options based around income taxes place a much higher proportion of the demand on households. Where Social Security contributions are used as an alternative, the cost could be split between employees and employers, but this makes it more expensive for businesses to employ staff. In the medium-term behavioural adjustment to the increase in business costs may result in less employment, lower wages or higher prices (or a combination of all three).

5.13 High levels of direct tax on income are a potential competitive issue in attracting higher earning individuals, who may face lower headline tax rates in competitor jurisdictions. While the GST inclusive package presented also gains a higher percentage of additional revenue from higher income households than those of lower income, it is highly unlikely to be a competitive issue in the same way given that a GST or equivalent tax exists at the same rate or higher in all relevant competitor jurisdictions.

5.14 While alone a GST is regressive, combined with a restructure of the Social Security Contributions system, the introduction of a lower rate of income tax, higher personal tax allowances, a balancing of the inflationary impact through pensions and means tested benefits and additional compensations for low-income households not helped through the benefits system, the package will be more progressive than a simple increase in income tax rates and entails less economic risk.

5.15 The introduction of a GST will also place Guernsey closer to international norms in terms of its tax base and on a more equal footing with the other Crown Dependencies.

5.16 That is not to suggest that the implementation of a GST is without drawbacks. It requires the development of new administration systems for both the government and businesses (see paragraph 6.12). It will also increase the headline rate of inflation for a period of 12 months. However, the Committee

[7] Note that Jersey also operated a business support scheme

feel that a GST is the best available option to form the cornerstone of a package of measures.

Figure 13: Comparison of GST and income based taxes against review principles

The revised tax system must…	GST	Income based taxes
be capable of raising revenues of up to 24% of GDP in a way that is economically and socially sustainable;	Could raise sufficient revenue with limited economic impact, particularly if combined with a reduction in income-based taxes	Could raise sufficient revenue but at greater economic impact than a GST
be diversified between different forms of taxation;	Provides a significant diversification of the tax base	Increases existing overreliance on direct taxes against income
be transparent, simple and credible;	Widely used and understood in almost all jurisdictions and if applied broadly can be relatively simple to administer	Already accepted in the Guernsey tax system and widely understood.
be resilient to demographic change and economic shocks;	Diversification increases resilience of revenues to economic and demographic change	Concentrates existing weakness and lack of resilience to economic and demographic change
support and facilitate sustainable economic growth and employment;	Has limited impact on employment or economic growth but will increase inflation for a limited period.	Could have a negative impact on employment and a larger impact on GDP than GST.
comply with international tax standards;	Compliant with international standards	Compliant with international standards
maintain alignment on corporate tax policy with Jersey and the Isle of Man;	N/A	N/A
overall, reflect people's ability to pay and be generally progressive, while accepting that a balanced tax system will include some elements (such as excise taxes) which are considered regressive in nature;	Is not progressive in isolation, but if combined with measures to reduce direct tax liability on low-income households, can improve the overall progressive nature of Guernsey's tax system.	Directly reflects income but provides limited opportunities to reduce liability for lower income households without compromising competitiveness
not discriminate on the basis of age, gender, marital status or employment status in assessing or determining the amount an individual must pay; and,	Does not discriminate by age, gender, marital or employment status	Does not discriminate by age, gender, marital or employment status (provided acknowledged issues with social security contributions are resolved).
support the delivery of environmental and social objectives if there are opportunities to do so without breaching the previous principles.	Combined with reductions in direct tax liability for low-income households, can support objectives on in work poverty	To provide the same reduction in direct tax liability for low-income households, would require increasing rates on higher income households to a level which would be uncompetitive

6. Goods and Services Tax

6.1 The Goods and Services Tax presented is a broad-based input output tax. This means that each business in a supply chain charges the GST on the products it sells to its customers and can claim back any GST it incurred on its own supplies or imported goods. An illustration of how this works is provided in Figure 14. It is designed this way so that the tax paid does not accrue through the supply chain. This means that the maximum impact on the final consumer should never be more than the 5% headline rate of tax.

6.2 The tax would be administered by the completion of a short quarterly return by registered businesses. In Jersey, most registered businesses choose to file their returns at the same time as their quarterly income tax and social security returns, but the option to select a different return month to help manage cash flow is available.

6.3 If, as intended, the GST is kept as broad and as simple as possible, the quarterly return will be very short and, for businesses who have digital accounting packages which are well managed, relatively simple. The required information is likely to be limited to the following fields:

- Business name and registration number
- Total all sales excluding GST
- Total sales zero rated
- Total sales subject to GST
- Total purchases and expenses
- Total value of imports
- GST collected on sales (auto-calculated -> the amount owed to the States)
- GST charged on purchases (auto-calculated -> the amount the States owe to the business)
- Amount payable/refundable (auto-calculated)

6.4 Engagement with businesses and small accountants suggests a preference for the filing to be managed as an online only process and to allow, where possible, a direct interface with the most common accounting packages to limit the form filling required. This would allow businesses to load information for returns directly from their systems, rather than having to extract the information to complete a separate return.

- ***Exemptions and zero rating***

6.5 GST and similar taxes are designed so that tax liability is accrued at each stage of the supply chain, with each business remitting to the government the tax on the value that they have added. Zero-rating and exemptions are forms of relief

offered within a GST regime. They are applied slightly differently and the implication on the total tax liability can be quite different.

6.6 In the provision of **exempt** goods or services, the provider does not charge GST on the sale of their products but are unable to reclaim GST paid on their own inputs. The business selling the product therefore bears the cost of the GST, but no GST is collected on the value added by this last business in the supply chain. This results in a "hidden" cost implication on the final price but at less than the full rate of the tax. Because exempting breaks the chain of credits on input purchases, it can sometimes raise prices and revenues and, hence, governments generally only exemptions when value added is hard to define, such as with financial and insurance services.

6.7 In the provision of **zero-rated** goods or services the provider does not charge GST on the sale of their product and are able to reclaim GST paid on their own inputs. The result is that the net application of the tax to the final consumer is zero. This will reduce the price of a good and governments may use zero-rating to lower the tax burden by zero-rating essential goods such as food and utilities.

6.8 A demonstration of these treatments is presented overleaf.

6.9 The inclusion of zero-rated and exempt goods and services is a standard part of consumption taxes. The primary reasons goods or services would be either zero rated or exempt could be classified as follows:

- The customer is outside the taxing jurisdiction and/or the goods or services may be liable for tax in another jurisdiction. This is the case with exported goods and services. Such products are always zero-rated in order to comply with international trade rules;

- The service is provided across jurisdictional borders and inclusion in schemes may result in double taxation or a lack of clarity about which jurisdiction the tax might be due in. This is the case with international travel. Such products are typically counted as exported and therefore zero-rated;

- The collection of tax on the service is unusually complex, as is the case of financial services where the value is generated on interest or exchange rate differentials. Such products are typically exempt, so GST remains payable on the inputs of the business;

- They are "activities in the public interest" and exemption is required under EU directives for EU member states;

- There are other social or environmental or political incentives for the application.

Figure 14: Illustration of the application of standard-rated, zero-rated and exempt tax

		If standard rate (5%)			**If exempt**			**If zero rated**		
		GST paid on inputs	GST collected from customers	GST remitted/ (reclaim)	GST paid on inputs	GST collected from customers	GST remitted/ (reclaim)	GST paid on inputs	GST collected from customers	GST remitted/ (reclaim)
Raw material Provider	Raw materials sold for £1000 (before taxes)		50	50		50	50		50	50
Raw material processor	GST incurred on raw materials	(50)			(50)			(50)		
	Processed material sold for £2000 (before tax)		100	50		100	50		100	50
Manufacturer	GST incurred on processed materials	(100)			(100)			(100)		
	Manufactured goods sold for £3000 (before tax)		150	50		150	50		150	50
Retailer	GST incurred on manufactured goods	(150)			(150)			(150)		
	Goods sold for £4000 (before tax)		200	50		0	0		0	(150)
Total tax accrued through supply chain				200			150			0

6.10 While zero ratings are a popular policy tool (as demonstrated by worldwide campaigns to zero rate female sanitary products) they are often poor at achieving the redistributive aims they are presented for.

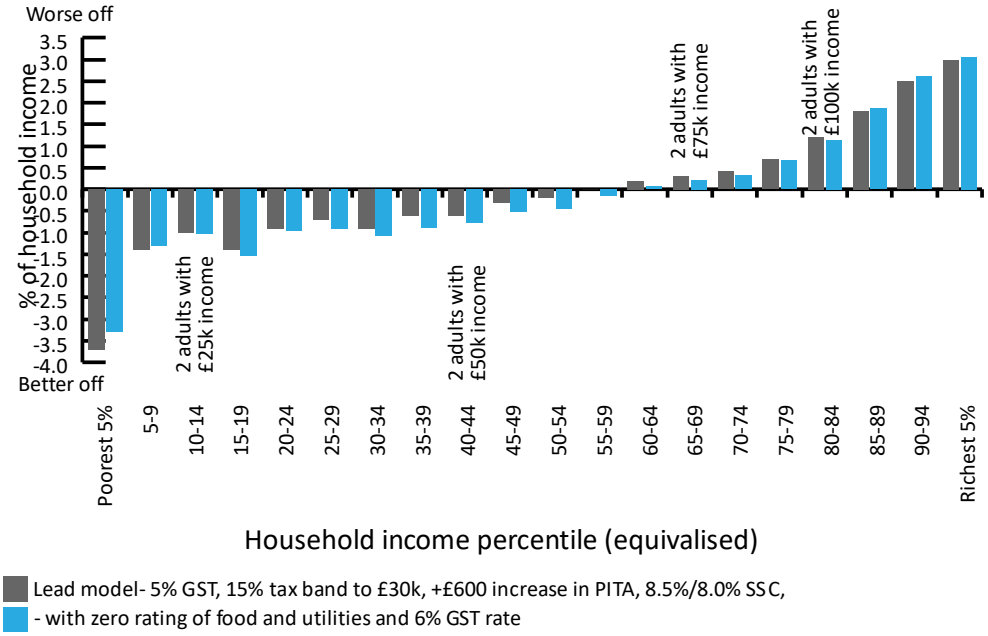
6.11 For example, many GST systems, particularly those that are older, apply zero- or lower rates some or all food items. The argument in favour of this position is that lower income households spend a larger portion of their income on food (see Figure 15). However, zero-rating food could reduce the revenue of a 5% GST by 11% (£7m-£8m). Since in absolute, rather than relative, terms higher income households spend considerably more on food than lower income households, only 20% of the lost revenue from the provision of the relief would benefit the poorest 30% of households and 40% would benefit the richest 30%.

Figure 15: Estimated spend on food by households in various income bands

Household income percentile	Average spend on food and drinks (% of income)	Average spend on food and drinks (£)	Average relief received if food and non-alcoholic drink zero rated in 5% GST
0-4	18%	£2,173	£174
5-9	18%	£3,048	£244
10-14	18%	£3,721	£298
15-19	15%	£3,784	£303
20-24	15%	£4,221	£338
25-29	14%	£4,720	£378
30-34	12%	£4,872	£390
35-39	12%	£5,346	£428
40-44	10%	£5,035	£403
45-49	9%	£5,213	£417
50-54	9%	£5,443	£435
55-59	9%	£5,794	£464
60-64	8%	£6,028	£482
65-69	7%	£5,501	£440
70-74	6%	£5,670	£454
75-79	6%	£5,573	£446
80-84	6%	£5,961	£477
85-89	5%	£6,134	£491
90-94	4%	£6,720	£538
95-99	4%	£12,606	£1,008

6.12 It then becomes necessary to replace the lost revenue by some other means. If this is achieved by increasing the rate of GST charged on all other items, the majority of the gain for low-income households is generally lost and the benefit for low- and middle-income households is very marginal (a maximum of about £10 a month for middle income households). Figure 16 compares the preferred model (a 5% broad based GST) with a model which applied 6% GST but applies a zero-rate to food, non-alcoholic drinks and basic utilities like electricity and water. The two models raise approximately the same amount of revenue, and their impact across the income profile is very similar.

Figure 16: Comparison of the preferred model without GST charged on food and utilities



6.13 The application of different rates, exemptions and zero rating significantly complicate the administration of a GST for both the government and businesses. To apply the kind of complex multiple rate structure used in the UK[8] would be unmanageable for a jurisdiction as small as Guernsey to administer. The more detailed and nuanced the application of different rates of tax, the greater the scope for challenge and queries which can rapidly increase the cost of ensuring compliance. Administrators and compliance officers need to establish not only what rate should be charged on which items but identify what proportion of the GST paid on a business' inputs can be reclaimed and at which rate.

6.14 Further complication is added at the borders where officers will need to establish, not only whether the value of a parcel is sufficient for the GST to be collected, but also whether the item is liable for tax and at what rate. The treatment may be further complicated if a parcel contains a mix of taxable and

[8] VAT rates on different goods and services - GOV.UK (www.gov.uk)

non-taxable goods, which will require officers to establish what proportion of the declared value should be subject to tax.

6.15 Neither is all food "essential" and creating a clear definition between essential food and luxury food is almost impossible. Any definition which exempts value packs of minced beef and prawns would almost certainly catch 30 day-aged steak and oysters. In systems where there are attempts to differentiate between essential and luxury food it generally results in unmanageable complications.

6.16 Disputes over the definitions of zero-rated and exempt items are the most common source of legal dispute in the UK VAT system at significant cost. The most famous is the extended legal challenge over the definition of Jaffa Cakes as a cake, not a biscuit, resolved in 1991[9]. HMRC lost the case and the legal cost appears never to have been divulged. Legal challenges of this nature tend to reduce over time, because legal precedent or adjustments to legislation tend to limit the opportunity for a successful challenge. None-the-less, although VAT in the UK has been in place since 1973, in the last decade there have been 238 judicial tribunals to determine disputes with HMRC on the application of zero-rating, exempt supplies, reduced rates and partial exemptions. These include a £3.5m settlement to Marks & Spencer over the definition of tea cakes[10].

6.17 Widespread exemptions tend to be coupled with high rates of tax applied to those goods that are taxable, creating a significant distortion in the price of goods and potentially changing the way in which people choose to spend. While on the surface zero-ratings benefit low-income households, the higher rates applied to products which remain taxable mean that much of this benefit may be lost. Compensating low-income households by other means, such as the restructure of contributions or increasing the tax allowance, are more effective at reducing the tax burden on low- and middle-income households.

6.18 As a result, more modern systems, including those implemented in Jersey, New Zealand, Saudi Arabi and UAE have tended towards broad-based relatively low-rate schemes with only limited exemptions or zero-rating.

6.19 The recommendation is that the application of zero rates and exemptions be limited to the following items:

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[9] Why Jaffa Cakes are cakes, not biscuits? - Kerseys Solicitors. McVite won the case and Jaffa cakes are defined as cakes and therefore zero-rated

[10] M&S wins tea cake VAT battle | Accountancy Daily

Figure 17: Proposed zero-rating and exemption

Zero-Rated	Exempt
Export Services	All services provided by the States of Guernsey
Exported goods	Domestic financial services
Sale of a going concern	Primary medical care
Transport of passengers and goods to or from Guernsey or Alderney from outside the Bailiwick	Ambulance services
Transport of goods and passengers between Guernsey and Alderney/Sark/Herm	Dentists
Postal Services	Opticians
Creation, sale, or lease of a residential dwelling	Registered long-term care provision
	Childcare
	Supplies by charities (applying a source of income-based approach like that applied in New Zealand)

- ***Zero-rating***

6.20 The application of zero-rating to exported goods and services is universal in all GST and similar schemes. This is because such products are often liable for tax on entry into their destination jurisdiction and the application of a GST from the source jurisdiction is considered a barrier to trade.

6.21 A similar thought process is applied to international travel and transport where the provision of the service effectively covers multiple jurisdictions. In Guernsey consideration must also be given to the treatment of travel between the Islands of the Bailiwick. For example, applying a positive rate of GST to transport from Guernsey to Alderney would apply an additional cost to visitors to, and residents in, Alderney which would not be carried by residents in Guernsey. It is therefore recommended that the zero-rating of the transport of passengers and goods be extended to cover the transport between the Islands of the Bailiwick.

6.22 The creation, sale or lease of a dwelling is also either zero-rated or exempt in the vast majority of GST and similar regimes. Jersey opted to apply a zero rating to the “supply of dwelling”, which means the creation of residential property, their sale and letting are not subject to GST and all associated GST costs can be reclaimed. Visitor accommodation and similar temporary dwellings are not included in the zero rating. Supply of property for charitable purposes is also zero-rated.

6.23 Given that housing is the most significant outlay for most islanders and the cost of housing in Guernsey is high, it is recommended that a similar approach is adopted.

6.24 All other non-domestic property transactions are standard-rated. It should be noted that given most of such property is let or purchased by businesses which would be registered for GST, it would typically be reclaimable.

6.25 Where a site is subject to mixed residential and non-residential use, the tax liability is applied in proportion. GST is applicable to carpets, furniture (not fitted kitchens) and electrical appliances sold with the house.

- ***Exemptions***

6.26 All government provided services are exempt from GST (it makes little sense for the government to remit GST to itself). This exemption is extended to private provision of goods and services which are widely subsidised by the government. In the list provided this includes various health and care services and childcare.

6.27 Domestic financial services are typically exempt within most financial systems because the calculation of GST due on things like interest or exchange rate differentials is technically challenging.

6.28 Jersey provides a blanket exempt status for charitable activities, but the current drafting of their legislation means that there are areas within their legislation which Guernsey may not wish to replicate in their entirety. For example, the exemption allows registered charities to carry on commercial activities (for example operating a gift shop or restaurant) under an exemption that would not be available to an equivalent business not operating as a charity but providing the same goods and services. Also note that while technically listed as exempt within the legislation, Jersey allows charities to reclaim GST on their purchases.

6.29 The New Zealand GST operates a more nuanced approach which applies the exemption only to particular revenue streams. For example, any charitable income from bequests, donations, subsidies or the sale of donated goods and services is exempt; the sale of purchased goods and other trading activities is liable for GST.

6.30 The recommendation from the Policy & Resources Committee is that Guernsey legislation be structured to follow the New Zealand model, so that charitable activity should be exempt except where the charity is deemed to be carrying out a commercial operation.

- ***Registration thresholds***

6.31 The registration threshold is the value of taxable supplies at which a business is required to register with the Revenue Service. In a broad-based system with minimal exemptions, this is effectively a turnover threshold for the majority of businesses.

6.32 ***Registered businesses*** will remit the difference between GST paid on their inputs and the GST collected on their sales to the Revenue Service. If a registered business imports goods it is assumed that goods will be released directly to the business without the application of GST. This will be collected as part of the routine submission to the Revenue Service.

6.33 ***Unregistered businesses*** will pay GST on their inputs where appropriate (including imported goods) but will not collect GST and will not remit money to the Revenue Service. In effect the goods and services they sell to their customers are treated as exempt. If they are importing goods, they may need to register with the Guernsey Border Agency as an ***approved importer*** to best manage the payment of GST on their imported goods.

6.34 Setting this threshold high:

- reduces the number of businesses requiring registration by the Revenue Service;
- results in a small loss of revenue from the "value add" generated by unregistered businesses;
- increases the number of unregistered businesses who routinely import goods, which may need to register with the Guernsey Border Agency as an approved importer.

6.35 Setting this low:

- increases the number of businesses requiring registration by the Revenue Service; potentially bringing less sophisticated businesses into regular administration;
- Decreases the number of unregistered businesses who routinely import goods, which may need to register with the Guernsey Border Agency as an approved importer

6.36 Note that businesses can choose to register if they are below the threshold.

6.37 On balance, the administrative burden for a small business is likely to be less as an approved importer than a GST registered business. Many small businesses do not import goods and rely on locally purchased supplies, and such businesses

would not need to register at all (incidental imports could be handled in the same way as personal imports). This means that a higher registration threshold is likely to be better for the small business community and could reduce the overall administrative cost.

6.38 Jersey operates a high registration threshold set at £300,000 per annum. At this level it is estimated that more than 50% of incorporated businesses outside the finance sector would *not be required* to register with the Revenue Service (they may *choose* to do so), but that the tax would still cover more than 95% of company turnover.

6.39 If businesses below the threshold did not register, a further increase in the threshold could reduce the administrative cost by about £40,000 a year. However, in Jersey, registrations by businesses under the threshold are common, particularly where a business is importing goods since it smooths the import process and allows them to reclaim GST costs on their inputs. Increasing the threshold beyond £300,000 is unlikely to make a material difference to either administrative costs, the number of businesses which register or revenues.

6.40 In discussion, both the Guernsey Society for Chartered and Certified accountants (GSCCA) and the Guernsey Retailers Group (GRG) favoured a high registration threshold over a lower one. It was also requested that the threshold be adjusted for inflation on a routine basis rather than be allowed to erode in real terms over time and that it be applied on a multi-year average basis to prevent companies being caught by a single year's turnover. Thresholds of this nature (such as the tax cap) are not usually reviewed every year, because it is generally preferable to keep them at round numbers for simplicity of communication and annual inflation adjustments do not lend themselves to this. However, a scheduled programme of review every four/five years is considered appropriate.

- ***Direct imports and the de minimis***

6.41 The treatment of the de minimis is a significant challenge in the design of a GST. Within the legislation all imports will be subject to GST at an appropriate rate. However, the collection of the tax on imported goods is also the most labour-intensive element of the administration. As a result, most schemes apply a threshold (a de minimis) below which tax is not collected on personal goods, imported via the post or couriers, for administrative purposes. It should be noted that the de minimis is justified in international rules as an administrative provision to prevent excessive administration to collect small amounts of revenue. It should not be viewed as an allowance.

6.42 Low levels of de minimis:

- are favoured by retailers as preventing GST creating more competition from the internet;
- raise more revenues from personal imports (but the net value after cost is likely to be low);
- significantly increase the burden of administration at the borders;
- may create delays in the postal system.

6.43 High levels of de minimis:

- make the implementation of measures at the border significantly easier (and cheaper);
- are likely to be viewed as favouring online purchasing.

6.44 The setting of this administrative threshold has a substantial bearing on the cost of administering the GST. The lower it is set, the greater the intervention required by the Guernsey Border Agency to collect it.

6.45 Jersey's approach was to introduce GST with a high de minimis (£400) and reduce this in stages when either the rate was increased, or other changes reduced the administration involved in collection.

6.46 The de minimis in Jersey is currently set at £135 (the same level as the UK). It has been agreed to reduce this to £60 (originally by January 2023 but this has been delayed by a year). To achieve this, Jersey has amended its legislation to require external retailers selling goods to customers in Jersey of a total value in excess of £300,000 to register for GST. This will mean GST on these goods should be collected on payment without the application of a de minimis (as they would for a local retailer).

6.47 The Policy & Resources Committee proposes that Guernsey adopt a similar approach, and that external retailers selling to customers in Guernsey with a net total value in excess of the registration threshold be required to register. Further it is intended that the de minimis be initially set at the lowest level compatible with administration at reasonable cost, with the intention that this be reduced over time to match the £60 de minimis proposed in Jersey if this level is not achievable at the outset.

- ***International Services Entity Scheme***

6.48 Jersey operates an International Services Entity Scheme. This is a voluntary scheme by which primarily international finance sector entities who provide the majority of their services to customers outside of the Bailiwick pay a fixed fee in order to remove the requirement to file annual returns. The justification of this is that because the majority of their services will be zero rated, their net GST payment will be minimal. However, they would, under normal circumstances, have to file a return to reclaim tax paid on their inputs at administrative cost both to the business and the government.

6.49 The voluntary ISE fee (determined by the entity type) grants the participant:

- an exception to the requirement to register for GST and to file returns
- an end user certificate, which entitles them to request suppliers not charge GST on goods and services provided to them
- a light touch online reclaim form enabling them to reclaim incidental GST incurred from other businesses who may not be able to deduct GST (for example on supplies purchased from a shop, or restaurant food)

6.50 The scheme has administrative benefit on both sides and has been well received in Jersey. It is an attractive way to both gain additional revenue from the finance sector and minimise administrative costs. In Guernsey such a scheme would extend to other service export businesses such as international insurers and e-gaming. The Jersey scheme has a discretionary category under which other non-financial businesses might fall. In Guernsey, this discretion could be extended to manufacturers exporting goods.

6.51 Annual fees in Jersey in 2022 range from £78,300 for a registered bank down to £300 for collective investment schemes and other vehicles[11]. Fees in Guernsey would be set at a comparable level.

6.52 The scheme has some significant revenue raising potential. Estimates suggest the scheme will add £8m a year to the aggregate revenue of a GST scheme in Guernsey.

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[11] Register or renew an ISE (gov.je)

- ***Cost of Administration for Business***

6.53 Estimating the cost of administration for business is challenging. The available research typically relates to schemes significantly more complicated than that proposed and many studies pre-date the current accounting and point of sale software which has become more sophisticated in handling GST type systems and are now widely used. The cost of compliance also varies hugely between countries.

6.54 However, there are some general conclusions which can be drawn:

- Broad-based schemes such as that applied in New Zealand are less expensive for businesses to administer than the more complex model applied in India, Australia and the UK[12],[13].

- Implementation and administration costs vary widely from business to business, but they are generally highest in small businesses and those which do not use modern point of sale and accounting packages.

- The costs are highest in the first year of registration because of the need to implement processes in the business and learn the process of application and filing. The time and cost to file typically reduces as processes become embedded.

- Costs are lower where the tax is administered by the same authority as that which collects corporate and personal income tax type schemes.

- Globally, the time required for businesses to comply is falling as the software and electronic filing opportunities have improved.

- Compliance is faster and less expensive where filing and payment can be made online.

6.55 Price Waterhouse Cooper periodically assess the average time for their case study company[14] to comply with various tax compliance requirements. They estimate the average consumption tax requirement (including preparing, filing, and paying) for EU and free trade area countries at 52 hours, compared with 74 hours for labour taxes and 34 hours for corporate income taxes in 2018. Where countries have significantly reduced the time to comply this is typically attributed to:

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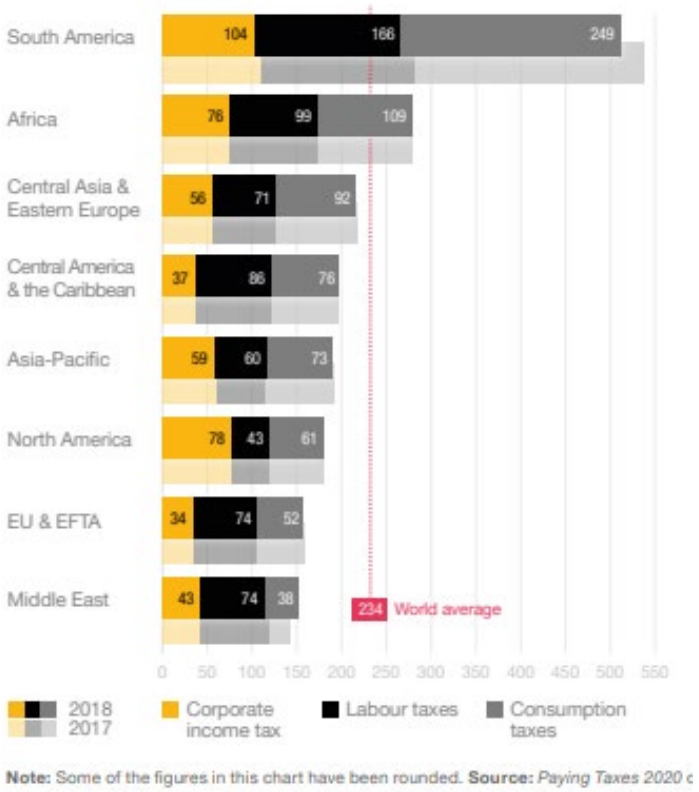
[12] *The impact of the introduction of the GST on small businesses in Australia, Breen, J. P et al*
[13] Paying Taxes 2020 (pwc.com)
[14] Case study company employs 60 people

- Increased stability of electronic bookkeeping and the greater use of accounting software (Brazil; Vietnam)
- Simplifications to the information required in filling (Vietnam)
- The application of a single rate and broad-based GST or VAT (Bahamas)
- Online filing and payment (Jordan, Senegal, India)

Figure 18: Comparison of time to comply with filing requirements for various taxes (source: PWC, paying taxes 2020)



6.56 During engagement with stakeholders to date it was discussed whether some form of support for businesses during the introductory period is needed. Internal engagement has also helped shape thinking in this area.

6.57 Initial thinking is as follows:

- Support needs to be focused on those businesses which might need to register but lack sophisticated systems;

- Support should be combined or aligned with the digital agenda, to encourage greater digitisation and modernisation of businesses. The objective here is that GST itself is easier to administer if businesses have modern point of sale, accounting and website structures. Combining this with the objective to enhance the digital services sector could improve the general resilience of medium-sized businesses;

- Support should be made conditional on attending training, which should help reduce the volume of queries and issues upon implementation; and

- Support could include the creation of a network of supporting professionals, primarily small business accountants and digital service providers, willing to offer reasonably priced support for the implementation of the GST.

6.58 Feedback from accountants dealing primarily with smaller businesses is that most now use some form of accounting software which should be able to incorporate a GST. For those that do, and that use it constructively, the transition to filing GST returns should be relatively straightforward but will require an additional degree of cash flow management for the activation of the relevant functions of the software and some accounting assistance which may have an upfront cost.

6.59 However, there are still a number of businesses (mostly, but not always, small) that rely on spreadsheets or paper records or whose record keeping is poor. Such businesses are likely to need a greater level of support in implementation. The need to administer a GST could push such businesses into more modern accounting practices and act as a trigger for digitisation and an opportunity to promote better financial management, but there is a particular risk to such businesses.

6.60 It is proposed that implementation costs include up to £1m to help support businesses with the introduction of GST, including appropriate training in the administration of the GST and a system of business grants to support its introduction.

- ***Cost of administration for government***

6.61 In-line with the findings of the literature, it is proposed that the core administration of the GST be performed by the Revenue Service, due to the opportunities to maximise common skills and processes with the collection of corporate and personal taxes. The Revenue Service would accept responsibility for the necessary legislation, day to day administration of the filing, processing and assessment of quarterly returns, the receipt of payment, the management of repayments and compliance and audit activities. It is anticipated that the majority of collections will be made via the Revenue Service.

6.62 Additional responsibilities will also fall on the Guernsey Border Agency, in respect of the movement of goods across the border. This includes the management of goods imported by both GST registered and unregistered business and goods imported by households directly. Revenues collected this way are expected to comprise a minority of the total revenue collected but their administration represents more than half of the anticipated annual cost.

6.63 The cost of administering a GST has been formally assessed by an independent business analyst and is estimated as follows:

Figure 19: Estimated administrative cost of GST

Total cost of administration	**£930,000-£1,060,000**
Revenue Service	**£430,000**
- processing tasks	£180,000
- compliance (at 40% of businesses reviewed per year)	£120,000
- ongoing IT costs	£130,000
Guernsey Border Agency	**£500,000 - £630,000**
- resource costs	£410,000 - £540,000
- ongoing IT costs	£70,000
- office space	£20,000

6.64 These costs are established based on a range of key assumptions the most significant of which are:

- The registration threshold for businesses is set at £300,000 a year.
- The filing is exclusively conducted online.
- Compliance reviews are conducted on 40% of businesses each year.
- A personal import de minimis is applied at a rate of £135 a year (as currently applied in Jersey).

6.65 The latter assumption has a significant impact on the cost of administration. The de minimis is an administrative tool applied because there is a point at which the cost of collecting taxes on personal goods imported through the postal or courier systems exceeds the revenue collected from it. Reducing the de minimis significantly increases the volume of parcels which must be processed and can significantly increase the cost. Reducing the de minimis from £135 to £60, for example, is expected to add more than £100,000 to the annual cost of administration.

6.66 There may be additional operating costs in the first year in order to support businesses though the returns process for the first time.

6.67 In addition to the administration costs there is a significant capital cost associated with setting up a new tax system. Current estimates suggest this will require:

Figure 20: Capital and implementation cost of a GST

Total capital cost of introduction	**£2,435,000**
Revenue Service	£835,000
Guernsey Border Agency	£600,000
Business engagement, training, support and digital development grants	£1,000,000

7. Personal income tax rates and allowances

7.1 In order to balance the more regressive elements of the GST, the Policy & Resources Committee proposes to reduce the amount people pay in direct taxes (i.e. income tax and social security contributions).

7.2 The tax rate and the personal tax allowances impact taxpayers in quite different ways.

- ***Personal Tax Allowances***

7.3 The personal income tax allowance is a portion of your income which is not subject to income tax. From January 2023, this will be set at £13,025 per annum.

7.4 Because this allowance represents a larger share of a person's income if their income is low, this means it is most beneficial for those whose income is equal to or just above the value of the allowance. It is also withdrawn at a rate of £1 for every £5 of income above £90,000 (reduced from £100,000 from 1 January 2023). This means that the impact of the tax allowance is generally progressive.

7.5 The value of the tax allowance is often underestimated. A £1,000 increase in the personal tax allowance is generally more beneficial to an individual earning up to £50,000 than a 0.5% reduction in the headline tax rate, but the two measures would reduce tax revenues by the same amount. This effect is more pronounced if, as proposed, allowances are also applied to social security contributions.

7.6 The Policy & Resources Committee is therefore proposing an increase in the personal income tax allowance of £600, which (against the 2023 rate) would increase the tax allowance to £13,625. Because allowances are typically increased by inflation each year, the actual rate applied in 2025 when implementation is to be completed will likely be higher.

- ***Personal tax rate***

7.7 The 20% headline rate has been a long-standing feature in the Guernsey's tax system. Reducing the tax rate is most beneficial for higher-income households, although lower- and middle-income households do gain some benefit if their income is above the personal tax allowance and it has the advantage of reducing

the marginal amount of tax paid. This means that for each *extra* hour of paid work undertaken, an employee takes home more money.

7.8 A lower headline tax rate may also make Guernsey more attractive to high-net-worth individuals and aid recruiting to very senior roles, making it a potential competitive advantage. However, in monetary terms this directs the most benefit to those with the largest income, so the Committee is recommending a nuanced approach, introducing a lower rate tax band of 15% on income between the personal and other tax allowances (including mortgage interest relief and deductions for pension contributions) and a threshold of £30,000. This provides maximum benefit to individuals with income at approximately median earnings, and, of the models considered, is the most beneficial step for middle-income households.

	2023 Tax Structure
Taxable at 0% (the tax allowance)	Income up to £13,025 (plus inflation uplifts and any other reliefs the taxpayer is entitled to[15]), with access to allowances withdraw at a rate of £1 for every £5 on income above £90,000
Taxable at 20%	Income over £13,025
Liability cap	£150,000 of tax payable on non-Guernsey source income £300,000 of tax payable on worldwide income (excluding income from Guernsey land and property)
	Proposed structure from 2025
Taxable at 0% (the tax allowance)	Income up to £13,625 (plus inflation uplifts and any other reliefs the taxpayer is entitled to), with access to allowances withdraw at a rate of £1 for every £5 on income above £90,000
Taxable at 15%	Income between £13,626 (+other reliefs) and £30,000
Taxable at 20%	Income above £30,000
Liability cap	£150,000 of tax payable on non-Guernsey source income £300,000 of tax payable on worldwide income (excluding income from Guernsey land and property)

7.9 By combining both a 15% tax band with an increase in the personal tax allowance all taxpayers will receive a reduction in their income tax liability as part of this

[15] This may include transferred allowances, mortgage interest relief or relief on pension contributions

package of measures. However, this structure will ensure that the benefit of this is focused towards lower- and middle-income earners.

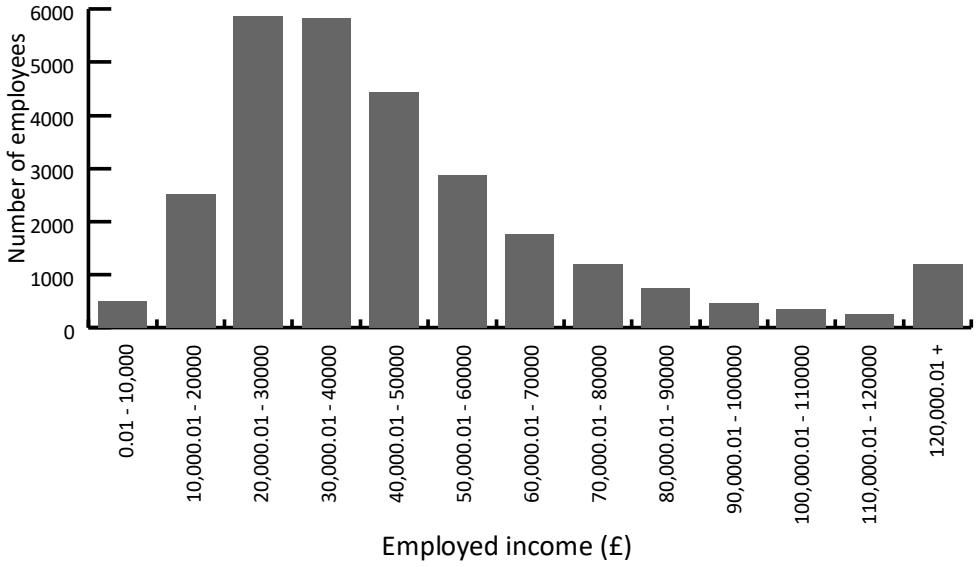
7.10 The systems changes required to implement a 15% tax band are estimated to cost £0.5m.

- ***Higher rate tax bands***

7.11 The Tax Review Steering Group and the Committee did consider options which included higher rate tax bands, applying a rate above the headline rate to income above a set threshold (potentially as low as £60,000).

7.12 Higher rate tax bands have the effect of making the tax system significantly more progressive. However, relatively few people have a significant amount of income which would fall above the threshold, even if set as low as £60,000. At this level only 21% of employed people would face any additional tax from a higher rate and only 4% would face the higher rate on more than half their earned income.

Figure 21: Employment income distribution (June 2022)



7.13 This means that higher rates on high incomes push the majority of revenue raising into a very small group of households. Models incorporating a higher tax rate for higher earners can push more than 75% of the revenue raising from households into the richest 5% of households, with an average increase in the tax liability for this group more than double that applied in the model proposed. It also places the tax liability for higher income households at a clear competitive disadvantage when compared to our closest competitors.

7.14 Because the Guernsey upper earnings/income limit on Social Security contributions is much higher than in comparable jurisdictions, this results in very

high marginal tax rates for higher earners when contributions are included (the rate on each additional £ of income, not all your income).

7.15 As an illustration a 32.5% tax rate on income above £60,000 would need to be applied to raise £50m in full. If this is applied and the contributions system were to remain unchanged this would mean a high earner would face a total marginal rate on their earned income of 32.5% + 6.8% = 39.3% (32.5% + 11.3% = 43.8% if self-employed). This compares to:

- 20% marginal rate in Jersey (their standard social security limit being set at approximately £55,000 so high earners would not be liable for contributions on any additional income); and

- 40% + 3.25% = 43.25% marginal rate in the UK (a 3.25% NI rate applying on income above c£50k) rising to 48.25% on income above £150,000.

7.16 If combined with the proposed restructure of social security (even one that raises no additional revenue) the marginal rates would be even higher.

7.17 This means that in terms of direct taxes Guernsey would be at a significant competitive disadvantage relative to Jersey, and for a particular cohort with earnings between c£60k and £157k marginal rates would be close to (or if self-employed potentially slightly more than) those applied in the UK. Proposals of this nature would therefore not comply with the principles governing the tax review that its proposals should not create competitive imbalance with competing jurisdictions.

7.18 **Given Guernsey's economic make-up, and the restructure of contributions proposed, which itself has the effect of redistributing liability towards higher income households, it was felt by the Committee and the steering group that the application of higher rate tax bands for higher earners is a poor choice for Guernsey economically and would not comply with the principles underlying the tax review (see paragraph 1.2).**

8. Reformed Social Security Contributions

8.1 Social security contributions were originally very close in structure to the UK national insurance system. It was an ad velorum tax on earned income paid by employers, employees and self-employed up to an earnings limit intended to represent the value of contributory benefits a contributor would be entitled to claim. Over time, successive decisions have extended both the benefits supported by the contributions system and the scope of contributions charged.

8.2 Unlike the equivalent schemes in the UK and Jersey[16], Guernsey's system now collects contributions from those over pension age and from those not employed but with private income[17]. Full rate contributions are also payable to a much higher limit following the introduction of zero-10, which broke the insurance principle. Those not employed or who are over the States' pension age have access to an allowance and a higher lower income threshold (£19,760 in 2022) before they are required to start contributing. These features are not available to employed or self-employed people who are required to pay contribution on all their earned income as soon as they pass the lower earnings threshold (£7,904 in 2022). The scheme is summarised in Figure 22 overleaf.

8.3 As a result, people who gain their income in different ways can be subject to different rates of contributions, charged on different definitions of their income, with liability commencing at different income thresholds. The scheme can result in very different liabilities for individuals whose income is the same and examples are also included in Figure 22 overleaf.

8.4 Employed and self-employed people also face a "cliff-edge" with a sudden increase in their liability from £0 to £537 a year as their income passes £7,904.

8.5 For pensioners, the lower level of liability reflects a lower contribution rate, because they are no longer required to contribute to the States' Pension and are not entitled to other benefits like unemployment or invalidity benefit. They do contribute toward the long-term care scheme and various health benefits.

8.6 Non-employed individuals do accrue entitlement to a pension, but they are not entitled to smaller income replacement benefits like unemployment or invalidity benefit. They do contribute toward the long-term care scheme and various health benefits.

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[16] When Jersey introduced their long-term care scheme in 2014 the payments for the scheme were established as a separate charge more closely aligned to their income tax system allowing contributions to be collected in the same way for all.

[17] This allows non-employed people to gain entitlement to a pension and also make a contribution to the cost of the long-term care insurance scheme and various health benefits.

Figure 22: Outline of current Social Security Contribution System (based on 2022 rates)[18]

	Employee/ Employer (2022)	**Self - employed (2022)**	**Non-employed under pension age (2022)**	**Pensioner (2022)**
Threshold for liability (The lower annual earning/income limit)	£7,904 (for both employer and employee)	£7,904	£19,760	£19,760
Contribution free allowance	£0	£0	£8,904	£8,904
Upper earning/income limit for contribution (annual)	£157,404	£157,404	£157,404	£157,404
Rate on earned income (2023)	6.8% employee 6.7% employer (total rate 13.8%)	11.3%	NA	3.5% employee 6.7% employer (total rate 10.2%)
Rate on unearned income	0%	0%	10.7%	3.5%
Estimated liability for £50,000 of income (Earned income if employed or self-employed, unearned income for non-employed or pensioners)	£3,400 employee £3,350 employer (total £6,750)	£5,650	£4,397	£1,438
Estimated liability for £50,000 of income (mixed 50% earned 50% unearned)	£1,700 employee £1,675 employer (total £3,375)	£2,825	N/A	£1,438 individual £1,675 employer (total £3,113)
Estimated liability for £25,000 of income (Earned income if employed or self-employed, unearned income for non-employed or pensioners)	£1,700 employee £1,675 employer (total £3,375)	£2,825	£1,722	£563
Estimated liability for £15,000 of income (Earned income if employed or self-employed, unearned income for non-employed or pensioners)	£1,020 employee £1,005 employer (total £2,025)	£1,695	£0	£0
Estimated liability for £157,404+ of income (not mixed)	£10,703 employee £10,546 employer (total £21,250)	£17,787	£15,890	£5,198

[18] Note that in November 2022 the States approved an increase in contribution rates for 2023.

8.7 The Social Security system is also a significant source of long-term expenditure pressure because the largest benefits supported through contributions (the States Pension and Long-term Care benefit) are directly related to the age profile of the population. It is estimated that these schemes combined will need in the region of £34m a year in order to achieve a sustainable position. In fact, in October 2021 the States agreed to a 10-year programme of increases in contribution rates (see Figure 23), which forms a de facto alternative for revenue raising for these schemes should the proposals in this Policy Letter not provide a better alternative. The first year of this transition was applied from January 2022, raising an estimated £4.6m, with a further £4.6m to be raised in 2023, but it was acknowledged that proceeding with these contribution increases applied to the current system did not address the identified problems with the way it is structured.

Figure 23: Contribution rate increase agreed in October 2021 (%)

	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Class 1	**13.2**	**13.5**	**13.8**	**14.1**	**14.4**	**14.6**	**14.8**	**15.0**	**15.2**	**15.4**	**15.6**
Employer	6.6	6.7	6.8	6.9	7.0	7.1	7.2	7.3	7.4	7.5	7.6
Employee	6.6	6.8	7.0	7.2	7.4	7.5	7.6	7.7	7.8	7.9	8.0
Class 2											
Self-employed	11.0	11.3	11.6	11.9	12.2	12.4	12.6	12.8	13.0	13.2	13.4
Class 3											
Non-employed under pension age	10.4	10.7	11.0	11.3	11.6	11.8	12.0	12.2	12.4	12.6	12.8
Over pension age	3.4	3.5	3.6	3.7	3.8	3.8	3.8	3.8	3.8	3.8	3.8

8.8 There is an opportunity to reshape the contributions system to resolve some of the issues with social security contributions, if it forms part of a wider package of measures.

- ***Applying an allowance***

8.9 Most contributors in Guernsey do not benefit from an allowance. This means for low-income working age households the contributions system is less progressive than income tax since as soon as their earnings pass the lower earnings limit, they are liable to pay contributions on all their earnings, not just those above the threshold.

8.10 Applying an allowance to the contributions system would be of significant benefit to low- and middle-income working households. However, doing so is expensive. If the allowance for contributions is matched to the personal income tax allowance it would result in a loss of around £19m of revenue, which will need to be balanced by changes elsewhere. If managed internally to the contribution system, it will require an increase in the combined employer

employee rate to approximately 15.5% (from 13.5% in 2022) simply to replace the revenue lost through the provision of the allowance. This makes a restructure of contributions very difficult to achieve without wider reform of the tax base, particularly if the funding shortfall within the contributions system is also to be addressed. To address both the application of the allowance and to raise the full £34m the combined employer employee rate would need to increase to 17.5% or more.

8.11 However, the progressive nature of the change also makes it an ideal choice to balance a GST, since it is able to offset much of the regressive impact on low- and middle-income households by increasing their disposable income to counter the increase in their costs.

8.12 Because the number of contributions made by a contributor currently determines their entitlement to income replacement benefits (including a pension), steps will need to be taken to ensure that adding an allowance at a level higher than the current Lower Earnings Limit does not remove people from entitlement.

8.13 The recommendation is that an allowance, aligned with the personal income tax allowance, be applied to all contribution classes except employers.

8.14 To balance the revenue lost from the application of an allowance it is necessary to increase the contributions rate applied. The proposed rate of employee contributions of 8.5% would cover around 85% of the revenue lost from the application of an allowance.

8.15 Because the proposed allowance is higher than the existing threshold there will be a number of contributors (generally low-income part-time employees) who will no longer be required to make contribution. However, the Committee *for* Employment & Social Security has expressed a wish to protect the entitlement of this group so they do not become disadvantaged in the long term. **It is therefore proposed that a contribution credit should be awarded to any employed individual with an assessable income of more than £152 a week (or the equivalent of the lower earnings limit at the point of introduction and subject to annual review)**

- ***Aligning the basis of assessment***

8.16 Different classes of contributors are also assessed on different definitions of income. Imagine two people who each benefit from a private income of £25,000 from investment and rental incomes but that one is also employed, and one is not. Provided the employed individual is earning at least enough to pass the lower earnings threshold (the equivalent of £7,904 a year) they will be classed as employed and not liable for contributions on their private income. The other individual will be classed as non-employed and is under pension age, meaning

that they will be liable for contributions at a rate of 10.7% on their private income less an allowance of £8,904. The non-employed individual will be liable for contributions of £1,722 a year on this income.

8.17 This position is clearly inequitable and creates some behaviour distortions. It is relatively common for early retirees with significant private pension or other income to engage in a minimum amount of paid work to protect their unearned income from becoming liable for contributions. Their employed income will be liable for contributions for both employer and employee contributions (totalling £1,067 a year at the minimum level) but at the potential loss of significantly more revenue on their unearned income.

8.18 Aligning the definition of income for all contributors would remove this inequity. Some additional revenue will be generated by this step.

8.19 It is recommended that the definition of income on which people are assessed is aligned to capture all income for all classes except employers.

- ***Employer contributions***

8.20 A small number of modifications are proposed for employer contributions. It is proposed that employer contributions be increased slightly beyond the 7.6% target at the end of the ten-year programme agreed in October 2021, to 8.0%. This will allow a proportion (around £19m) of the overall revenue raising to be raised from the Social Security contributions system. The allowance will not be applied to employer contributions.

8.21 Beyond that, **it is proposed that the application of the Lower Earnings Limit to employers be removed**. This limit currently prevents very low-income individuals from being required to make a contribution, but it is also applied to employers. In a very small number of cases this acts as an incentive for employers to limit the weekly or monthly income of their part time employees in order to avoid becoming liable for contributions.

8.22 Given that employers are required to file a return even if their employees do not reach the lower income limit, removing its application to employers would require no additional administration and remove the incentive to limit employees' hours to avoid contributions. Given the very small number of employees with earnings at this level the income generated will be negligible.

8.23 In both the UK and in Jersey the equivalent of Guernsey's upper earnings limit is set much lower. However, in both jurisdictions its application to employer contributions is different to that applied in Guernsey. In the UK, no upper limit is applied to employer contributions (only employees and self-employed); in Jersey a 2% contribution rate is applied to employers between their Standard Earnings

Limit (£4,764 a month or £57,168 a year) and a second limit (£21,724 a month or £260,688 a year).

8.24 Only about 2% of employees have income above the current upper earnings limit (£157,404 in 2022) and only a small number of larger employers benefit from the limit. **It is proposed that an employer's contribution of 2% be levied on earnings above the upper earnings limit up to a second limit of £250,000. This would contribute approximately £2m in additional revenues.**

- ***Treatment of Self-Employed***

8.25 The application of contributions to the self-employed is more complicated. The 11.3% rate currently charged represents a discount on the combined employer/employee rate (13.5%). Consideration was given to whether the treatment of self-employed should be aligned in full with the proposed structure for employee/employer contributions, but this would mean a very significant increase in the liability for higher income self-employed individuals, which was considered uncompetitive.

8.26 Therefore, the proposal is to split the liability for the self-employed, so it more closely mirrors that charged for employer/employees, but to retain a reduced overall rate. Under this scheme a self-employed individual would be liable for:

- an individual rate charged against all income at the same rate (8.5%) as that applied for employees and with access to the same allowance;
- a reduced "employer" rate charged only against self-employed income of 6.0% but maintaining access to an allowance;
- an employer's contribution of 2% levied on earnings above the upper earnings limit up to a second limit of £250,000.

- ***Treatment of Non-employed and Individuals over State Pension Age***

8.27 The proposal is that a non-employed individual below States Pension age would be liable for the individual rate charged against all income at the same rate (8.5%) as that applied for employees and with access to the same allowance. This would mean that an individual is treated in the same way regardless of their employment status. Note that this will reduce the rate applied to non-employed individuals below pension age.

8.28 Within the current social security system, those above pension age are liable for contributions to the Long-Term Care and Guernsey Health Service schemes. They do not make contributions to the benefits funded from the Guernsey Insurance Fund since they are in receipt of a pension and no longer entitled to claim other income replacement benefits like unemployment or sickness benefit. As a result,

they pay a lower total rate of contributions than those employed or self-employed.

8.29 In discussion, it was agreed that the principle of a lower contribution rate should be retained. It is therefore proposed that a reduced rate of 4.0% is applied to individuals above States Pension age.

8.30 Non-employed individuals and those above States Pension age also have access to a higher lower income limit than employed individuals and this protects any non-employed individual or pensioner with an income below £19,760 a year from having to make contributions. Given the intention to align the treatment of individuals across different classes as far as possible, this lower income limit should be removed. However, doing so draws a number of lower-income pensioner households into the payment of contributions who do not currently contribute at all. It is considered that removing this element of the contributions system may need a greater degree of phasing, and it is therefore proposed that the lower income limit applied to non-employed contributors over pension age **should be frozen until such a time as the Personal Income Tax allowance reaches that same value.**

8.31 In summary, the restructured contributions system would apply as follows:

- All contributors under the States' pension age should be subject to an individual contribution rate of 8.5% on their total income (less an allowance), up to the upper earnings limit (subject to annual review).

- All contributors over the States' pension age should be subject to an individual contribution rate of 4.0% on their total income (less an allowance), up to the upper earnings limit (subject to annual review) reflecting that they will no longer accrue entitlement to a pension or income replacement benefits.

- A contribution-free allowance should be made available to all contributing individuals (not employers) equal to the Personal Income Tax Allowance and the lower earnings limit should no longer apply.

- The lower income limit for non-employed contributors (including those over States' pension age) should be frozen until such a time as the allowance becomes equal to or exceeds its value, from which point it should no longer apply.

- A contribution credit should be awarded to any employed individual with an assessable income of more than £152 a week (or the equivalent of the lower earnings limit at the point of introduction and subject to annual review)

- The application of a lower earnings threshold for employer contributions should be removed.

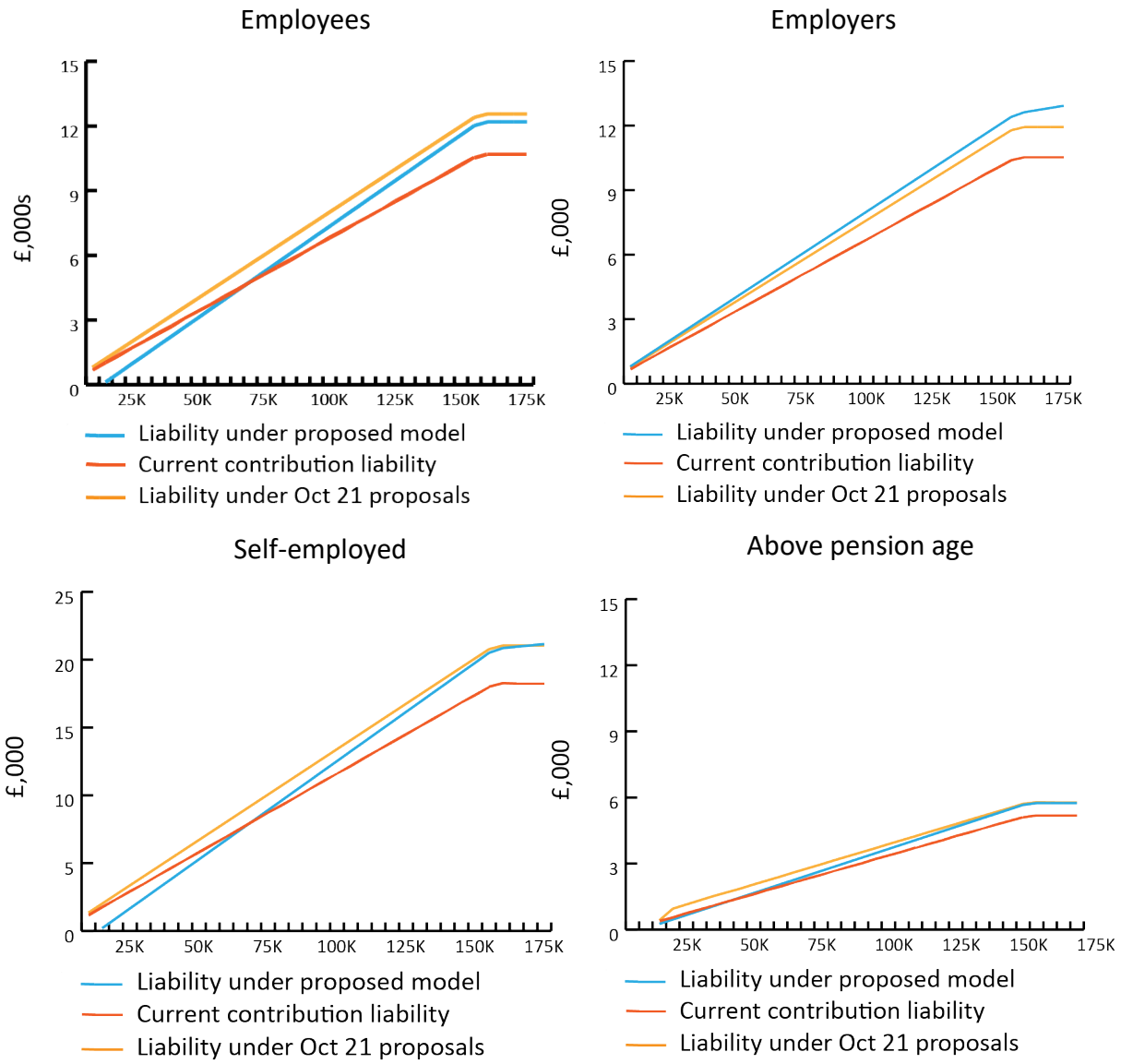
- Employers should be subject to a contribution rate of 8.0% on the earnings of their employees up to the upper earnings limit, and that they should be subject to contributions at a rate of 2% on the earnings of their employees above the upper earnings limit up to £250,000.

- In addition to their contribution as an individual, self-employed individuals should be subject to a reduced employer contribution rate of 6.0% on their self-employed income (less the allowance) up to the upper earnings limit, and that they should be subject to contributions at a rate of 2% on their self-employed earnings above the upper earnings limit up to £250,000.

8.32 This restructure would raise approximately £19m when compared to the current structure (prior to the increases applied in 2022 and 2023) but would be of substantial benefit for low-income working households. For someone working 35 hours a week on minimum wage (about £17,400 a year) the proposed restructure would reduce their contributions liability by about £860 a year against what they would be expected to pay in 2022 and by £1,070 a year against what they would be paying if the agreed increase in contribution rates under the current structure proceeds unchanged (a net benefit of 5.0% or 6.2% of their income respectively). For low earners the change in the contributions system alone may be enough to compensate them for the implementation of a GST.

8.33 Any employed person with an earned income of £65,000 or less (and no significant unearned income) should pay less in contributions than they do currently (although they may pay more overall with the package proposed). Allowing for the continuing protection of anyone currently benefiting from the £19,760 threshold for liability, anyone over 65 with an income of £45,000 or less will pay less in contributions than they did in 2022.

Figure 24: Comparisons of Social Security contribution liability by individual income for employees, employers, self-employed, and those over States' pension age (£ per year)



Costs associated with restructure

8.34 The proposed restructure is a significant change and there will be both upfront and ongoing cost implications. The cost implications for the Revenue Service are estimated as follows:

Capital costs estimate for implementation	£1.6m
Operating cost implications	£150,000 per annum

9. Further mitigation and protection for low-income households

9.1 For households the most visible impact of GST will be an increase in prices. It is estimated that a 5% GST will create an upward pressure on RPIX of about 3.4% and it is via these higher prices that households will be impacted.

9.2 Not all prices will increase. Rents and mortgages for example are both zero rated, so should not be directly impacted by the GST. Some larger stores operating national chains also operate a "sterling price" policy, which means that they charge the same price for goods regardless of the tax payable in the specific jurisdiction in which they are sold. Differences in taxes in different places are instead absorbed into the margins. Such prices as these may also remain unchanged.

9.3 The majority of households will be fully or partially compensated for the increase in prices via the increase in the tax allowance and the social security contributions restructure.

9.4 It is the States normal policy to increase both the States' pension and income support benefits by RPIX or more each year. In this way households in receipt of these will be compensated for the increase in their costs. However, the increase is typically applied retrospectively – with the adjustment in January reflecting the increase in prices over the year ending the preceding June.

9.5 Clearly, it is not desirable for those households in our community who are the most financially vulnerable to wait up to 12 months for compensation. It is therefore proposed that:

- The States pension and other income replacement benefits[19] be increased by 3.4% (the forecast upward pressure on RPIX) prior to the

[19] This will include the majority of benefits paid weekly where the intention is to support an individual or households income. From the Guernsey Insurance Fund this includes unemployment benefit, incapacity benefit, parental benefit, and sickness benefit as well as some of those supported by general revenue such as severe disability Benefit and Carers allowance.

introduction of GST; and that any difference between the actual rate of RPIX resulting from the GST and the forecast impact be addressed at the subsequent uprating. This results in an out of policy cost of £5m-6m for a period of 12 months if increases are applied in the January preceding the introduction. If the increases are applied mid-year, the period over which pensions are being paid above the level set out in standard policy will be shorter and the cost proportionally less.

- The Income Support Requirement rates be increased by 5% (the full rate of GST) prior to the introduction of GST, noting that the GST is expected to apply to the majority of items in the "basket of goods" used to determine appropriate income support levels and that support for rents is applied through the rent allowance. Income support payments are calculated on a household's income after payment of tax and contributions, so any reduction in a claimant's tax and contribution liability will be offset in their benefit claim. Once both the increase in the rates and the impact of the reduced contribution and tax liability are factored in this is estimated to result in an out of policy cost of £2m for a period of 12 months. On an ongoing basis the reduction in support required due to lower tax and contribution payment should approximately balance the above inflation increase in benefit rates.

9.6 There is a small group of households who are not eligible for income support, who may receive limited benefit from the increase in the personal tax allowance or the restructure in Social Security Contributions. For example, a pensioner couple whose income is below the proposed personal income tax allowance and includes a partial Guernsey States pension may not be entitled to income support if their savings exceed the allowable limits. Because they are in receipt of only a partial pension, the compensation through that mechanism may be incomplete. It is, therefore, proposed that a cost support payment be introduced (as is applied in Jersey), calculated based on the number of individuals in a household with a baseline rate of £450 a year for a single adult (£675 for a couple), to households with a gross income of £28,000 or less that are not in receipt of income support. This implies an ongoing cost of £1m-£1.5m. It is suggested that this might be made payable in monthly instalments.

10. The overall package and its impact on households

10.1 The package presented will provide an estimated £55m a year in additional net revenues to the States. The package is designed to distribute the revenue raising and the net impact is split between:

- Households £23m (42%) comprising

  a) No net change in revenues from the Social Security contribution system (although lower income households will pay less and higher income households will pay more)
  b) A net decrease of £29m in income taxes
  c) A net increase of £53m from GST
  d) A net gain of £1m-£1.5m in above inflation increases in benefits and the cost support scheme

- Businesses £27m (49%) comprising

  a) A net increase of £19m from Social Security contributions (compared to £16m from the increases agreed in October 2021)
  b) A net increase of £8m from the ISE fees for international financial services within the GST

- Visitors and other non-residents £6m (11%) from the application of GST to visitors spend.

Figure 25: Overview of the financial implication of the proposed package

Social Security Contributions	Rates and allowances	Change in revenue/ costs
Employee contributions	8.5%	(£3.1m)
Employer	8.0%	£18.9m[20]
Self-employed (combined employee employer rate)	14.5%	£3.0m
Non-employed/>State pension age	8.5%/4.0%	(£0.1m)
Total contributions		**£18.8m**
Personal income tax		
Personal income tax headline rate	20.0%	**(£29.3m)**
Lower rate tax band (on income up to £30,000)	15%	
Personal income Tax Allowance	+£600	
GST	5.0%	
Households		£53.4m
Visitor and other non-residents		£6.3m
International Services Entity Fee		£8.0m
Total GST		**£67.7m**
Total revenue changes		**£57.2m**
Ongoing costs (including administration and real increases in benefits)		(£2.6m)
Net change		**£54.6m**
Borne by households		**£22.7m**
Borne by businesses		**£26.9m**
Borne by non-residents		**£6.3m**

[20] It should be noted that £20m of this additional revenue would be raised by increases in Social Security contributions for employers, which compares to approximately £16m of revenues raised from employer contributions approved in October 2021.

10.2 Figure 26, Figure 27 and Figure 28 below show the average impact of the package for households in different income bands. This is broken down even further in Figure 29, Figure 30 and Figure 31, which show the breakdown of the average impact by both income and households. Guidance on how to interpret this data and approximations of the actual gross income levels for different household types in each 5% band is provided in Appendix 4.

Figure 26: Impact of package on household income percentiles (% of gross income and £ per annum)

Equivalised Household income percentile	Average of impact on Household circumstances (% of gross household income)	Average of change in circumstances (£ per annum)	
0-4 (5% with lowest income)	-3.7%	-£ 242	better off
5-9	-1.4%	-£ 196	
10-14	-1.0%	-£ 164	
15-19	-1.4%	-£ 348	
20-24	-0.9%	-£ 235	
25-29	-0.8%	-£ 221	
30-34	-1.0%	-£ 322	
35-39	-0.7%	-£ 279	
40-44	-0.6%	-£ 306	
45-49	-0.4%	-£ 198	
50-54	-0.3%	-£ 195	
55-59	0.0%	-£ 8	
60-64	0.2%	£ 105	worse off
65-69	0.3%	£ 200	
70-74	0.4%	£ 337	
75-79	0.7%	£ 697	
80-84	1.1%	£ 1,363	
85-89	1.8%	£ 2,512	
90-94	2.5%	£ 4,156	
95-99 (5% with highest income)	2.9%	£ 9,156	

10.3 These tables illustrate how different households might be impacted by the changes. Very low-income households (those in the poorest 10%) receive the most benefit from changes via the pensions and benefits systems. They may get limited benefit from the application of the increase in the personal tax allowance or the application of that allowance to contributions because they may not have enough taxable income to be liable for either income tax or contributions.

Figure 27: Impact of package on household income percentiles (£ per year)

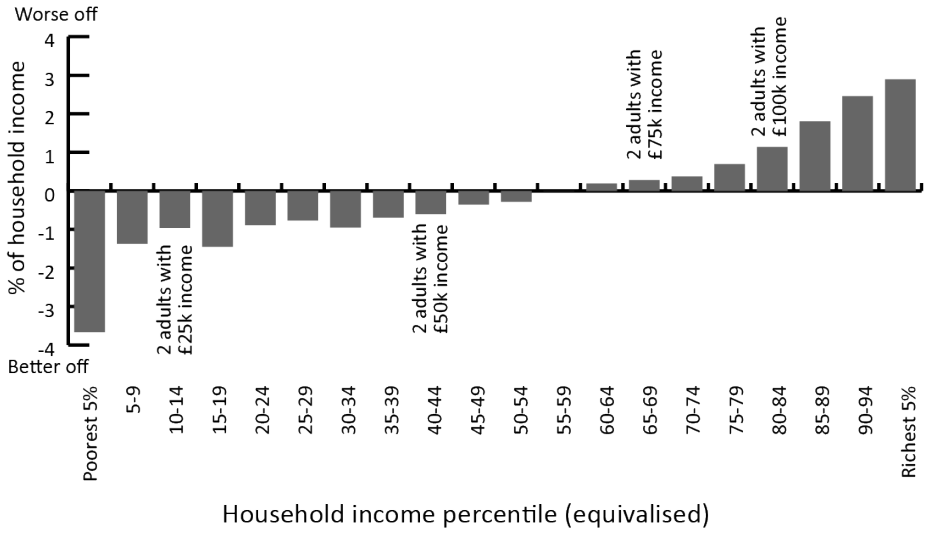
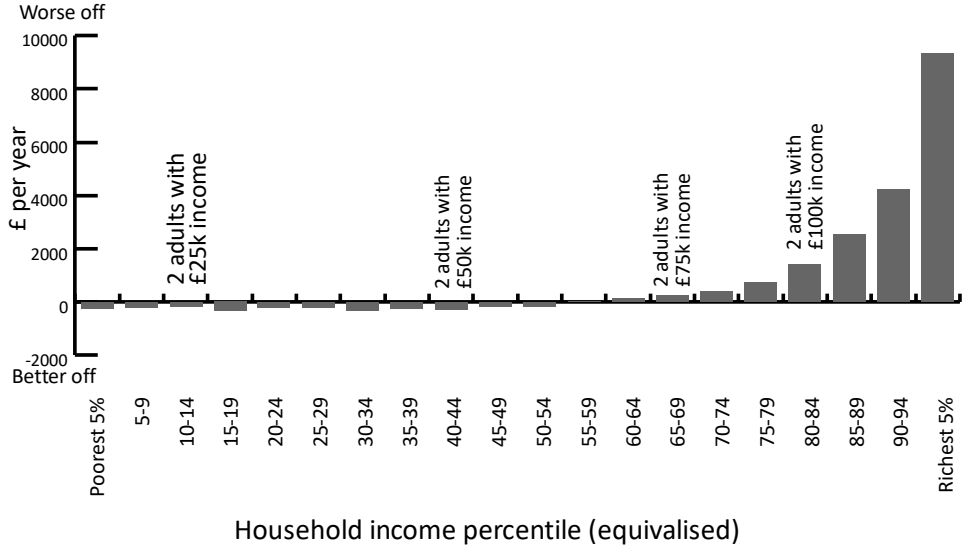


Figure 28: Impact of package on household income percentiles (£ per annum)



10.4 For the lower- and middle-income groups the impact of the increase in the personal tax allowance and the application of that allowance to contributions becomes much more significant, and for most low to middle income working households this is more than sufficient to compensate them for the increase in prices associated with the GST.

10.5 However, non-employed and pensioner households already benefit from an allowance on Social Security Contributions and are therefore more favourably treated in the current system than employed or self-employed contributors of working age. While the tax allowance is higher than the allowance currently available to this group the benefit they will receive from its application to social

security contributions is significantly less than for households of working age. They are also less likely to be spending their money on goods that are exempt or zero rated in the GST like rents and mortgages (70% of pensioner households own their own property without a mortgage). This means, in the process of equalising the treatment of people within the system, low to middle income pensioner couples may see a larger negative impact than working age households of similar income.

Figure 29: Impact on Household finances as % of gross household income[21]

Equivalised Household income percentile	One adult (16-64)	One adult (16-64) with child(ren)	One adult (65 and over)	Two adults (16-64) with child(ren)	Two adults (16-64)	Two adults (65 and over)
0-4	-7.0%	-3.7%	-3.9%	-1.4%	-3.9%	-0.9%
5-9	-1.7%	-0.6%	-2.7%	-1.0%	0.6%	0.3%
10-14	-2.3%	-1.2%	-2.3%	-1.0%	-0.3%	0.9%
15-19	-1.8%	-1.7%	-1.9%	-0.7%	-1.9%	-1.2%
20-24	-1.3%	-1.3%	-2.2%	-1.1%	-0.6%	0.5%
25-29	-1.7%	-1.3%	-1.8%	-0.3%	-0.3%	0.3%
30-34	-3.1%	0.0%	-2.8%	-0.6%	-0.3%	0.5%
35-39	-2.3%	0.4%	-2.0%	-0.6%	-0.4%	0.8%
40-44	-1.7%	0.7%	-1.3%	-0.3%	-0.8%	0.7%
45-49	-1.0%	1.5%	-0.8%	-0.1%	-0.9%	0.9%
50-54	-0.5%	1.0%	-0.4%	0.2%	-0.9%	0.9%
55-59	-0.1%	1.5%	-0.1%	0.5%	-0.6%	1.3%
60-64	0.3%	1.7%	0.2%	0.9%	-0.2%	1.5%
65-69	0.6%	2.1%	0.3%	1.2%	-0.3%	1.1%
70-74	1.0%	*	0.7%	1.4%	-0.3%	0.6%
75-79	1.2%	*	1.0%	1.6%	0.2%	0.8%
80-84	1.6%	*	1.6%	2.1%	0.6%	0.9%
85-89	1.3%	3.4%	1.9%	2.7%	1.9%	1.3%
90-94	1.9%	*	2.5%	3.0%	2.8%	1.7%
95-99	2.9%	*	2.1%	3.2%	3.8%	1.9%

[21] Cells marks * represent groups with less than 10 households in the data set

Figure 30: Impact on household finances (£ per year)

Equivalised Household income percentile	One adult (16-64)	One adult (16-64) with child(ren)	One adult (65 and over)	Two adults (16-64) with child(ren)	Two adults (16-64)	Two adults (65 and over)
0-4	£(244)	£(181)	£(314)	£(253)	£(164)	£(98)
5-9	£(231)	£(137)	£(353)	£(347)	£109	£53
10-14	£(341)	£(304)	£(357)	£(363)	£(83)	£212
15-19	£(332)	£(476)	£(346)	£(309)	£(516)	£(323)
20-24	£(271)	£(360)	£(454)	£(529)	£(181)	£156
25-29	£(399)	£(405)	£(430)	£(151)	£(116)	£122
30-34	£(817)	£21	£(719)	£(300)	£(99)	£208
35-39	£(689)	£217	£(582)	£(315)	£(175)	£347
40-44	£(571)	£366	£(408)	£(185)	£(416)	£330
45-49	£(363)	£813	£(280)	£(68)	£(506)	£503
50-54	£(188)	£620	£(137)	£190	£(508)	£541
55-59	£(54)	£969	£(21)	£465	£(369)	£823
60-64	£166	£1,147	£84	£900	£(131)	£1,006
65-69	£304	£1,437	£149	£1,329	£(260)	£838
70-74	£537	*	£382	£1,652	£(230)	£496
75-79	£736	*	£566	£2,096	£205	£696
80-84	£1,109	*	£1,063	£3,146	£602	£882
85-89	£1,015	£4,001	£1,467	£4,505	£2,206	£1,497
90-94	£1,865	*	£2,451	£6,049	£4,092	£2,534
95-99	£5,769	*	£5,830	£11,619	£10,806	£6,107

10.6 Upper middle-income households are generally benefited by both the introduction of the new 15% rate of income tax and the application of allowances, but in general they would expect to pay a little more overall. Generally, increases in pensions and benefits has little impact on this group.

10.7 For those in the highest income groups, the allowances on both Income Tax and Social Security are assumed to be withdrawn at a rate of £1 for every £5 of income beyond £90,000. This means they get little benefit from the increase in allowances and the higher rates applied to social security would tend to result in a higher net contributions liability for this group. Once the impact of GST is added, the top third of households might be expected to pay between an additional 1% and 3% of their gross income overall.

10.8 Figure 31 below provides an estimate of the expected average overall effective tax rate for different household types. This is the total amount of Income Tax, Social Security Contributions, GST, TRP and excise duties a household would be expected to pay as a percentage of household income. This shows that typically the effective tax rate born by a household will increase as income increases.

However, it should be noted that because this includes TRP the effective rates of tax on some low-income pensioner groups are higher than may be expected because of the number of low-income pensioners who own properties disproportionally large relative to their income (see Appendix 5 for more detail).

Figure 31: Estimated total effective tax rate (including income tax, social security contributions, GST, TRP and excise duties) as % of gross income

Equivalised Household income percentile	One adult (16-64)	One adult (16-64) with child(ren)	One adult (65 and over)	Two adults (16-64) with child(ren)	Two adults (16-64)	Two adults (65 and over)
0-4	12.9%	9.5%	9.2%	10.2%	12.4%	13.1%
5-9	9.3%	9.2%	8.7%	9.8%	11.7%	12.4%
10-14	11.3%	10.3%	10.4%	11.5%	13.0%	12.1%
15-19	13.0%	11.2%	11.9%	14.1%	10.2%	9.0%
20-24	12.2%	12.0%	13.5%	14.8%	11.8%	10.7%
25-29	14.5%	13.6%	15.4%	16.7%	13.7%	12.7%
30-34	15.0%	16.9%	15.1%	17.9%	15.6%	14.1%
35-39	16.8%	18.4%	16.1%	18.3%	16.4%	15.6%
40-44	19.0%	19.6%	17.3%	19.5%	17.3%	16.7%
45-49	20.3%	20.2%	18.3%	20.5%	17.8%	18.3%
50-54	20.9%	21.8%	19.0%	21.0%	19.0%	18.8%
55-59	21.9%	22.3%	19.7%	22.0%	19.8%	20.0%
60-64	22.4%	21.3%	20.7%	22.8%	20.7%	20.4%
65-69	22.9%	23.7%	21.3%	23.5%	20.6%	20.1%
70-74	23.7%	*	21.7%	24.2%	21.2%	19.8%
75-79	24.5%	*	22.6%	25.0%	22.1%	20.6%
80-84	25.4%	*	23.3%	26.2%	23.1%	21.3%
85-89	25.5%	28.7%	24.2%	27.5%	25.1%	22.4%
90-94	26.9%	*	25.1%	28.3%	27.0%	23.8%
95-99	28.7%	*	25.5%	28.2%	29.1%	24.6%

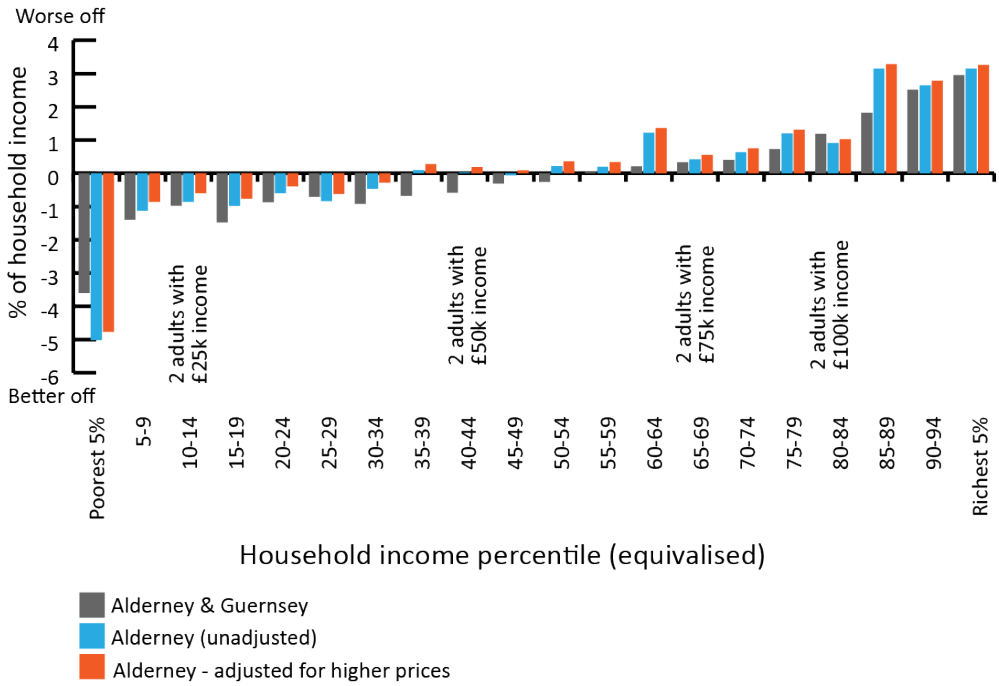
- ***The impact on Alderney***

10.9 Figure 32 presents a comparative analysis of the expected impact of the package of measures in Guernsey and Alderney. It should be noted that because of the smaller population in Alderney, the analysis is more subject to being skewed by individual cases with unusual circumstances.

10.10 There are two primary differences which affect the impact that these proposals have on the Alderney population. The population in Alderney is older, which means that the overall level of benefit gained from the restructure of the contributions and the application of an allowance is lower because more people benefit from the allowance applied to pensioners in the current system. This accounts for most of the difference between the Islands.

10.11 Alderney also faces higher prices for some items (although housing is significantly cheaper). An exercise was undertaken to establish the extent of the price differential between the two islands which found that the weighted price differential on taxable items is around 5%. Figure 32 includes an adjustment for this price differential.

Figure 32: Comparison of impact in Alderney



11. Cost implications

11.1 Figure 33 below presents the total estimated cost of implementing these proposals including the cost of applying an anticipatory increase in pensions and benefits.

Figure 33: Overall implementation and ongoing costs

Implementation and capital cost	£12.5m
GST Implementation and support for businesses	£2.4m
Introduction of 15% tax band	£0.5m
SSC restructure implementation	£1.6m
Pre-emptive, out of policy increases in pension and benefits (if applied from Jan 2025[22])	£8m
Ongoing annual costs	£2.5m
GST administration	£1.0m
Revised SSC system administration	£150,000
Cost support scheme	£1.4m

12. Implementation and Transition

12.1 The timing of the implementation of these proposals is critical. The logistical realities of restructuring the contributions system and introducing a GST will require a significant amount of legislative and operational change (although enabling legislation for the GST was approved in 2009 which should simplify the legislative process). It also requires sufficient notice for businesses to implement the systems required to manage a GST. This will take up to two years.

12.2 However, to delay the formal launch until after the next election presents significant political risk. It is therefore proposed that the GST element of the proposal be implemented no later than 1 April 2025.

12.3 In order to ensure that the mitigations are in place for the community at the launch of the GST, it is proposed that most other elements of the package be put in place before the implementation of the GST. This should include the proposed pre-emptive increase in pensions and income support as well as the application of higher tax allowances to both income tax and social security and the introduction of the 15% tax band. This will ensure that low-income households are compensated for the inflationary impact of the GST no less than three months prior to its introduction.

[22] Out of policy may be lower if the increase is applied later in the year

12.4 The States have agreed in principle to increase the Social Security contribution rates gradually over a period of 10 years (the first two of which will have been implemented by the time this Policy Letter is debated). Given that the recommended package also incorporates an increase in the rates charged on contributions it is proposed that this continue as planned into 2024. This will help smooth the transition to a system which applies higher contribution rates to both employers and individuals.

13. Allocation of Revenues

13.1 The package of measures proposed raises approximately £19m via the Social Security Contributions system, and approximately £36m through General Revenue. If implemented in full this will replace the proposals laid by the Committee *for* Employment & Social Security and agreed in October 2021 which would have raised £34m over a ten-year period.

13.2 This Policy Letter does not seek to determine how the resources raised should be allocated but some further development of this will be required, particularly given that the funding gap is larger than the revenues raised within this package of measures.

13.3 As part of the implementation, it will be necessary to:

- review the relevant funding requirements for both General Revenue and Social Security in light of evolving cost pressures, prevailing assumptions on net migration and participation, and any potential cost saving implications.

- establish the appropriate distribution of Social Security Contribution between the Guernsey Insurance Fund, the Long-Term Care Fund and the Guernsey Health Service Allocation.

- establish, as necessary, an appropriate allocation of additional revenues between the Social Security Funds and General Revenue.

14. Engagement

14.1 A substantial public engagement campaign began in February 2022. This commenced with a live media briefing which was broadcast on 10 February to outline the issues the Tax Review was seeking to address, explain the main options that were being considered at that stage and why, promoting the public events that would follow and take media questions.

14.2 Several public events were then held affording the community an opportunity to come and speak to members of the Policy & Resources Committee and the Tax Review Steering Group at various locations in the Bailiwick. This included four

drop-in events and a public meeting in Alderney. The events were held on the following dates and locations:

- St Peter's Community Hall – 12th February 2022
- Vale Douzaine Room – 12th March 2022
- The Alderney public meeting – 16th March 2022
- Beau Sejour – 26th March 2022
- Cobo Community Centre – 25th April 2022

14.3 Further to this, an online public Q&A was also held on 26 April. This format allowed members of the public to send questions in via social media during a live broadcast where a panel of members of the Policy & Resources Committee and the Tax Review Steering Group could answer them live.

14.4 The events themselves were well received, although attendance varied with the first of the drop-ins being very busy and the last drop-in at Cobo seeing a very low attendance.

14.5 These events were supported by a range of materials produced and publicised to raise awareness of the Tax Review, engage the community and direct them to where they could find more information. A new website was created, ourfuture.gg, with a dedicated Tax Review section where people could find detailed information on the States' revenue and expenditure, the population forecasts and how they were expected to impact the funding of public services, various revenue-raising options and their pros and cons, case studies explaining how some of the initial tax options would impact different households, video links to the earlier online broadcasts that had been held, and more. It also invited members of the public to leave comments.

14.6 Leaflets were sent to all households to promote the public events, and a social media campaign highlighted the key issues that the Tax Review sought to address and promoted the website. A series of columns were published in the traditional media, each focusing on a different aspect of the Tax Review.

14.7 Having carried out this intensive period of public engagement, which aimed to raise awareness of the Tax Review, encourage discussion and invite suggestions from the community, the Policy & Resources Committee believes understanding of the demographic challenges facing the Bailiwick has improved. There is no doubt that many (though not all) of those who attended the events were opposed to a GST. One of the greatest challenges of the campaign was persuading the community that a GST can form part of a package that would see those on the lowest incomes pay less tax overall compared to what they contribute now. While this was a central message in all the events and materials produced, there is a deeply embedded aversion to GST in the community where many are suspicious and do not believe this will be the case.

14.8 Amongst the feedback from Islanders during the public engagement campaign was a sense that not enough had been done to explore all of the possible options, and this prompted the Committee to do further work exploring corporate tax alternatives, which was done by way of the independent review by EY. This review is addressed elsewhere in this Policy Letter, but it is important to reflect that the Committee entered the corporate tax review in recognition that it may reveal new options, and that at the very least it was important to demonstrate to the community that 'no stone had been left unturned'.

14.9 Following the publication of this Policy Letter, it is the Committee's intention to hold further public engagement events to raise awareness and explain the Committee's final proposals ahead of the debate by the States of Deliberation.

14.10 The Committee has also engaged extensively with States Members over the period since the last debate. A total of seven briefings have been held providing updates on the work undertaken (including sharing of papers and analysis) and giving an opportunity for Members to ask questions, make suggestions and seek clarifications. Alderney States Members have also been invited to attend these sessions.

15. Compliance with Rule 4

15.1 Rule 4 of the Rules of Procedure of the States of Deliberation and their Committees sets out the information which must be included in, or appended to, motions laid before the States.

15.2 In accordance with Rule 4(1)(a), the Propositions which this Policy Letter accompanies respond to Resolutions of the States made in relation to the Fiscal Policy Framework, as noted and explained throughout this Policy Letter. The review of taxation is a critical component of the action in the States' Government Work Plan (Billet d'État XV of 2021) to 'Agree a sustainable taxation policy'. This action forms part of the Priority area: 'Reshaping Government', which the States have resolved is one of the four main priorities for government at this time (Billet d'État VI of 2021).

15.3 In accordance with Rule 4(1)(b), the Propositions have been developed with consultation and engagement as explained in section 14 of this Policy Letter.

15.4 In accordance with Rule 4(1)(c), the Propositions have been submitted to His Majesty's Procureur for advice on any legal or constitutional implications. She has advised that there is no reason in law why the Propositions should not be put into effect.

15.5 Rule 4(1)(d) concerns the financial implications to the States of carrying into effect the proposals. As set out in paragraph 11.1 of this Policy Letter, it is estimated that £12.5m will be needed to implement these proposals with a

further £2.5m a year of ongoing costs, covering administration cost for both a GST and the restructured Social Security Contributions and the payment of the additional cost support benefit. The proposals will generate a net financial gain of an estimated £55m to the States.

15.6 In accordance with Rule 4(2)(a), the Propositions relate to the duties of the Committee to co-ordinate policy including leading the policy planning process, the allocation and management of resources, including the States' budget and facilitating cross-committee policy development.

15.7 In accordance with Rule 4(2)(b) of the Rules of Procedure of the States of Deliberation and their Committees, it is confirmed that the Propositions above have the unanimous support of the Members of the Committee.

P T R Ferbrache
President

M A J Helyar
J P Le Tocq
D J Mahoney
R C Murray

Appendix 1. Committee *for* Employment & Social Security: Letter of Comment

Committee *for*
Employment & Social Security

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Deputy P T R Ferbrache
President
Policy & Resources Committee
Sir Charles Frossard House
St Peter Port
Guernsey

Our Ref:
Your Ref:
Date: 25 November 2021

By email

Dear Deputy Ferbrache

Tax Review: Phase 2

Thank you for inviting the Committee *for* Employment & Social Security ('the Committee') to provide a letter of comment in respect of the Tax Review Policy Letter, to be appended to that Policy Letter.

A near final draft of the Policy Letter was considered by the Committee at its meeting on 21 November 2022. There was consensus among members that there is a pressing need to raise more revenue in order to adequately fund essential public services, pensions and benefits in the future. That said, members have differing views regarding the amount of additional revenue required and how it should be raised, which they will articulate during debate. For that reason, I will confine the Committee's comments to the proposed restructure of the social security contributions system.

The Committee remains supportive of restructuring the social security contributions system to make it more equitable and, along with proposed changes to the income tax system, to offset the regressive nature of GST.

The Committee is supportive of the recommendation to align the basis of assessment for employees, self-employed persons and non-employed persons in order to make the system more equitable across classes of contributors, thereby removing the incentive for early retirees to engage in a minimal amount of paid work to reduce their contributions liability. This behaviour is not in the best interests of the wider insured population.

In particular, the Committee welcomes the proposal to introduce an allowance, aligned with the personal income tax allowance, for all classes of contributors, excluding employers. This will have the benefit of removing the 'cliff-edge' created by the lower earnings/income limit at which liability on all earnings/income (as applicable), up to the upper earnings/income limit, currently kicks in. However, the Committee notes that the consequential substantial loss in revenue will need to be replaced through other measures in order not to worsen the already unsustainable financial position of the Guernsey

Insurance Fund and the Long-term Care Insurance Fund. Therefore, the allowance must only be implemented as part of the wider package of reforms, as recommended by the Policy & Resources Committee, and not in isolation.

The Committee is pleased to note that the Policy & Resources Committee is proposing to introduce a Class 1 contribution credit for people with earnings above the lower earnings limit but below the proposed allowance, who are currently liable to pay a weekly contribution but will not be liable under the proposed new structure. Without such a measure, the contribution records and future benefit entitlement of those low-earners would suffer.

While the Committee is very supportive of the broad proposals for reforming Guernsey's social security system, it has identified some detailed, consequential policy issues that are not explored in the draft Policy Letter. For example, the removal of the lower income limit means that it will be necessary to determine a new method for setting the non-employed voluntary contribution and special rate contribution which are currently based on the minimum weekly rate payable as a non-employed person under pensionable age (i.e. contribution rate for non-employed persons under pensionable age x (lower income limit - non-employed allowance)). It is expected that other points of technical detail will be identified during the course of the implementation phase which are likely to necessitate further Committee and States decisions prior to the implementation of the reformed system.

As noted in the Policy Letter, an additional £34m is required to put the Guernsey Insurance Fund and the Long-term Care Insurance Fund on a sustainable financial footing. The draft Tax Review Policy Letter indicates that the package of measures proposed raises approximately £20m via the social security contributions system and approximately £36m through General Revenue. The Committee notes that the Policy Letter does not seek to determine how the resources raised should be allocated. This is a matter that will need to be addressed as a priority should the proposals set out in the Policy Letter be approved.

While the Committee proposed in its Policy Letter entitled 'Contributory Benefits and Contribution Rates for 2022' (Billet d'État XX of 2021, Article 11) ten- and four-year plans to gradually increase the percentage contribution rates of relevant classes of contributors to the Guernsey Insurance Fund and the Long-term Care Insurance Fund ('the Funds') respectively, in order to ensure their financial sustainability, it made clear at that time that its preferred approach to addressing this issue was through the Tax Review, taking a more holistic view of fiscal issues. Importantly, the Policy & Resources Committee's proposals are more progressive than, and therefore preferable, from the Committee's perspective, to the ten- and four-year plans approved by the States in October 2021. However, if Proposition 2 is not approved by the States, the Committee will seek to implement the ten- and four-year plans in accordance with these resolutions.

Thank you for inviting non-voting member, Mark Thompson, and myself to input in the development of the Policy & Resources Committee's proposals through our membership of the Tax Review Steering Group. We have very much welcomed this opportunity to work collaboratively with your Committee.

Yours sincerely

Deputy Peter Roffey
President

Appendix 2. Economic Impact Study of the States of Guernsey Tax Review

A2.1 The following analytical report was commissioned and published for the first phase of the Tax Review. The analysis presented is in relation to packages which raise more revenue than the lead model presented in this Policy Letter and apply a different combination of measures. However, the general principles, including the relative economic impact of a GST combined with a reduction in direct taxes, versus an increase in direct taxes remains relevant.

Deloitte.

Economic Impact Study of the States of Guernsey Tax Review

Final Report

4 August 2021

Important Notice from Deloitte

This Final Report has been prepared by Deloitte LLP ("Deloitte") for the States of Guernsey (the "States") in accordance with the contract with them dated 10 March 2021 (the "Contract") and on the basis of the scope and limitations set out below.

The Final Report has been prepared solely for the purposes of providing economic analysis of a set of tax policy options as set out by the States of Guernsey, as set out in the Contract. It should not be used for any other purpose or in any other context, and Deloitte accepts no responsibility for its use in either regard including its use by the States for decision making or reporting to third parties.

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As set out in the Contract, the scope of our work has been limited by the time, information and explanations made available to us. The information contained in the Final Report has been obtained from the States and third-party sources that are clearly referenced in the appropriate sections of the Final Report. Deloitte has sought neither to corroborate this information nor to review its overall reasonableness. Further, any results from the analysis contained in the Final Report are reliant on the information available at the time of writing the Final Report and should not be relied upon in subsequent periods.

This document also includes certain statements, estimates and projections provided by the States with respect to anticipated future performance. Such statements, estimates and projections reflect various assumptions concerning anticipated results and are subject to significant business, economic and competitive uncertainties and contingencies, many of which are or may be beyond the control of the States. Accordingly, there can be no assurance that such statements, estimates and projections will be realised. The actual results may vary from those projected, and those variations may be material. Whilst we have commented on such statements, estimates and projections and their implications, we accept no responsibility for their accuracy or completeness, and they are the sole responsibility of the States.

We have conducted options analysis based on projections provided by the States (these comprise the options outlined and analysed in the report). The results produced by the options under different assumptions are dependent upon the information with which we have been provided. Actual results are likely to be different from those projected by the options due to unforeseen events and accordingly we can give no assurance as to whether or how closely the actual results ultimately achieved will correspond to the outcomes projected in the options. The scenarios are intended only to provide an illustrative analysis of the implications of the States' projections.

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Contents

1 Executive Summary 4

2 Introduction 13

3 Benchmarking analysis 25

4 Economic impacts 37

5 Conclusion and next steps 59

Appendix 61

1 Executive Summary

Guernsey is facing increasing fiscal pressures. These pressures are driven by Guernsey's ageing population and the requirement for financial resources to fund the increasing costs associated with meeting its existing service commitments and infrastructure requirements. As part of the measures under consideration to combat these pressures, the States are reviewing the possibility of several tax policy options. This Report compares Guernsey's tax structure to those of a set of benchmark jurisdictions and outlines the economic impacts of a set of tax policy options proposed by the States.

As with several other advanced economies, the population in Guernsey is ageing and this means that a greater level of expenditure is required to maintain current service levels. This pressure is accompanied by the fiscal demand for infrastructure investment to keep pace with the expanding scope of medical care services and to meet international commitments on areas such as climate change. Furthermore, the economic impacts of COVID-19 have resulted in the States operating at a deficit of £64 million, equivalent to 2.1% of the 2020 GDP estimate.[1]

To fund upcoming expenditure, the States must either raise additional revenues, increase their deficit or reduce spending elsewhere. The States view increasing their deficit to fund future costs as an unsustainable long-term option. The States are separately considering efforts to control expenditure. Approximately 63% of the States' expenditure is on health and community services, old age pensions and social welfare benefits. Each of these elements of expenditure is expected to increase and the States do not consider expenditure restraint alone to be a viable solution. Therefore, the States have stated that they will need a system capable of raising revenue within the 24% of GDP limit on government revenues set out in the States' Fiscal Policy Framework published in 2019. To this end, the States have identified three tax policy options that are under consideration.

Each of these policy options involves the restructure of social security contributions (SSCs). The exact rates of SSCs vary across the policy options. As well as changes in the rates, the policy options involve the introduction of an SSC allowance that is aligned with the personal income tax (PIT) allowance. Finally, across all policy options the nature of income treatment for SSC purposes is changed for all employed and self-employed persons, with contributions being made based on income from all sources as opposed to gross income from employment, which is currently the case. The key elements are provided below in Table 1 with the full details provided in Table 2. It can be seen that Option 1 is based predominantly on the introduction of a Health Tax of 3%, administered in a similar way to PIT. Options 2 and 3 are predominantly based on the introduction of a GST at rates of 8% and 5% respectively.

[1] The States of Guernsey Accounts 2020.

Table 1: Policy options overview

	Current	Option 1	Option 2	Option 3
GST	-	-	8%[2]	5%[3]
Health Tax	-	3% levied in a similar manner to PIT	-	-
PIT allowance	£11,875	£11,875	£14,000	£12,700
SSC allowance	-	£11,875	£14,000	£12,700
SSC employee rate	6.6%	9%	8%	9%
SSC employer rate	6.6%	7.5%[4]	7.5%[5]	7.5%[6]
Income treatment	Employee SSC contributions charged on earnings from employment[7]	Employee SSC contributions charged on all income	Employee SSC contributions charged on all income	Employee SSC contributions charged on all income

This Report includes analysis of the impacts associated with each of these options, which were selected by the States.[8] More broadly, other tax reforms, such as changes in corporate taxation, are being considered separately but are out of scope for the purposes of this Report. An assumption has been provided by the States as to the revenue that any change in CIT may generate.

Benchmarking analysis

This Report considers the impacts of the tax changes described above in relation to the tax systems of some of Guernsey's benchmark jurisdictions. The benchmarking study considers differences in the economic and financial context of four jurisdictions. These benchmark jurisdictions, as agreed with the States, are Jersey, the Isle of Man, Luxembourg, and Singapore. These jurisdictions have been chosen because they are broadly as economically developed as Guernsey and have dominant financial service sectors. These jurisdictions may also be considered as alternatives to Guernsey if businesses or high net worth individuals choose to relocate as a result of changes in local tax policy. The benchmarking analysis considers total tax revenue as a share of GDP, Income Taxation (Personal Income Taxation (PIT), the Health Tax and Social Security Contributions (SSCs)) and Goods and Services Taxation (GST). The analysis concludes by discussing the relative reliance of Guernsey on direct and indirect taxation and how this may change under each of the options.

Total tax revenue as a share of GDP

Figure 1 shows how in comparison to some benchmark jurisdictions, the States currently raise less tax as a share of GDP, at 19%.[9] This is the ratio of tax revenue to GDP rather than the ratio of total government revenues to GDP. The latter is higher and includes other sources of revenue such as charges for services and rental incomes. Under each policy option the ratio of tax revenue to GDP would increase. Even under Option 2, which is associated with the largest increase in the ratio of tax revenue to GDP, Guernsey's ranking relative to the benchmark jurisdictions is unchanged.

[2] Applied on a broad basis with limited exceptions in line with application in Jersey (https://www.gov.je/TaxesMoney/GST/GSTCustomers/Pages/PayingGSTJersey.aspx). Primary exemptions include financial services and some health-related expenditure. All exports including financial services are assumed to be zero-rated.

[3] Applied on a broad basis with limited exceptions in line with application in Jersey (https://www.gov.je/TaxesMoney/GST/GSTCustomers/Pages/PayingGSTJersey.aspx). Primary exemptions include financial services and some health-related expenditure. All exports including financial services are assumed to be zero-rated.

[4] The headline self-employed rate would fall from 11% to 9.0% but be charged on all income (less allowance up to the upper earnings limit) rather than solely on income earned from self-employment (up to the upper earnings limit). A rate of 5.0% would then be applied to all self-employed earnings in excess of the upper earnings limit after accounting for the allowance. The non-employed rate for those under State Pension Age (SPA) would fall from 10.4% to 9.0% and the non-employed rate for those of SPA and older would increase from 3.4% to 4.5%.

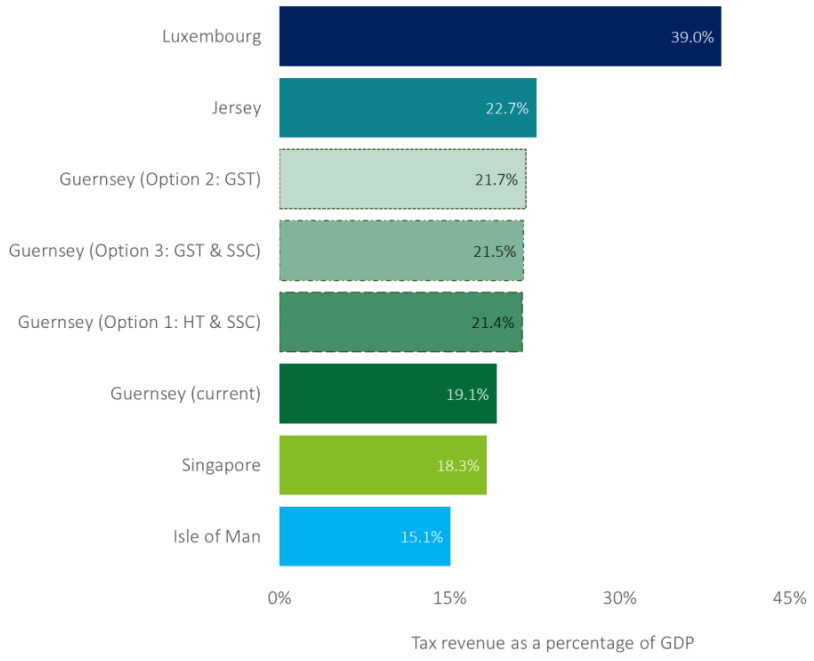
[5] The headline self-employed rate would fall from 11% to 7.5% but be charged on all income (less allowance up to the upper earnings limit) rather than solely on income earned from self-employment (up to the upper earnings limit). A rate of 5.0% would then be applied to all self-employed earnings in excess of the upper earnings limit after accounting for the allowance. The non-employed rate for those under SPA would fall from 10.4% to 7.5% and the non-employed rate for those of SPA and older would increase from 3.4% to 3.5%.

[6] The headline self-employed rate would fall from 11.0% to 9.0% but be charged on all income (less allowance up to the upper earnings limit) rather than solely on income earned from self-employment (up to the upper earnings limit). A rate of 5.0% would then be applied to all self-employed earnings in excess of the upper earnings limit after accounting for the allowance. The non-employed rate for those under SPA would fall from 10.4% to 9.0% and the non-employed rate for those of SPA and older would increase from 3.4% to 4.5%.

[7] Note that those over State Pension Age (SPA) already get charged SSC on all income

[8] The precise scope of this report is set out in Section 2.4.

Figure 1: Tax revenue as a percentage of GDP, 2019



Source: See Appendix A2, Options revenue data as provided by the States

Income Taxation (PIT, Health Tax and SSCs)

In general, comparisons across both personal income tax rates and social security contribution rates show that Guernsey's rates are broadly comparable to those of its benchmark jurisdictions. For example, Guernsey's current headline PIT rate (20%) is much less than Luxembourg's highest marginal tax rate (42%), slightly less than Singapore's (22%) and identical to those of Jersey and the Isle of Man.

While no policy option under consideration in this report proposes a higher headline rate of PIT, Option 1 involves an increase in the rate of income taxation through the introduction of a Health Tax of 3%. The impact of the Health Tax is very similar to the impact of increasing PIT by 3 percentage points. Jersey is the only benchmark jurisdiction that currently has a Health Tax. The Jersey Health Tax, known as the long-term care charge, has a headline rate of 1.5% and a marginal rate of 1.95%[10], which is lower than the Health tax under consideration for Guernsey in Option 1.

As well as differences in the rate of PIT, the allowance for which no tax is charged also differs. Guernsey's current allowance is only higher than those of Singapore and Luxembourg but lower than the allowances in the Isle of Man and Jersey. Under Option 1 there would be no change in this allowance and thus no change in Guernsey's position. Under Options 2 and 3, Guernsey's personal allowance would increase to £14,000 and £12,700 respectively. The increase in the allowance under Options 2 and 3 would not be sufficient to change Guernsey's position relative to the benchmark jurisdictions. As well as the tax-free allowance, another key dimension of income taxation amongst some benchmark jurisdictions is the tax cap. The policy options under consideration by the States do not include any change in the levels of these tax caps.

In this report, the term SSC is used to cover all national insurance schemes. In Guernsey, SSCs are currently payable at a rate of 6.6% for employees and employers. This rate is lower than in the Isle of Man and Singapore, where rates of 11%

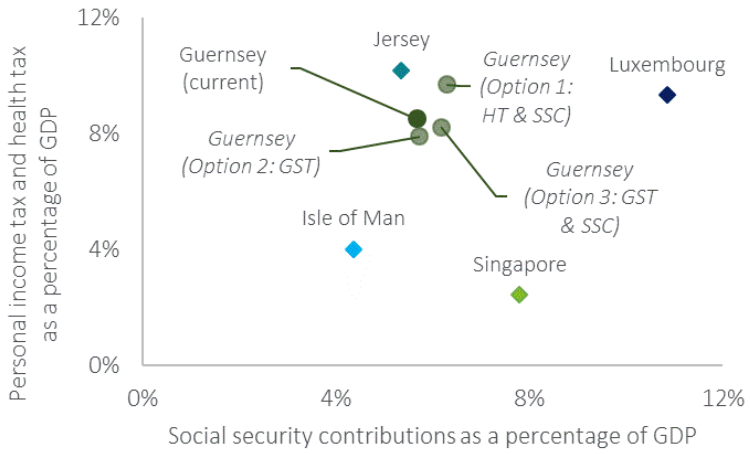
[10] Marginal rates are applied in line with Jersey's PIT

and 20% respectively are charged above lower thresholds.[11] Jersey's social security contribution rate is more comparable to Guernsey's, at 6% for employees and 6.5% for employers.[12] Employers in Jersey are charged at a rate of 2.5% for income between £55,320 and £252,360. By comparison, Guernsey currently charges a rate of 6.6% capped at the same level for both employees and employers. All policy options under consideration involve an increase in the headline rate of SSCs for employees and employers. Under Options 1 and 3 the employee rate is increased to 9% and the employer rate is increased to 7.5%. Under Option 2 the employee rate is increased to 8% and the employer rate to 7.5%. The increases under these options do mean a greater divergence from Jersey but the rates remain lower than in the Isle of Man and Singapore.

All policy options under consideration for Guernsey involve the adoption of the PIT allowance as an SSC allowance, meaning that individuals with income below the allowance threshold will not pay SSCs. The introduction of the allowance, which decreases SSC revenues, and the increased rates, which increase SSC revenues, mean that the change in the level of revenue raised through SSCs under each option is unclear in advance. When the revenue lost from the increased allowance is compared to the revenue gained from the increase in rates, Option 1 sees an increase in SSC revenue, Option 2 sees an increase but to a lesser extent than under Option 1 due to the higher personal allowance, and Option 3 sees an increase greater than under Option 2 but less than Option 1.

Figure 2 compares how the different options under consideration would affect Guernsey's position relative to its peers in terms of the ratio of PIT and Health Tax to GDP and the ratio of SSCs to GDP. Guernsey currently sits below Jersey and Luxembourg in terms of PIT and Health Tax and below Luxembourg and Singapore in terms of SSCs. Options 2 and 3, which are GST based, do not produce a material change in Guernsey's relative position. By contrast, Option 1 significantly increases the ratio of PIT and Health Tax to GDP to a level above that observed in Luxembourg and approaching the higher level found in Jersey.

Figure 2: Personal income tax (PIT) and social security contributions as a percentage of GDP



Source: As in Appendix A2 Figure 7

GST

Guernsey is the only jurisdiction in the benchmarking analysis that does not currently have a GST; in this report the term GST is used to include all forms of consumption tax. The Isle of Man follows the UK's GST regime and thus has a 20% standard rate, Luxembourg's GST is set at 17% and Singapore applies a broad-based, low rate GST at 7%. Jersey introduced

[11] Singapore has an allowance of £4,891 (SGD 9,000) and the Isle of Man has a primary threshold of £7,176. In Luxembourg, however, the minimum annual earnings used to calculate contributions are the legal monthly social minimum wage – at £22,977 (€26,423).
[12] However, Jersey has a much lower upper earnings limit of £55,320 at the 6% rate, compared to Guernsey's limit of £153,660.

a GST at 3% in 2009 and has now increased this to 5%.[13] The current lack of a GST in Guernsey is atypical in the sense that such taxes are common internationally. Across the 37 OECD countries, 36 have some form of GST.[14]

Under Options 2 and 3, a GST would be introduced in Guernsey at rates of 8% and 5% respectively. This level of GST remains at the lower end of the distribution of GSTs, but importantly the 8% GST would be higher than the 5% level currently charged in Jersey. Options 2 and 3 include exemptions for financial services, although many financial services organisations would be liable to pay international services exemption fees. These exemptions closely align to those found in Jersey, which are detailed in Table 10 in Appendix A3, alongside other benchmark jurisdictions' exemptions, all of which include financial services.

Reliance on direct tax revenue

Tax revenue can be delineated by that which is directly paid to the government, such as PIT, SSCs, Corporate Income Tax and the Health Tax, and that which is indirectly paid to the government such as GST. Of the benchmark jurisdictions, Guernsey is currently most reliant on direct taxation, with only 10% of its tax revenue coming from indirect taxation. Option 1 would further increase this reliance, as the level of revenue raised through indirect taxation would fall to 9%. By contrast, under Options 2 and 3, which would see the introduction of a GST at 8% or 5% respectively, the share of tax revenue raised through indirect taxation would increase to 21%, which is greater than the rates for Jersey and Singapore under Option 2, and 17% under Option 3, which is greater than that of Jersey.

Economic impacts

This Report considers the potential economic impacts of the tax policy options proposed by the States. To assess these impacts, we examine the expected changes in the size of the economy and the potential distributional consequences of the policies under consideration.

To maintain current service levels in the face of fiscal pressures arising from an ageing population requires a non-trivial expansion in the size of the state; this issue has been compounded by the impacts of COVID-19. Assuming the States' current working target is achieved, this would see total government revenue as a share of GDP increase from 21.9%, the estimate before 2020 and the resulting COVID-19 impact, to the target of 24%. The States estimate that under Policy Option 1 this increase would be to 23.8% by 2026, under Option 2 the increase would be to 24.1%, and under Option 3 it would be to 24.0%.

Under the options considered in this report, the overall impacts on GDP are unlikely to be large and likely to be short-term in nature; the structure of Guernsey's economy will change as a result of the increase in spending on health and aged care necessary to maintain current service levels. However, it is important to note that the macroeconomic impacts may be exacerbated if there is a disconnect between when the tax revenue is raised and when the revenue is spent. The structural changes may include a reduction in the size of sectors such as wholesale, retail, and repairs. These industries currently make up only about 8% of total GVA, implying that their impacts on the overall economy are unlikely to be very large. The changes proposed will likely include an expansion of the healthcare and government sectors, at 12% of GVA, in order to maintain current service levels in the face of increasing pressure.[15]

As the States have posited that this increase in tax revenue will ultimately be matched by an increase in spending as fiscal pressures manifest, this change will have a relatively small impact on the size of the economy in the long run. There may be a disconnect between when the tax revenue is raised and when it is ultimately spent as the spending is smoothed to keep pace with changes in the demographic profile of Guernsey. This difference in timing will have an impact on GDP up until the point that the accrued revenue is spent. Whilst the overall lasting impact on the economy may be small, the changes will have important distributional consequences and heterogeneous impacts across sectors. Empirical studies

[13] Note that both GST and VAT are taxes on goods and services and thus input/output taxes on consumption. The Isle of Man (alongside the UK) and the EU refer to Value Added Tax (VAT). Others refer to Goods and Services Tax (GST). For simplicity, we will refer to either as a GST throughout this report.
[14] OECD report, "Consumption Tax Trends 2020" available at: https://www.oecd-ilibrary.org/sites/152def2d-en/index.html?itemId=/content/publication/152def2d-en
[15] Guernsey Facts and Figures, 2020, States, available at: https://www.gov.gg/CHttpHandler.ashx?id=131184&p=0

have shown that increases in taxes accompanied by largely unchanged fiscal positions may have temporary impacts on the economy.[16]

Empirical evidence finds that income tax changes have a larger impact than GST on output, private consumption and investment in the short run. The GST is a more efficient tax than income taxation because of its base, which does not include mobile capital income. Further, it can be argued that the ageing population in Guernsey means that PIT revenues are on a downward trajectory, all else being equal, whereas GST revenues are likely to be less affected by this. The GST would help to reduce the States' reliance on direct tax revenue, diversifying their revenue base. GST also causes fewer market distortions as it does not impact the cost of labour or capital directly. Furthermore, the GST decreases in efficiency as rates and the number of exemptions increase. Finally, through increasing the cost of consumption, the GST has a general equilibrium impact via an increase in the savings ratio, which may lead to higher levels of investment that could be beneficial for the economy in the long run. The main drawback of the GST is that it can be regressive, but this may be mitigated through interventions for lower income households, as is proposed in the options outlined by the States. It is also worth noting that the administration and adjustment costs associated with the GST are somewhat independent of the rate selected.

Policy Option 1 is predominantly based on an increase in income taxation and thus there are likely to be transitory impacts on household consumption, GDP growth and employment. Policy Option 2 is based on a GST and is thus most likely to have an impact on inflation in the short term with impacts dissipating after one year. Under Policy Option 3 a lower rate GST is introduced, which will have a more moderate impact on price levels. Option 3 also includes the raising of more revenue through income taxation via SSCs, but this is likely to have a smaller impact on consumption, GDP growth and employment than Option 1.

An increase in the tax to GDP ratio, compliance and administrative costs and changes in incentives will lead to significant short-term transitory impacts as businesses, individuals and the government learn to navigate the new systems and the new structure of the economy. In this context, the short term could refer to a period of around 1 to 3 years. The adjustment costs will be more pronounced where new systems are being introduced, such as in the case of the introduction of a GST. Based on the effect of the GST introduction and subsequent increase in Jersey, a 1 percentage point increase in the GST rate was associated with an increase in price levels of approximately 0.65 percentage points. Given the similar level of proposed exemptions, it is reasonable to assume a similar level of impact for Guernsey; the introduction of a 5% GST will therefore lead to an increase in price levels by approximately 3 percentage points. The impact would likely be greater under Option 2, which includes a GST of 8%. However, after a year this would be expected to have no ongoing impact on inflation as prices settle to a new level.

Given the expenditure drivers and Guernsey's ageing population, the health and aged care sector will benefit most from the increase in government expenditure. The States will need to ensure that the labour market is able to keep up with the changing structure of the economy and the demand for new jobs in sectors such as healthcare. As the economy transitions to a new state, this may require investment in upskilling the labour force or the need to bring in skilled labour from abroad. The described increase in government expenditure may be complicated by the States' ability to expand the healthcare sector and increase health expenditure given the availability of skilled labour.

The economic impacts will not be felt equally across the income distribution. The progressivity of each of the taxes considered is different. The introduction of a broad-based, low-rate GST is a relatively efficient means of raising tax revenues in comparison to an income tax, as it has less impact on people's incentives to work. However, it can be regressive and impact lower income households more as these households tend to spend a larger proportion of their income on essentials. The States have outlined a suite of offsetting measures, such as increasing the tax-free allowance, restructuring social security contributions to make them more progressive, and allocating funding for a compensating increase in income support and an allowance for additional mitigation. This approach is in line with those of other

[16] Guajardo, Leigh & Pescatori (2014) "Expansion Austerity? International Evidence", available at: https://onlinelibrary.wiley.com/doi/abs/10.1111/jeea.12083, Romer & Romer (2007) "The Macroeconomic Effects of Tax Changes: Estimates Based on a New Measure of Fiscal Shocks", available at: https://www.nber.org/system/files/working_papers/w13264/w13264.pdf

countries or jurisdictions increasing government expenditure alongside such tax changes. The resulting impact is that all policy options are progressive when tax impacts are expressed as a share of household income, after taking the States' proposed mitigations into account. In absolute terms, under each policy option the majority of additional tax revenues are raised from those in the highest income quintile. Under Option 1, 73% of revenue is raised from the top 20% of earners; under Options 2 and 3 the figures are 62% and 63% respectively.

The higher earners, defined as individuals with a high income in the top 5% of households,[17] are likely to be impacted most by the changes in personal income tax relative to the impact from the other considered tax changes. They differ from high net worth individuals (HNWIs), who are much smaller in number, are more mobile and would be most influenced by the tax cap and any taxes on capital. The analysis suggests that the proposed changes may not have a material impact on the attractiveness of Guernsey for the higher earners. These individuals are unlikely to see an impact on their employment status as they are employed in high-skilled industries, such as the financial services industry, where changes in marginal income tax rates are one element of a broader list of factors that influence where a business chooses to locate. Aside from these tax changes being comparable to the taxes levied in other benchmark jurisdictions, Guernsey also has an attractive capital taxes policy (with no tax on capital gains and no inheritance tax), along with a corporate tax structure that moves in broad alignment with the other Crown Dependencies'.

A summary of the impacts associated with the policy options is provided below. Short-term impacts are likely to be felt for approximately 1 to 3 years following the introduction of the policies. Macroeconomic impacts are likely to be felt for at least the duration of the disconnect between when revenue is raised and when spending increases. One exception to this is the impact of the GST on inflation, which can be expected to dissipate after one year as suggested by empirical studies.

[17] Appendix A1 sets out the criteria for identifying these higher earners from the data on the top 5% in Guernsey.

	Policy Option 1 (income tax based)	Policy Option 2 (GST based)	Policy Option 3 (GST & income)
Tax revenue as a share of GDP	↗ 21.4%	↗ 21.7%	↗ 21.5%
	Tax revenue currently 19.1% of GDP Guernsey's ranking relative to benchmark jurisdictions would not change		
PIT + Health Tax revenue as a share of GDP	↑ 9.7%	↓ 7.9%	↘ 8.2%
	PIT + Health Tax revenue currently 8.5% of GDP Guernsey's ranking relative to benchmark jurisdictions would increase by 1 under Option 1		
SSC revenue as a share of GDP	↑ 6.3%	↔ 5.7%	↑ 6.2%
	SSC revenue currently 5.7% of GDP Guernsey's ranking relative to benchmark jurisdictions would not change		
GST revenue as a share of GDP	↔ 0.0%	↑ 2.7%	↗ 1.7%
	GST revenue as a share of GDP currently 0% in Guernsey as there is no GST Guernsey would have the 3rd highest GST revenue relative to GDP amongst benchmark jurisdictions under Option 2 but would remain lowest under Option 3		
Short-term impact on household consumption	↓	↗ due to decreased income taxation	↘
Short-term impact on GDP growth	↓	↗ due to decreased income taxation	↘
Short-term impact on employment	↓	↗ due to decreased income taxation	↘
Short-term impact on Inflation	↔	↑	↗
Progressivity	✓	✓	✓
Most impacted household type	2 working age adults and children by 2.7%	2 working age adults with children by 2.2%	2 working age adults with children by 2.2%
Impact on higher earners income	↓ 3 to 4%	↘ 2 to 3%	↘ 2 to 3%

Key Findings

- In comparison to those of other OECD countries, and the benchmark jurisdictions considered in this report, the States' tax revenues as a percentage of GDP are on the lower end. If Guernsey were to raise its PIT or SSC rates, or introduce a Health Tax, the illustrative tax rates considered in this report and the reliance on direct taxes would **still be broadly comparable to those of the benchmark jurisdictions**. Though it is worth noting that Guernsey is currently reliant on direct taxation for the majority of its tax revenue and Option 1 (the introduction of a Health Tax along with a restructuring of SSCs) would compound this reliance.
- In the context of other OECD countries and the benchmark jurisdictions considered here, Guernsey is **atypical in that it does not currently have a GST in place**. While the GST rates under consideration of 8% in Option 2 and 5% in Option 3 are within the range of benchmark jurisdictions, a rate of 8% would be higher than the level currently in place in Jersey.
- **Overall impacts on GDP are likely to be limited over time,** given that tax increases will be approximately matched by an increase in spending to maintain current service levels given an ageing population. However, there will be **transitory impacts on the economy** as the structure of the economy changes. **Short-term impacts will also be felt to the extent that there is a disconnect in the timing of when the tax revenues are raised and when they are spent.**
- An introduction of a GST at a rate of 5%, as in Option 3, could be expected to lead to a **short-term increase in price levels** of approximately 3 percentage points and this impact would likely be greater if a GST was introduced at 8%, as would be the case under Option 2. There will also be upfront compliance and administrative costs as businesses learn to navigate the new legislation as well as ongoing compliance costs.
- As the structure of the economy changes, the impacts on sectors will differ. An increase in taxes on income will adversely impact household consumption and therefore **impact sectors such as wholesale, retail, and transport**. On the other hand, the increase in expenditure on healthcare driven by **increasing demand for healthcare will expand these sectors**.
- The **introduction of a GST is less progressive than other core tax levers**. When a broad-based GST has been introduced in other jurisdictions, it has often been accompanied by other changes to support lower income households in an effort to redress some of the regressivity; this approach has also been suggested within the options proposed by the States. **These mitigating interventions help to offset the regressive impacts of the GST under Options 2 and 3 such that each option under consideration is progressive in terms both of absolute revenues raised and of revenues raised as a share of income or expenditure.**
- Of the tax changes proposed, higher earners (part of the top 5% of households) are most likely to be adversely impacted by increases in income taxation. Given the nature of the industries they work in (high-skilled), it is **unlikely that their employment status will be adversely impacted given that changes in the marginal personal income tax rate may not be a significant factor when companies choose where to locate**. Furthermore, given that there are currently no capital gains taxes in Guernsey, and that a majority of the higher earners have lived in Guernsey for over 10 years, it is **unlikely that the tax changes illustrated here will lead to a material change in factors that make Guernsey an attractive location for some of these higher earners**.

2 Introduction

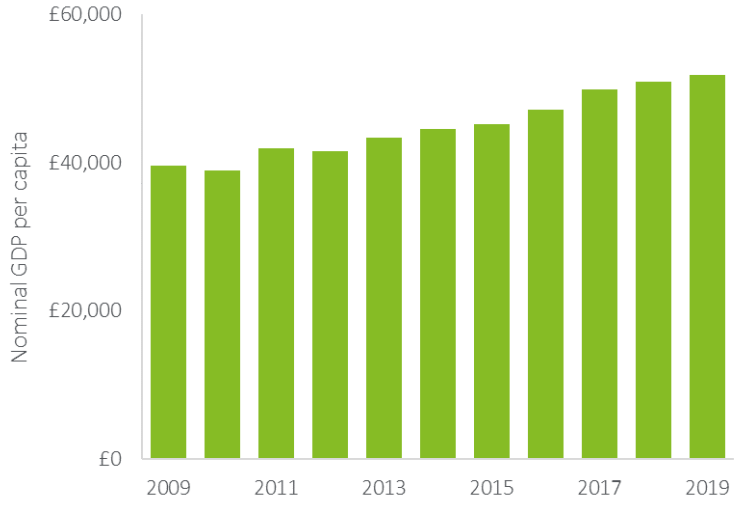
Guernsey's economy has grown considerably over the last decade, but an ageing population and the fiscal impacts of the Covid-19 pandemic have led to a need to increase spending to maintain current service levels

2.1. Background and context

This Report discusses the impact of certain tax policy changes in Guernsey, which includes Herm, and Alderney, where residents and businesses are subject to Guernsey's tax regime. For the purposes of this Report all references to Guernsey apply to both Guernsey and Alderney. The impact of any selected tax reform is contingent on the economic conditions which prevail in Guernsey at the time, and to that end it is important to understand the current economic context in Guernsey.

Guernsey's economy has flourished over the last 10 years. We measure the size of the economy using Gross Domestic Product (GDP) and Gross Value Added (GVA). GDP is a monetary measure of the value of goods and services in the economy, measured in Guernsey using the income approach. The components include employees' compensation, gross operating surplus of companies and government, mixed income from sole traders, household income, and taxes less subsidies. GVA is GDP before including taxes less subsidies. Guernsey's nominal GDP per capita has increased from £39,555 in 2009 to £51,868 in 2019.[18] Figure 3 shows the increase in Guernsey's nominal GDP per capita from 2009 to 2019.

Figure 3: Guernsey's nominal GDP per capita (2009 – 2019)



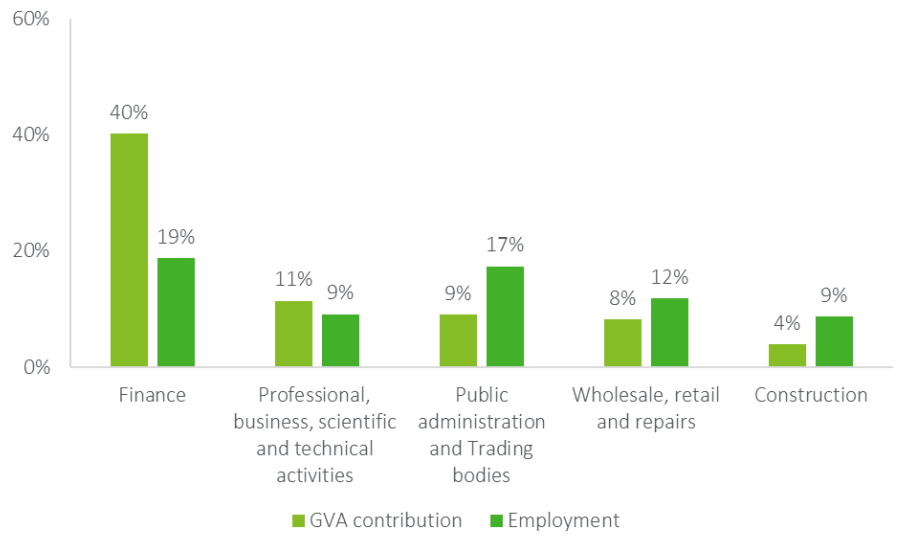
Source: The States government website, 'Supplementary GVA and GDP Data 2019' for 2009- 2019 data, available at https://www.gov.gg/gdp.

The finance sector has long been important to Guernsey's economy and has been one of the prime drivers of growth. Indeed, the finance sector has remained the largest single sector by Gross Value Added (GVA) in the last 20 years. In 2019, this sector comprised 40% of Guernsey's GVA. In the last 20 years, the finance sector has grown by approximately 225%, with its GVA increasing from £0.4 billion to £1.3 billion. In comparison, overall GVA has grown by 164%. The finance sector

[18] The methodology used to estimate GDP was updated in 2017 and series were backdated to 2009. Guernsey Facts and Figures Supplementary Data, 2020, States, available at: https://www.gov.gg/CHttpHandler.ashx?id=131185&p=0

also continues to be the largest sector by employment. Figure 4 shows the five largest sectors by GVA contribution and employment in Guernsey.

Figure 4: Largest sectors by GVA contribution (2019) and employment (March 2020)



Source: The States government website, 'Supplementary *GVA and GDP Data 2019', available at https://www.gov.gg/gdp & 'Facts and Figures 2020 Supplementary Data: T 2.16, F 2.16 – Employment by economic sector', available at https://www.gov.gg/ff*

2.2. Fiscal context

The States published a Fiscal Policy Framework in 2019 that sets out the key principles on which their fiscal policy should be based.[19] One of the key elements of the States' fiscal policy is that it should operate on a principle of long-term permanent balance – any increases in government spending should be offset with an increase in government revenues. This framework clearly sets the limits on the annual net deficit such that, in any given year, Guernsey's net deficit should not exceed 15% of its operating revenues. As of 2020, Guernsey's expected deficit is £64 million, 2.1% of the 2020 GDP estimate, which has been achieved by limiting capital spending.[20]

Guernsey's current tax base and levels are relatively low compared to those of other countries or jurisdictions. For example, the States currently collect 19% of annual GDP in tax revenues (with a further 2-3% from other revenue sources) compared to 23% in Jersey and 33% in the United Kingdom.[21] As of 2018, 29% of public expenditure was spent on health and community services, 20% on old age pensions, and 14% on social welfare benefits.[22] Given the fiscal pressures of an ageing population identified in their Fiscal Policy Framework Report, the States believe these costs will increase in the future, and, as a result of the growing demand for services, will present critical challenges to the sustainability of existing services.[23]

This increased demand on public finances was estimated to require between £79 million and £132 million per annum in additional revenue in the Fiscal Policy Framework published in 2019.[24] While government priorities are currently under review, the impacts of COVID-19 have intensified Guernsey's pre-existing financial pressures. In order to meet this demand, the overall revenue working target, to be considered as a working assumption for the purposes of this Report, as provided to us by the States, is 24% of GDP per annum over five years. To meet the needs of their ageing population,

[19] The Review of the Fiscal Policy Framework and Fiscal Pressures, available at: https://www.gov.gg/CHttpHandler.ashx?id=122178&p=0
[20] The States of Guernsey Accounts 2020 as provided by the States
[21] Revenue Statistics 2020 – the United Kingdom, available at https://www.oecd.org/tax/revenue-statistics-united-kingdom.pdf
[22] Guernsey Facts and Figures, 2020, States, available at: https://www.gov.gg/CHttpHandler.ashx?id=131184&p=0
[23] The Review of the Fiscal Policy Framework and Fiscal Pressures, available at: https://www.gov.gg/CHttpHandler.ashx?id=122178&p=0
[24] The Review of the Fiscal Policy Framework and Fiscal Pressures, available at: https://www.gov.gg/CHttpHandler.ashx?id=122178&p=0

the States can either reduce costs from other parts of their expenditure, increase their overall deficit and debt, or raise additional revenues. Given the predicted increase in expenditure as mentioned above, the States do not consider that greater expenditure control alone can provide a solution. Furthermore, the States also have to fund their capital programme, which ensures that investment in key infrastructure is undertaken in the Bailiwick.

Funding costs through a higher deficit is not viewed by the States as a sustainable long-term solution, especially since the States' costs are likely to continue to increase with an ageing population. Furthermore, tax revenues, which are currently highly dependent on personal income tax (PIT), social security contributions and corporate income tax, are also determined by the proportion of the population that is of working age, which is likely to reduce with time.

It is in this context that the States are reviewing potential changes to Guernsey's tax structures so that they are capable of raising revenues up to the 24% of GDP limit.

2.3. Tax Options

To raise the finances needed to meet the future demand of public provision, the States have provided us with three tax policy options for analysis and further consideration. Option 1 would raise revenue through a Health Tax of 3% levied on income and increased social security contributions. Option 2 would raise revenue through a GST of 8% and increased social security contributions, while offsetting this would be a reduction in tax revenues due to an increase in the PIT allowance from £11,875 to £14,000. Option 3 would raise revenue through a GST of 5% and increased social security contributions, while offsetting a reduction in tax revenues due to the PIT allowance increasing from £11,875 to £12,700.

While an assumption is made about changes in corporate taxation, as outlined below, a specific discussion of this policy and its broader impacts is beyond the scope of this report. Other tax changes such as tax on real property, road pricing and excise taxes are under consideration by the States of Guernsey, but these are unlikely to make a significant contribution and, as such, will only be briefly described in comparison to the other benchmark jurisdictions in Section 3.

Corporate Income Tax (CIT)

According to the OECD*, on 1 July 2021 "130 countries and jurisdictions joined a two-pillar plan to reform international taxation rules to ensure that multinational enterprises pay a fair share of tax wherever they operate." "Pillar One will ensure a fairer distribution of profits and taxing rights among countries with respect to the largest MNEs (multinational enterprises with a global turnover above 20 billion euros and profitability above 10%), including digital companies. It would re-allocate some taxing rights over MNEs from their home countries to the markets where they have business activities and earn profits, regardless of whether firms have a physical presence there." "Pillar Two seeks to put a floor on competition over corporate income tax, through the introduction of a global minimum corporate tax rate (for MNEs with global revenues of more than 750 million euros) that countries can use to protect their tax bases." The minimum rate under Pillar Two will be at least equal to the 15% assumption used in this report. The 130 countries and jurisdictions referenced in the OECD publication include Guernsey and all benchmark jurisdictions analysed in this report: Jersey, the Isle of Man, Singapore and Luxembourg.

For the purposes of this report, The States of Guernsey have used a working assumption that the impact of the Pillar One and Pillar Two proposals would raise an additional £10m in revenue. The States of Guernsey have stated that this change is independent of the policy options under consideration.

*https://www.oecd.org/newsroom/130-countries-and-jurisdictions-join-bold-new-framework-for-international-tax-reform.htm

The tax policy options under consideration each make use of different core levers. Option 1 raises revenue through a tax on income whereas Option 2 raises revenue through a tax on consumption. Option 3 also raises revenue through a tax on consumption; however, through the restructuring of social security contributions, it will also raise revenue through income taxation to a greater extent than Option 2.

The following section sets out what each of the main tax levers is and their theoretical impacts.

2.3.1. Personal Income Tax (PIT) and the Health Tax

PIT is a direct tax charged on individuals' earnings that is usually applied on income earned above a tax-free allowance. The States' current headline tax rate of 20% is charged on earnings above the 2021 allowance of £11,875, with no other rates applied, but there are a number of other allowances and benefits granted.[25] Currently, the personal allowance in Guernsey is withdrawn at a rate of £1 for every £5 of income earned in excess of £100,000.[26] Consequently, very high earners do not benefit from the personal allowance and other allowances and deductions available in Guernsey.

The current cap on personal income tax for worldwide income is £260,000 or £130,000 for non-Guernsey sources of income.[27] There are other tax caps charged in Guernsey, including a £50,000 cap for Alderney residents.[28] In addition, an open market cap of £50,000 is applicable to newly resident individuals for the first four years of their residence subject to certain requirements.[29] Certain Guernsey residents can also elect to pay a standard charge, which is set at the higher of £40,000 or the tax on the individual's Guernsey source income.[30]

The States have proposed some changes to PIT and Health Tax under the three tax policy options. Option 1 involves the introduction of a 3% Health Tax which would be administered in the same way as PIT, Option 2 involves an increase in the PIT allowance to £14,000, and Option 3 involves an increase in the PIT allowance to £12,700. No option under consideration includes a change in the level of the tax caps.

Income taxation rates vary significantly across countries, often accompanied by intra-country variation in the marginal tax rate as income increases. In OECD countries, the revenue from PIT makes up a significant proportion of collected tax revenue, at an average level of 24% in 2018.[31] Furthermore, over 60% of OECD countries report a PIT share of more than 20% of overall tax income.[32]

Theoretically, PIT is considered the main method of redistributing income from higher income to lower income households. However, this depends on the structure and progressivity of the tax.[33] PIT reduces the value of labour, as an individual earns less take-home income for the same amount of work. Therefore, any decision to change the rate of PIT, or the rate of income taxation more broadly, has the potential to theoretically affect labour supply decisions. Furthermore, the decrease in disposable income that results from a higher level of taxation may also reduce household expenditure, which in turn has an impact on the economy.

The overall impact of a PIT increase or the introduction of a Health Tax will depend on whether the government uses this revenue to reduce the deficit or whether it redistributes this revenue. If the revenue collected from this increase in tax is spent by the government, this could counteract the adverse effect that lower household spending has on economic growth. The nature of this government spending could also improve redistribution if focused on welfare provisions.

2.3.2. Social Security Contributions (SSC)

The social security contributions (SSC), as discussed in this report, covers all national insurance schemes. Guernsey's employed persons' social security contributions are currently based on the earnings of employees and is usually split into

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[25] A single parent's annual "Charge of Children" allowance is £8,075 and the mortgage interest cap on tax relief is £5,000. A detailed list is available at: https://www.gov.gg/CHttpHandler.ashx?id=135587&p=0. A carer gets an annual allowance of £4,671 as in: https://www.gov.gg/CHttpHandler.ashx?id=102818&p=0

[26] See details on the limit for withdrawal, allowances and deductions withdrawn as well as the way withdrawal is phased in: https://www.gov.gg/wopa

[27] See "Tax cap for individuals" in: https://www.gov.gg/CHttpHandler.ashx?id=135587&p

[28] All States tax caps summarised here: https://gov.gg/taxcap

[29] "This cap can only be claimed if the individual that has paid £50,000 or more in document duty on the purchase of a property, that is on Part A of the Open Market Register, and that property is purchased within 12 months (either before or after) they take up permanent residence in Guernsey." See: https://gov.gg/taxcap

[30] Residency and tax liability information is summarised in: https://gov.gg/residency

[31] OECD e-book, "Revenue Statistics 2020", available at: https://www.oecd-ilibrary.org/sites/8625f8e5-en/index.html?itemId=/content/publication/8625f8e5-en

[32] OECD data on tax and personal income, available at: https://data.oecd.org/tax/tax-on-personal-income.htm

[33] Analysis of UK data shows that a reduction in average direct tax rate – which includes income tax – and an increase in progressivity have had a positive impact on redistribution. See ONS website, "The effects of taxes and benefits on income inequality", available at: https://www.ons.gov.uk/peoplepopulationandcommunity/personalandhouseholdfinances/incomeandwealth/bulletins/theeffectsoftaxesandbenefitsonincomeinequality/1977tofinancialyearending2015#what-impact-do-taxes-and-benefits-have-on-income-inequality

two parts, with the employer and the employee both making contributions. Contributions are also made by self-employed persons and by non-employed persons.

The current rate for both employees and employers in Guernsey is 6.6%, the self-employed rate is 11% and the non-employed rate is 10.4% (the non-employed rate applies to all types of income, not just income from labour). A lower non-employed rate of 3.4% is applied to those over state pension age. The social security contributions are charged up to an upper earnings limit of £153,660.

Currently, Guernsey has a lower threshold for SSCs above which contributions are paid on all employed or self-employed income. As proposed by the States, an allowance for social security contributions would be introduced and aligned with the allowance for income tax for all options. Under the allowance SSCs are payable on the first pound above the threshold, with the lower earnings limit SSCs become payable on income below the threshold and for the first pound above the threshold, creating a spike in the effective marginal tax rate. Further, under all tax policy options considered in this report, employee SSCs would be charged on all income less the allowance and up to the upper earnings limit rather than on gross earnings as is currently the case. The employer rate would be charged on all earnings but would no longer be subject to an upper earnings limit.

For Option 1, the current SSC lower earnings limit of £7,696 would be superseded by the allowance of £11,875.[34] The employee rate would increase from 6.6% to 9.0% and the employer rate would increase from 6.6% to 7.5%. For Option 2, the SSC allowance (given its alignment with the PIT allowance) is increased from £11,875 to £14,000. The employee rate would increase from 6.6% to 8% and the employer rate would increase from 6.6% to 7.5. For Option 3, there would be an increase in the SSC allowance from £11,875 to £12,700. The employee rate of SSCs would increase from 6.6% to 9.0% and the employer rate would increase from 6.6% to 7.5%. The self-employed rates and non-employed rates would also change, as is shown by option in Table 2.

The report focuses on the impact of the change in the level of total SSCs. In the case of Policy **Option 1, the net effect of the changes outlined above is an increase in the level of SSCs by £21m. For Policy Option 2, the net effect of the changes outlined above is an increase in SSCs by £2m. For Policy Option 3, the net effect of the changes outlined above is an increase in SSCs by £17m.**

OECD countries have an average social security to total tax revenue ratio of 26%, higher than the average for PIT.[35] It is also the most important source of tax revenue for countries like France, Germany and the Netherlands.[36]

The impact of a social security tax on individuals is similar to that of a PIT. It reduces the value of labour, as an individual earns less after-tax income for the same amount of work. When employer contribution rates increase, research suggests that employees shoulder approximately two thirds of the burden of an increase in social security contributions through a wage reduction.[37] There is some evidence which shows that individuals perceive social security and PIT differently if their social security contributions are directly linked to some future benefits they will receive (for example, pensions). In this case, individuals perceive it as a price rather than a tax.[38] This helps to mitigate the adverse impacts on labour supply as this perception leads to individuals not associating a rise in social security rate with a devaluation of labour. Such reasoning may also exist for the Health Tax relative to an equivalent change in the headline rate of PIT.

[34] In addition, class 2 contributions, which are currently not subject to any lower earnings limit or allowance, would also benefit from this allowance.
[35] OECD data on tax and social security, available at: https://data.oecd.org/tax/social-security-contributions.htm#indicator-chart & https://data.oecd.org/tax/tax-on-personal-income.htm#indicator-chart
[36] OECD data on tax and social security, available at: https://data.oecd.org/tax/social-security-contributions.htm#indicator-chart
[37] "Who really pays social security contributions and labour taxes?" available at: https://voxeu.org/article/who-really-pays-social-security-contributions-and-labour-taxes
[38] Goudswaard & Caminada (2016) "Social security contributions: Economic and public finance considerations" available at https://www.researchgate.net/publication/297713926_Social_security_contributions_Economic_and_public_finance_considerations

Social security contributions levied on employers will have a greater impact on sectors that depend more on labour compared to capital. Therefore, sectors such as hospitality, that are labour intensive but have lower profit margins, could be relatively more impacted by social security increases.

2.3.3. Goods and Services Tax (GST)

As discussed in this report, the GST covers all types of consumption tax and there is currently no GST in place in Guernsey. Under Policy Option 2 and Option 3 a broad-based low rate GST would be introduced at the point of sale on goods and services at a rate of 8% in the case of Policy Option 2 and 5% under Policy Option 3. The scheme considered in this report is broadly equivalent to that applied in Jersey[39], which has a low rate and broad-based GST. Exemptions are limited and apply primarily to financial services and some health-related services. Zero-rating is applied to the buying, selling and renting of accommodation and exported goods and services (including exported financial services). As in Jersey, while domestic financial services would be exempt, an International Services Entities (ISE) scheme would be available for international financial services organisations to opt into. At a fee, this would entitle the beneficiaries to GST exempt supplies and involve a simplified GST charge reclamation process.

The term Goods and Services Tax is analogous to Value Added Tax (VAT). While such taxes are referred to as VAT in the EU, UK, and the Isle of Man, for consistency, all taxes of this variety will be referred to as GST in this Report. Guernsey is fairly atypical in the sense that it does not currently have a GST; 36 of the 37 countries in the OECD charge GST. On average, their GST rates are 19.3%.[40] This tax raises 20% or more of total tax revenue in most of the countries, ranging from 15.4% of total taxes in the United States to 49.5% in Chile.

An increase in the GST rate essentially increases the price of the relevant goods or services by that rate, resulting in lower real income for consumers. A GST without any adjustments can be regressive, since lower income households typically spend a larger percentage of their income on essential items such as food, where the demand elasticity is low.[41] This is often the reason for lower rates or zero-rating of essential items. Recently, an alternative approach has been adopted in some countries where a broad-based GST is introduced at a lower rate, and compensation is provided by other means to minimise the regressive impacts.[42] There is evidence to suggest that, in OECD countries, fewer exemptions and zero ratings are better for long-term growth than an increase in the standard rate of the GST.[43] This is because the former broadens the GST base and in turn improves the efficiency of the tax. The added intricacy of GST administration due to the inclusion of multiple exemptions and zero ratings is another reason why countries may adopt a simple GST structure.

A GST also has an effect on businesses via the costs of compliance. Based on a study evaluating the impact of a GST on Australian small businesses during the introductory period of the tax, these compliance costs can be as high as approximately 3% of annual turnover.[44] The burden of ongoing compliance is lower, the highest estimate being 1% of annual turnover.[45] The complexity of the tax reclamation process could also require time commitments and specific know-how in addition to the financial costs of compliance. This has been highlighted as a point of improvement in a European Commission study.[46]

Empirical evidence finds that income tax changes have a larger impact than the GST on output, private consumption and investment in the short run. The GST is a more efficient tax relative to income taxation because its base does not include mobile capital income. Further, it can be argued that the ageing population in Guernsey means that PIT revenues are on

[39] Jersey's GST is fully outlined Table 10.
[40] OECD report, "Consumption Tax 2020" available at: https://www.oecd-ilibrary.org/sites/152def2d-en/index.html?itemId=/content/publication/152def2d-en
[41] IMF eLibrary, "Value-Added Tax: Administrative and Policy Issues", available at: https://asean.elibrary.imf.org/view/IMF084/07774-9781557751843/07774-9781557751843/ch01.xml
[42] For example, the UK zero-rates most food items and levies a lower rate of 5% on domestic fuel, while its standard rate is 20%. Most EU countries charge a reduced rate on food items, except Malta and Ireland where zero ratings apply to some foodstuff: https://www.avalara.com/vatlive/en/vat-rates/european-vat-rates.html
[43] IMF working paper, "The Value Added Tax and Growth: Design Matters", available at: https://www.imf.org/~/media/Files/Publications/WP/2019/WPIEA2019096.ashx
[44] "The Impact of the Introduction of the GST on Small Business in Australia", available at: https://www.emerald.com/insight/content/doi/10.1108/eb060751/full/html
[45] Ibid
[46] European Commission report, "VAT refunds and reimbursements: A quantitative and qualitative study ", available at: https://ec.europa.eu/taxation_customs/sites/taxation/files/20190620_final_report_vat_reimbursements.pdf

a downward trajectory, all else being equal, whereas GST revenues are likely to be less affected by this. GST also causes fewer market distortions as it does not impact the cost of labour or capital directly. Furthermore, the GST decreases in efficiency as rates and the number of exemptions increase. Finally, through increasing the cost of consumption, the GST has a general equilibrium impact through an increase in the savings ratio, which may lead to higher levels of investment which could be beneficial for the economy in the long run. The main drawback of the GST is that it can be regressive, but this can be mitigated through interventions for lower income households as is proposed in the options outlined by the States.

In general, countries and jurisdictions zero-rate exports for the purposes of the GST. This is because a GST will generally be applied to exports at their point of sale in the country where they are consumed (at the rates of the destination country). This is to ensure that world prices are not distorted as a result of a GST. As outlined previously, the tax is usually levied on imports at the point of sale.

Table 2, which summarises the changes relative to the current tax regime in Guernsey under the three policy options, is provided below for reference. The table also shows the allowances for additional mitigations under each scenario and the accompanying changes in income support.

Income support payments would fall under all options as a result of the introduction of the SSC allowance, and the increased PIT allowance for Options 2 and 3. As well as these automatic fiscal stabilisers, the States have allocated funds to offset the regressive impacts of the GST in Options 2 and 3. £6m to £9m has been allocated to combat the regressivity of the 8% GST in Option 2, while £4m to £5m has been allocated for this in Option 3 where a 5% GST would be introduced. Some of this will be temporary, such as pre-empting the inflationary uprating of pensions and benefits which would otherwise not occur for up to 12 months. Others, such as the above inflation increase in income support or the provision of additional cost support grants will be on-going costs. As well as these increases in income supports, the States have also allocated £0.5m and £0.3m as allowances for further mitigation in options 2 and 3 respectively.

The final row in Table 2 includes the States' estimates of the administration costs associated with managing the GST, which would be set at £0.8m regardless of the rate.

Table 2: Current Guernsey Tax Regime and Tax Options

Lever	Approach	Current	Option 1: 3% Health Tax + SSC	Option 2: 8% GST, higher PIT allowance & small SSC increase	Option 3: 5% GST, higher PIT allowance + SSC
GST	Rate	0%	No change	8%[47]	5%[48]
PIT/Health Tax	Rate	20% PIT	3% Health Tax	No change	No change
	Allowance	£11,875[49]	No change	£14,000	£12,700
Social Security Contributions	Class 1 – employed persons				
	C1 allowance	£7,696[50]	£11,875	£14,000	£12,700
	C1 Employee <65	6.6%	9%	8%	9%
	C1 Employee <65 income treatment	Gross earnings <UEL once LEL exceeded	All income less allowance <UEL	All income less allowance <UEL	All income less allowance <UEL
	C1 Employer rate	6.6%	7.5%	7.5%	7.5%
	C1 Employer income treatment	Gross earnings <UEL	All earnings	All earnings	All earnings

[47] Applied on a broad basis with limited exceptions in line with application in Jersey (https://www.gov.je/TaxesMoney/GST/GSTCustomers/Pages/PayingGSTJersey.aspx). Primary exemptions include financial services and some health-related expenditure. All exports including financial services are assumed to be zero-rated.
[48] Applied on a broad basis with limited exceptions in line with application in Jersey (https://www.gov.je/TaxesMoney/GST/GSTCustomers/Pages/PayingGSTJersey.aspx). Primary exemptions include financial services and some health-related expenditure. All exports including financial services are assumed to be zero-rated.
[49] Withdrawn at £1 for every £5 of income above £100k.
[50] This SSC lower earnings limit (LEL) differs from the SSC allowances. When income crosses the lower earnings limit, tax becomes payable on all income up to this point. By contrast with an allowance set at the same rate the tax would only be payable on income in excess of the allowance.

	Class 2 – self-employed persons				
	C2 allowance	-	£11,875	£14,000	£12,700
	C2 <UEL rate	11%	9%	8%	9%
	C2 <UEL income treatment	Gross earnings <UEL once LEL exceeded	All income less allowance <UEL	All income less allowance <UEL	All income less allowance <UEL
	C2 SE employer / above UEL rate	11%	5%	5%	5%
	C2 employer / above UEL income treatment	No charge	All earnings	All earnings	All earnings
	Class 3 – non-employed				
	C3 non-employed <65 allowance	£8,695	£11,875	£14,000	£12,700
	C3 non-employed <65 rate	10.4%	9%	8%	9%
	C3 non-employed <65 income treatment	All income	No change	No change	No change
	C3 non-employed >64 allowance	£8,695	£11,875	£14,000	£12,700
	C3 non-employed >64 rate	3.4%	4.5%	4%	4.5%
	C3 non-employed >64 income treatment	All income	No change	No change	No change
Income support	Reduction due to higher income	-	-£0.4m	-£1.8m to -£2.3m	£1m to -£1.5m
	Pre-emptive inflation increase	-	-	£6m to £9m	£4m to £5m
	Above inflation increase			£1.4m to £2.4m	£0.8m to £1.2m
	Additional mitigation allowance	-	-	£0.5m to £2.5m	£0.3m to £0.7m
Admin costs	Ongoing GST admin cost	-	-	£0.8m	£0.8m

Source: The States of Guernsey

The GST introduction means that a tax is levied on goods and services at the point of sale. Understanding the consequences for the total level of income taxation is more complicated given the number of affected elements of income taxation that are included in the options. For example, this includes the Health Tax, the PIT allowance, the SSC allowance and the rate of SSCs.

Figure 5 compares how the marginal tax rate varies across the income distribution currently in Guernsey and subsequently under each policy option under consideration. The marginal tax rate shows the percentage rate of tax paid on income for

the next pound earned. The final chart in Figure 5 shows the difference in rate for each income level relative to the current level for each policy option.

Guernsey's current income tax schedule has 6 points of inflection for those with incomes from £0 to £200,000.[51] The first is the SSC lower earnings limit, which means that income between £0 and £7,696 is subject to no tax. However, the first pound of income in excess of £7,696 results in all income up to this level becoming eligible for SSCs, resulting in exceptionally high marginal rates as the threshold is passed. After this initial spike in SSCs, income between £7,696 and the PIT allowance of £11,875 is subject to Class 1 SSCs at a rate of 6.6%. Income between £11,875 and £100,000 is subject to both PIT and SSCs, meaning that the effective marginal tax rate for income in this range is 26.6%. At an income level of £100,000 the tax-free PIT allowance is reduced at a rate of £1 for every £5 the income is above the £100,000 threshold. The withdrawal of the allowance increases the effective marginal tax rate to 30.6%. This marginal rate of taxation falls to 24.0% for income in excess of £153,660 as the SSC upper earnings limit is reached. This rate is charged only up to an income level of £159,375, when the withdrawal of the tax-free allowance is complete[52]; for income in excess of this level only PIT is charged at a rate of 20% and this rate holds for income levels up to the level of the tax cap.

Under tax Policy Option 1 the PIT allowance and SSC allowance are aligned, meaning that in Guernsey no-one would pay any tax or SSC on their income below £11,875. The other changes to the rate of tax on income for Option 1 are the 3% Health Tax and the increase in SSCs, such that the effective marginal rate is 5.4 percentage points higher when compared to the current system.

Under Policy Options 2 and 3, the PIT and SSC allowance are aligned and increased to £14,000 or £12,700 respectively. This means that in Guernsey no one would pay any form of tax on their income below £14,000 under Option 2 or £12,700 under Option 3. There is no Health Tax in Policy Options 2 or 3 but there is some increase in marginal rates from SSCs, as seen in Figure 5 below. The final change is that given the higher tax-free allowance value, the income level at which this withdrawal is complete is higher (currently the withdrawal is complete by £159,375; under Option 2 this would not be complete until an income level of £170,000 and under Option 3 £163,500[53]). A visual summary of these changes relative to the current situation is provided in the final chart.

[51] The tax caps are discussed elsewhere in this report.

[52] Other allowances and deductions such as pension contributions and mortgage interest relief are also withdrawn. Therefore, this is indicative of a situation where an individual only receives a PIT allowance. There is a myriad of thresholds at which the marginal rate falls when other withdrawals are considered.

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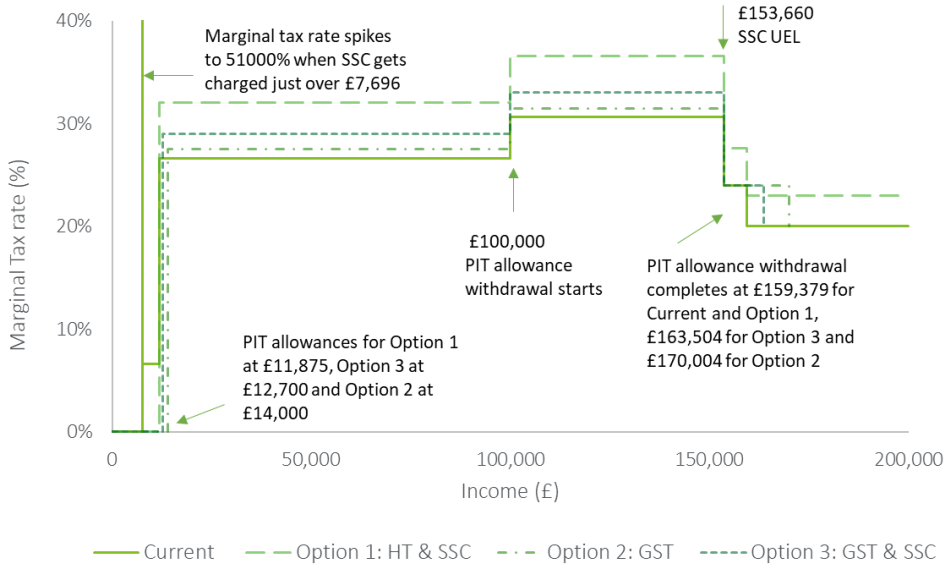
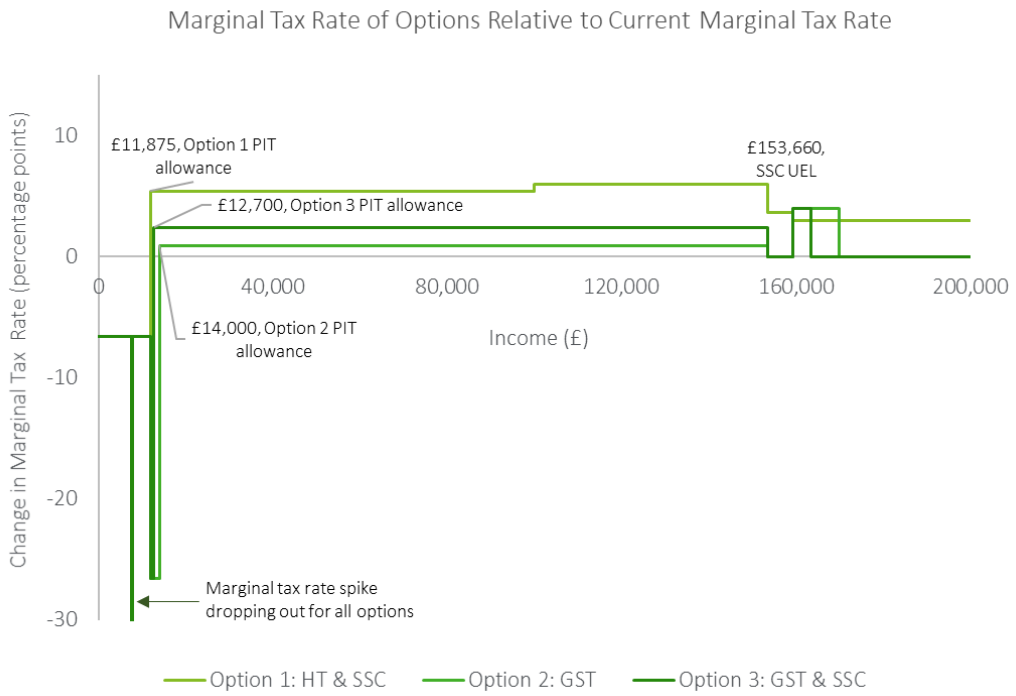
Figure 5: Marginal Tax Rates for Current Regime and Options (PIT, Class 1 employee SSCs and Health Tax)





Source: See Table 2 above for current rates; options data as provided by the States

Key Insights

Guernsey's economy has flourished over the past 10 years with significant growth in per capita GDP between 2009 and 2019. The finance sector is Guernsey's largest contributor to GVA and employment.

The States collect 19% of GDP as tax revenue, and 2-3% of GDP as revenue from other sources. Due to growing demographic pressures and the impact of COVID-19, there is an increasing demand on public finances. To meet these needs, the States can either reduce expenditure, increase overall deficit and debt, or raise revenues. Expenditure restraint alone, which is being examined separately by the States, is not deemed a solution. Similarly, deficit funding is not sustainable, as the ageing population is increasing. Thus, the States are reviewing potential changes to Guernsey's tax structures so that they are capable of raising revenues up to the 24% of GDP limit.

This report considers three tax reforms that may help to achieve this. The tax policies considered are: Option 1 (3% Health Tax + significantly increased SSCs), Option 2 (8% GST + PIT decrease due to higher allowance + modestly increased SSCs) and Option 3 (5% GST + modest PIT decrease due to higher allowance + moderately increased SSCs).

Changes in personal income taxation through the introduction of a Health Tax may distort the labour market, as it changes the value of labour. The wider economic impacts of changes in income taxation are contingent on whether and when the revenues are spent. If revenues are spent instantaneously, the adverse economic impacts of the tax increase are approximately offset by the benefits of increased government spending. The impacts of social security contributions and a Health Tax are similar to that of PIT. However, social security contributions and the Health Tax may be less distortionary than PIT since they are perceived as a price for the consumption of public goods.

GST is a more efficient tax relative to PIT, especially at low rates. However, GST has a direct price impact and can be less progressive than the income taxation described above if it is not complemented with offsetting policies for lower income households. Evidence from the OECD suggests that fewer exemptions and zero ratings are better for economic growth in the long run. The introduction of a GST is likely to be accompanied by significant friction costs associated with implementation.

2.4. Scope of this Report

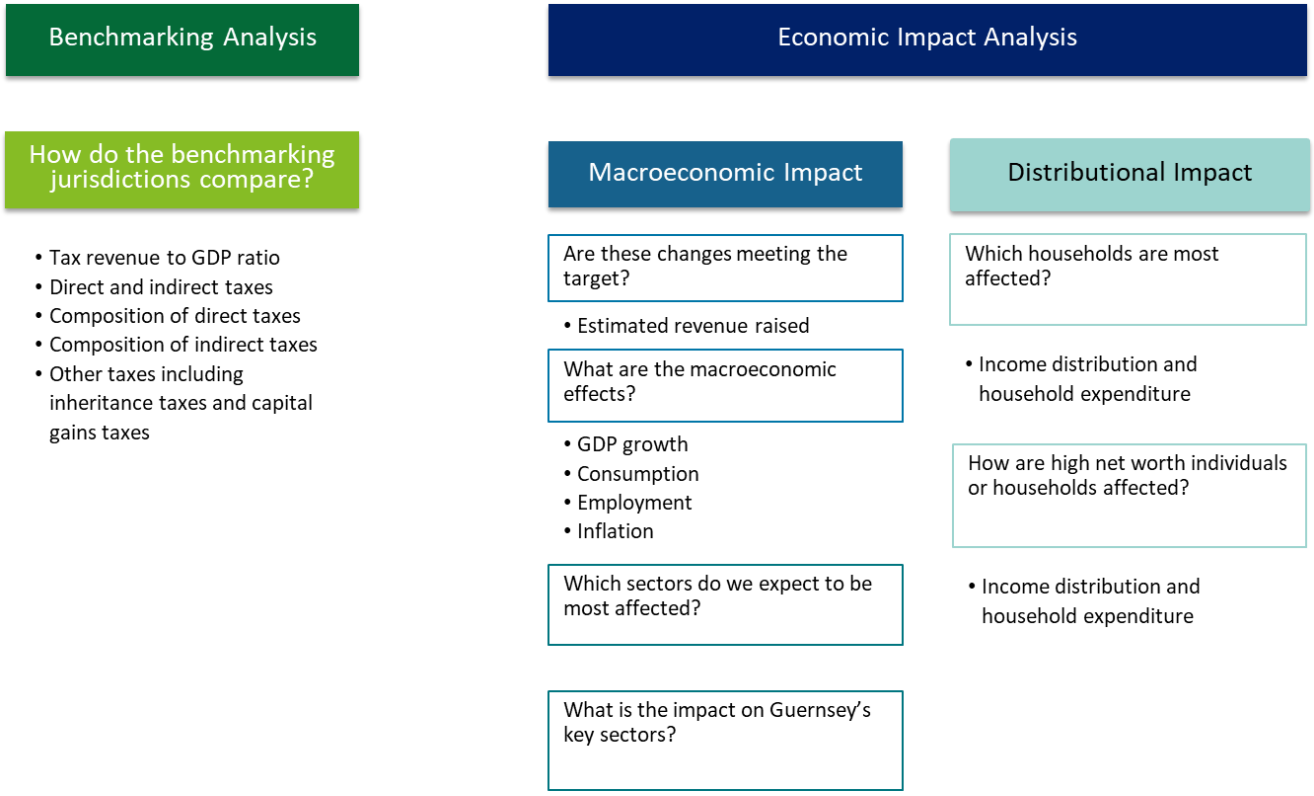
Given the wider context and the levers under consideration, the States have contracted Deloitte LLP to provide economic analysis to support the delivery of the Tax Review. As outlined in the Request for Proposal, the States' Tax Review is to ensure that Guernsey's tax base can raise necessary revenues. To guide this, the States are seeking to understand the economic implications of potential tax policy options.

The States initially provided us with a set of broad potential tax levers which included: PIT, SSCs, Health Tax and GST. In a predecessor report to this we considered Guernsey's position relative to benchmark jurisdictions and the potential economic impacts of illustrative changes in the broad tax levers listed above. The States subsequently selected the three policy options that are analysed in this report. The analysis carried out in the Interim Report forms the basis of this Final Report. The Final Report adds to the Interim Report by considering in detail how the three options under consideration change Guernsey's position relative to its benchmark jurisdictions and by specifically analysing the economic impacts of the three policy options under consideration.

This Final Report reviews the tax structures and policies in comparable benchmark jurisdictions and the expected economic impacts of a set of tax policy options provided by the States. This Report 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.

Figure 6 provides an overview of the framework adopted in this Report. Overall, each tax revenue-raising option is considered in the context of the revenue it raises with respect to the overall revenue-raising goal as set out by the States.

Figure 6: Benchmark and economic impact analysis overview



This Report is appended with a Policy Letter and presented to the States of Deliberation.

The rest of this Report is structured as follows:

- Section 3 sets out the results of the benchmarking analysis;
- Section 4 sets out the economic impacts; and
- Section 5 concludes.

3 Benchmarking analysis

Guernsey is currently reliant on direct taxation and is unique amongst its benchmark jurisdictions in that it currently has no GST in place. Option 1, which relies on income taxation, increases Guernsey's reliance on direct taxation and makes its income tax schedule less competitive. Options 2 and 3 involve the introduction of a GST, which reduces the reliance on direct taxation. The GST is typically a more efficient means of taxation but can be regressive.

Before undertaking the economic impact study, this section of the Report compares Guernsey's current tax structure to those of other chosen jurisdictions. This forms a picture of how Guernsey measures up to other jurisdictions in terms of the amounts of tax revenues raised as a percentage of GDP, and the types of tax revenues that are relied on in these jurisdictions. The Report goes on to consider how Guernsey's tax structure would compare to the other jurisdictions' following the implementation of each of the policy options under consideration.

The jurisdictions that Guernsey's tax regime is benchmarked against have been chosen and agreed by the States considering their comparability to Guernsey along four dimensions: the structure of their economies, specific tax structures, overall tax as a share of GDP, and size of the economy. In particular, the chosen jurisdictions are those whose economies tend to rely on the financial services industry and that would be potential alternatives for individuals and businesses to relocate to in the case of material domestic tax policy changes.

Each of these jurisdictions is compared to Guernsey across a range of dimensions:

- **Tax revenue as a percentage of GDP:** the economy's overall reliance on tax revenue is compared across each of the jurisdictions.
- **Core tax levers:** the core tax levers (PIT, social security, Health Tax, and GST) are compared across the benchmark jurisdictions to determine whether the proposed illustrative changes are in line with the current tax structures in these comparable jurisdictions.
- **Direct and indirect tax revenue:** the relative reliance on direct and indirect taxes is considered.
- **Other taxes:** a high-level review of the structure of taxes such as inheritance taxes or capital gains taxes is also undertaken.

This analysis highlights where Guernsey is placed in comparison to each of these jurisdictions to ensure that an overall picture can be built that outlines whether there is scope for the States to raise revenues through different types of taxes whilst remaining comparable to the benchmark jurisdictions.

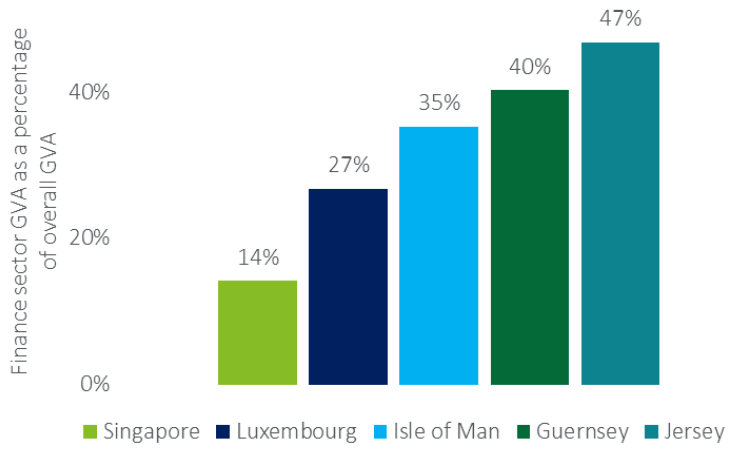
3.1. Economic rationale for chosen jurisdictions

The four comparable jurisdictions chosen for this benchmarking analysis, as agreed upon with the States are: Jersey, the Isle of Man, Luxembourg and Singapore. In addition, New Zealand is considered with respect to its GST. These jurisdictions have been chosen as they either have similar tax regimes and are directly comparable or are similarly developed, with an emphasis on the financial services sector. It is worth noting that given that Jersey and the Isle of Man are English speaking jurisdictions that use British pound sterling, they are particularly important comparators for higher earners, HNWIs and businesses that prioritise these features in comparison to the other benchmark jurisdictions that have been chosen.

The size of the economy amongst benchmark jurisdictions varies, ranging from £4.89 billion in Jersey and £3.25 billion in Guernsey to £276 billion in Singapore. Each of these jurisdictions is highly developed, with Luxembourg leading at GDP per capita of about £87,892, followed by the Isle of Man with GDP per capita of £64,173. Guernsey, Singapore and Jersey follow with GDP per capita of £51,868, £48,355 and £46,120, respectively.

As in Guernsey, the finance sectors in Jersey and the Isle of Man contribute the most of all sectors to GVA. Guernsey's finance sector contributes 40% to its GVA, Jersey's contributes 47% and the Isle of Man's 35%.[54] The other two benchmark jurisdictions, Singapore and Luxembourg, are chosen with a view to comparing the competitiveness of Guernsey to Europe and beyond, given the importance that these countries or jurisdictions place on their financial services sectors. Luxembourg's financial sector contributes 26% to its overall GVA and the country has a reputation as an international financial hub, with 94% of its banks being foreign.[55] Singapore is also a leading world financial centre, but with a highly developed economy overall such that its financial sector only contributes 14% to GVA.[56] Figure 7 shows the financial services sector's GVA as a share of total GVA in 2019 for each of the benchmark jurisdictions.

Figure 7: Finance Sector GVA as a percentage of overall GVA, 2019



Source: See Appendix A2

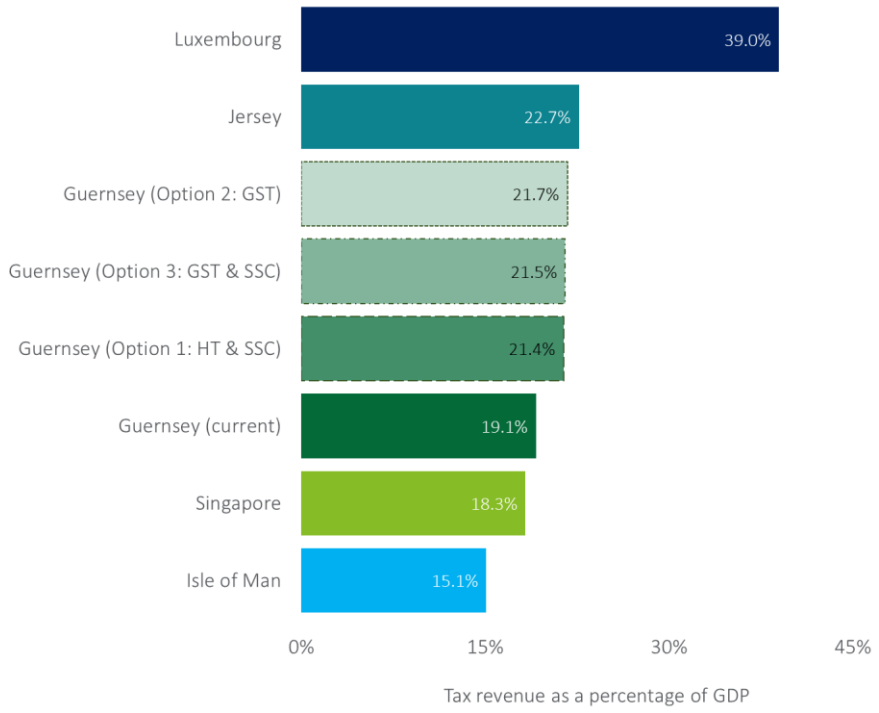
3.2. Comparison of tax components across jurisdictions

3.2.1. Tax revenue as a percentage of GDP

Guernsey sits in the middle of its benchmark jurisdictions in terms of its tax revenue to GDP ratio and would continue to do so under the different options. Luxembourg is most reliant on revenues from tax, as its tax to GDP ratio is 39%, whereas the Isle of Man is at the other end of the spectrum with a ratio of 15%. The other jurisdictions fall in between these two extremes, as seen below. Singapore's highly stable economy and consistent surplus explain the relatively low tax to GDP ratio of 18%. Figure 8 shows the tax revenue as a percentage of GDP ratio for these jurisdictions, with Guernsey's 19% solely reflecting income from taxation for comparability purposes. This suggests that if Guernsey were to increase its tax revenue as a share of GDP it could do so and remain broadly in line with its benchmark jurisdictions; by way of example, in Jersey tax revenue as a percentage of GDP is 4 percentage points higher at 23%. Figure 8 also shows that under each policy option under consideration, Guernsey would retain its position in terms of having the third highest level of tax revenue as a percentage of GDP.

[54] Guernsey - https://www.gov.gg/CHttpHandler.ashx?id=133038&p=0 ; Jersey - https://opendata.gov.je/dataset/national-accounts
Isle of Man - Banking, Insurance and Other Finance and Business Services computed to make up the Finance Sector https://www.gov.im/about-the-government/departments/cabinet-office/economic-affairs-division/national-income/
[55] Luxembourg – National accounts, Annual aggregates https://statistiques.public.lu/en/economy-finances/index.html
[56] Singapore - https://www.tablebuilder.singstat.gov.sg/

Figure 8: Tax revenue as a percentage of GDP, 2019



Source: See Appendix A2, options revenue data as provided by the States

3.2.2. Core tax levers

To provide context when comparing the level of tax revenue raised as a share of GDP, Table 3 shows a summary of tax rates across the jurisdictions.

Personal Income Taxation (PIT) & Health Tax

Guernsey's current headline rate of PIT is identical to those in Jersey and the Isle of Man but higher than the levels in Singapore and Luxembourg. Jersey is the only jurisdiction with a Health Tax; under Option 1 where a Health Tax of 3% would be introduced, Guernsey and Jersey would be aligned in terms of the headline PIT rate but income taxation would be higher in Guernsey due to the higher Health Tax. Guernsey and Jersey have a headline PIT rate of 20% for income in excess of their respective personal allowances. However, in Jersey, low-income individuals liable to pay income tax are charged at whichever of the following two rates gives the lower tax amount: (i) marginal rate of 26% above the tax allowance, or (ii) flat rate of 20% on total income. The Isle of Man charges a 10% rate above the tax allowance, but also has a top average rate of 20%. Of these three jurisdictions, Guernsey currently has the lowest personal allowance threshold and would continue to do so even under Policy Option 3 where the allowance was increased to £14,000. Singapore and Luxembourg charge the top tax rates at high incomes.

In addition, the personal income tax caps and treatment for high earners vary, with Guernsey and the Isle of Man charging specific amounts of tax set at £260,000/£130,000 and £200,000 respectively as tax caps. Instead, Jersey charges 20% on income up to £725,000 and then 1% on income above £725,000. The result of this is that personal income tax in Jersey is lower than Guernsey's cap for individuals with annual worldwide income below £12,225,000.

Jersey alone levies a long-term care charge separate to either their PIT or SSC regimes, which is shown as a Health Tax in Table 3 below. This was implemented due to an increasing pensioner population and as a way of reducing the burden of

funding long-term care.[57] It is set at a very low headline rate of 1.5% (with a marginal rate of 1.95%), which makes the impact at an individual level relatively small. Guernsey currently internally allocates some of its social security fund to a long-term care insurance fund.[58] However, from the perspective of the taxpayer, the social security contribution is consolidated. The form of Health Tax under consideration in this Report is similar to Jersey's long-term care charge, which is separate from SSCs and in form more aligned with the PIT system, though it should be noted that it is higher at a rate of 3% in Policy Option 1.

Social Security Contributions (SSC)

The rate of employee SSCs is 6.6% in Guernsey, which is higher than the level in Jersey (6%) but much lower than the headline level in the Isle of Man (11%). All policy options under consideration involve an increase in the employee rates of SSCs but none of these changes are sufficient to change Guernsey's position relative to the benchmark jurisdictions. The social security rates in Singapore are much higher in comparison to rates in the other jurisdictions. The rate of employee SSCs in Jersey is 6%, which is slightly lower than the current level in Guernsey of 6.6%. Further, in Jersey SSCs are charged up to £55,320, whereas the upper limit in Guernsey is much higher at £153,660. In both cases, the rate is lower than the 11% employee rate that exists in the Isle of Man; however, this drops to 1% for income in excess of £40,768. Each policy option under consideration by the States would see an increase in employee and employer rates in Guernsey but would also see the introduction of an SSC allowance that is aligned with the PIT allowance.

GST

Guernsey is unique amongst the benchmark jurisdictions in that it does not currently charge a GST. Options 2 and 3 involve the introduction of a GST at 8% and 5% respectively. A 5% GST would be aligned with Jersey, which is the lowest level amongst the benchmark jurisdictions that charge a GST. An 8% GST would be higher than the levels in Jersey and Singapore. The Isle of Man charges a relatively high standard GST rate of 20%. The Isle of Man and the UK pool these revenues and their common duties, and then share them in line with their Customs and Excise Agreement, which was updated in 2018.[59] Luxembourg's standard GST rate is 17%, with three other reduced rates. Jersey charges a standard GST rate of 5%, but with far fewer exemptions than the UK/Isle of Man system.

There are GST exemptions included with Policy Options 2 and 3 which will mean financial services organisations may be liable to pay exemption fees. These exemptions are modelled closely on Jersey's, which are detailed in Appendix A3 Table 10, alongside the other jurisdictions' exemptions. All benchmark jurisdictions exempt financial services from their respective GST rates. In addition to this, Singapore only exempts the sale and lease of residential land in addition to financial services. Isle of Man also exempts property transactions. Luxembourg and Jersey both exempt education and some medical and health services.

In sum, Guernsey currently relies on income taxation for the purpose of revenue raising. Option 1 would deepen this reliance whereas Options 2 and 3 would diversify the States of Guernsey's revenue base. Option 1 would see the sum of PIT and Health tax rates eclipse the level of Jersey. Option 3 would see an alignment with Jersey in the GST rate, whereas Option 2 would see the rate of GST exceed those of both Jersey and Singapore.

[57] "Long-term care for older people in Jersey" available at: https://statesassembly.gov.je/scrutinyreviewresearches/2008/s-31498-29419-10122008.pdf
[58] Actuarial Review of Guernsey Long-term Care Insurance Fund, available at: https://www.gov.gg/CHttpHandler.ashx?id=135486&p=0
[59] Agreement between the Government of the UK and the Isle of Man on Customs and Excise and associated matters, available at: https://www.gov.im/media/80147/cande-agreement-consolidated-v2018.pdf

Table 3: Tax rates across jurisdictions

	Guernsey	Jersey	Isle of Man	Luxembourg	Singapore
Tax revenue as a % of GDP	Current - 19%[60] Option 1 – 21.4% Option 2 – 21.7% Option 3 – 21.5%	23%	15%	39%	18%
Personal Income Tax (PIT) and Health Tax[61] (thresholds for individuals)	Current: 20% from £11,875 Option 1: 20% PIT + 3% Health Tax from £11,875 Option 2: 20% from £14k Option 3: 20% from £12.7k	Lower of 20% with no lower threshold & 26% from £16k 1% on income >£725k Health tax: 1.95% marginal rate (1.5% headline rate) with a £252,360 limit	10% from £14,250 20% above £20,750 Cap of £200k	8% from €11,265[62] (£9,796) & 42% from €200,005 (£173,917) on a progressive schedule 7% employment fund rate up to €150k (£130,435), 9% over	2% from SGD20k[63] (£10,870), 22% from SGD320k (£173,913) on a progressive schedule
Social Security Contributions	Current: Employee & employer 6.6% to £153,660 Option 1: Employee 9% & employer 7.5% from £11,875 up to £153,660 Option 2: Employee 8% & employer 7.5% from £14k up to £153,660 Option 3: Employee 9% & employer 7.5% from £12.7k up to £153,660	Employee - 6% up to £55,320 annually Employer - 6.5% up to £55,320, then 2.5% between £55,320 and £252,360	11% for employee (1% above £40,768 annually) 12.8% for employer	Maximum of: 12.45% for employee (11.05% up to €128,520 (£111,757)) 14.61% for employer (up to €128,520 (£111,757))	20% for employee 17% for employer
Goods and Services Tax (GST)	Current: No GST Option 1: No GST Option 2: 8% 0 ratings and exemptions as in Section 2.3.3 Option 3: 5% 0 ratings and exemptions as in Section 2.3.3	5% standard Limited 0 ratings & exemptions (financial & international services)	20% standard 5% reduced Wider 0 ratings & exemptions (financial & international services)	17% standard 14%, 8% & 3% reduced rates 0 ratings & exemptions (financial & international services)	7% standard 0 ratings & exemptions (financial & international services)
Company Tax	0% standard 10%/20% for specific income streams	0% standard 10%/20% for specific companies	0% standard 10%/20% for specific companies	15% up to €175k (£152,174), 17% above €200,001 (£173,914) Extra 7% for employment fund Net wealth tax of 0.5% - financial companies liable to a minimum of €4,815 (£4,186)[64]	17% flat rate

Source: See Appendix A2 (Figure 7 for row 1 and Table 3 for all else)

[60] This is Guernsey's 2019 tax revenue as a percentage of GDP, which differs from the total revenue as percentage of GDP working target of 24% as in the Fiscal Policy Framework. The 2019 total revenue as a percentage of GDP is 22%.
[61] Maximum tax paid capped at £260,000 for worldwide income (or £130,000 for non-Guernsey income). Other caps: £50,000 for Alderney residents; £50,000 open market cap for new residents and £40,000 standard charge for resident only individuals.
[62] The exchange rate used was £1 = €1.15, calculated on the 28th April 2021
[63] The exchange rate used was £1 = SGD 1.84, calculated on the 28th April 2021
[64] Other companies' minimum ranges from €535 to €32,100 depending on their balance sheet total as in https://www.parfigroup.eu/luxembourg-corporate-tax-guide/#_ftn1

3.2.3. Direct and indirect tax revenue

Countries usually raise revenues through a mixture of direct and indirect taxation. Direct taxes are taxes paid directly to the government and are applied to income, profits and wealth. Indirect taxes are collected by a third party (like a producer for production taxes and retailer for GST) and then paid to the government. Direct taxation includes personal income tax (PIT), corporate income tax (CIT), social security contributions (SSCs) and would include the Health Tax if introduced. Indirect taxes include taxes on production, consumption and imports such as GST, excise taxes and custom duties.

Consistent with the trend in OECD averages, Guernsey, Jersey, Luxembourg and Singapore have higher direct tax revenues than indirect tax revenues.[65] In the Isle of Man, more revenue is gained via indirect tax. These values are shown as a percentage of total tax revenue in Table 4. In addition, social security as a percentage of total tax revenue is expressed separately due to its high individual contribution. This is especially relevant because the social security scheme in Singapore, the Central Provident Fund (CPF), contributes the most to its tax revenue. The figure provided as part of Table 4 shows that the indirect share of total tax revenue is smallest in Guernsey at 10% compared to 14% in Jersey and 45% in the Isle of Man, which is higher due to its remittance agreement with HMRC in the UK on its GST. Guernsey's low indirect share of total tax revenue is as a result of not currently having a GST. This shows that with a GST, the extent of Guernsey's reliance on indirect tax revenues would remain in line with those of its benchmark jurisdictions.

Table 4: Tax components as a percentage of total tax revenue, 2019

	Direct tax (excluding social security) as a percentage of total tax revenue	Indirect tax as a percentage of total tax revenue	Social security as a percentage of total tax revenue
Isle of Man	29%	45%	26%
Singapore	38%	19%	43%
Luxembourg	43%	29%	28%
Jersey	57%	14%	24%
Guernsey (current)	60%	10%	30%
Guernsey – Option 1: HT & SSC	61%	9%	30%
Guernsey – Option 2: GST	52%	21%	27%
Guernsey – Option 3: GST & SSC	54%	17%	29%

Note: Remaining 5% of Jersey's tax revenue classified as 'Other income'

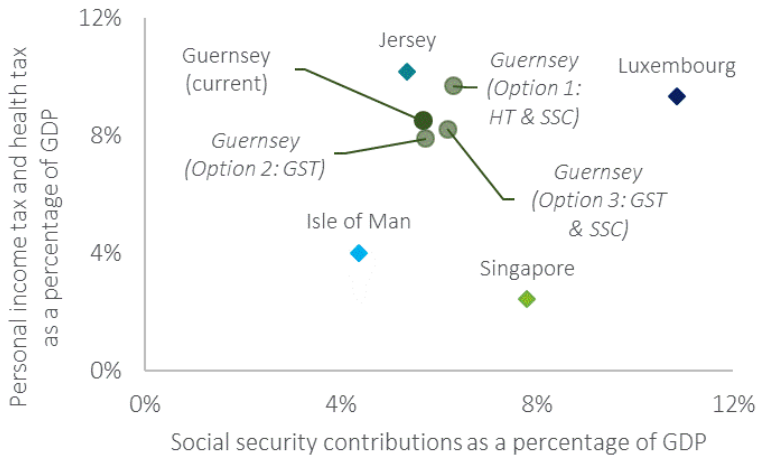
Source: As in Appendix A2 Figure 7

Of the benchmark jurisdictions, Guernsey is currently most reliant on direct taxation; Policy Option 1 would further increase this reliance as the level of revenue raised through indirect taxation would fall from 10% to 9%. By contrast, under Policy Options 2 and 3, which would see the introduction of a GST at 8% and 5% respectively, the share of tax revenue raised through indirect taxation would increase to 21% under Option 2 and 17% under Option 3.

Direct tax revenue is driven by PIT revenue for two of the above jurisdictions, at 9% relative to GDP for Guernsey and 10% relative to GDP for Jersey. In Luxembourg, the contributions of PIT and social security are quite similar and high, as seen in Figure 9. This figure also further illustrates the importance of social security in Singapore and the Isle of Man's overall lower reliance on direct tax revenue because of its inclusion in the UK's VAT regime. Importantly, it also shows that Guernsey's PIT and SSC revenues relative to GDP are within the range of the benchmark jurisdictions'. **Policy Options 2 and 3 only have a modest impact on Guernsey's position in terms of PIT and SSCs relative to the benchmark jurisdictions. By contrast, Policy Option 1 increases the level of revenue raised from PIT as a share of GDP to a similar level as observed in Jersey while also increasing SSCs as a share of GDP further beyond that of Jersey.**

[65] OECD e-book, "Revenue Statistics 2020", available at: https://www.oecd-ilibrary.org/sites/8625f8e5-en/index.html?itemId=/content/publication/8625f8e5-en

Figure 9: Personal income tax (PIT) and social security contributions as a percentage of GDP



Source: As in Appendix A2 Figure 7

Consistent with the other main direct taxes, Luxembourg has the highest CIT relative to GDP, at 6%. Singapore is the only jurisdiction where CIT revenue is higher than PIT revenue, at 3% of GDP. Guernsey and Jersey follow at 2% each and the Isle of Man has the lowest CIT relative to GDP of 1% as it only applies a 10% rate to income received by banking business and to large retailers with taxable income over £500,000.[66] In Guernsey, larger retailers fall in the 20% tax band and the financial services income streams charged at 10% do not only include banking business (income from various other regulated financial services activities is taxable at 10%). This difference in design and application explains why the Isle of Man's CIT contribution is lower than those of Jersey and Guernsey despite their similar approaches on the zero-10 corporate tax regime. Thus, the Crown Dependencies are on the lower end of CIT relative to GDP but are not exceedingly different to the other two jurisdictions. The States are considering changes to CIT to comply with the OECD work-stream on corporate taxes, but this is not within the scope of analysis in this Report. While not in the scope of the Report, an assumption has been provided by the States for analytical purposes and this assumption is set out in more detail in section 2.3.

The dominance of indirect tax revenue in the Isle of Man is mainly a consequence of its GST. This is because of the GST revenue sharing agreement between the Isle of Man and the UK as described in 3.2.2. Indirect tax revenue is also driven by GST for the other benchmark jurisdictions, as shown in Table 5. **The exception is Guernsey, which is atypical in that no GST is charged. In comparison, GST accounts for between 8% and 40% of total tax revenue across the benchmark jurisdictions. Under Policy Options 2 and 3, which would see the introduction of a GST, the relative contribution of the GST to indirect and total tax revenue in Guernsey would be comparable to those of other benchmark jurisdictions.** Under Policy Option 2, where a GST of 8% would be introduced, the contribution of the GST to indirect tax revenue would be 58%, which is equal to Jersey's. The share is only greater than for one other jurisdiction, Luxembourg; however, GST revenue as a share of total tax revenue would be higher than in Jersey but lower than in Luxembourg, Singapore and the Isle of Man. Under Policy Option 3, where a lower rate GST is introduced, the contribution of the GST to indirect taxation

[66] Business and Corporations tax information, Isle of Man Government website, available at: https://www.gov.im/categories/tax-vat-and-your-money/income-tax-and-national-insurance/business-and-corporations/

would be lower than in any other benchmark jurisdiction at 47%, and the share of total tax revenue would be joint lowest with Jersey at 8%.

Table 5: GST as a percentage of indirect tax revenue and total tax revenue

	GST as a percentage of indirect tax revenue	GST as a percentage of total tax revenue
Isle of Man	89%	40%
Singapore	62%	12%
Luxembourg	53%	15%
Jersey	58%	8%
Guernsey (current)	No GST	
Guernsey (Option 1: HT & SSC)	No GST	
Guernsey (Option 2: GST)	58%	12%
Guernsey (Option 3: GST & SSC)	47%	8%

Source: As in Appendix A2 Figure 7 & Isle of Man Government Accounts for VAT data, 'Detailed Government Accounts – year ended 31 March 2020', available at https://www.gov.im/categories/tax-vat-and-your-money/government-accounts/

3.2.3.1. Low rate and broad-based GST

In addition to the benchmark jurisdictions', New Zealand's GST system is also considered in this Report. This is because New Zealand's low-rate, broad-based GST is similar to the one being considered by the States.[67] Studies have shown that a broader based, lower-rate GST (as opposed to the higher rate European style with GST rates in excess of 20%), due to its more efficient nature, is considered more conducive to growth in the long run than a higher standard rate.[68]

New Zealand's GST was introduced in 1986 at a level of 10% and has since increased to 15%. It has minimal exemptions, and financial services, residential accommodation and exports are zero-rated. This is similar to the GST structure applied in Jersey and that being considered for Guernsey under Options 2 and 3. New Zealand's GST was revenue neutral at the time of introduction, as income tax was redesigned to have two rates and the company tax rate was lowered.[69] Taking the regressive nature of this structure of tax into account, a one-off benefit adjustment was provided to pensioners, low paid workers and social security beneficiaries. For the last two groups, a compensatory income supplement was also provided.[70]

Having few exemptions was a deliberate policy choice made at the time New Zealand's GST was introduced.[71] It's C-efficiency (the most widely used indicator of GST efficiency) is double that of the UK's and is much higher than the OECD average.[72] In the year that the GST was introduced, New Zealand's price levels were impacted significantly; however, this was already a period when New Zealand was experiencing high inflation. The positive impact of the GST on price levels dropped out a year after introduction, over 1987 to 1988 – a 5 percentage point drop, which was the second largest factor driving the year's fall in CPI.[73]

Jersey and Singapore's GST systems are modelled after New Zealand's. The Isle of Man and Luxembourg follow the European style of GST, which is characterised by one or more reduced rates and a relatively high standard rate, given the

[67] "The New Zealand GST and its Global Impact 30 Years On", available at: https://www.researchgate.net/publication/315782694_The_New_Zealand_GST_and_its_Global_Impact_30_Years_On
[68] IMF working paper, "The Value Added Tax and Growth: Design Matters", available at: https://www.imf.org/en/Publications/WP/Issues/2019/05/07/The-Value-Added-Tax-and-Growth-Design-Matters-46836
[69] "An International Perspective on VAT", available at: https://www.oecd.org/ctp/consumption/46073502.pdf
[70] "Tax Design Insights from the New Zealand Goods and Services Tax (GST)) Model", available at: https://papers.ssrn.com/sol3/papers.cfm?abstract_id=2046352
[71] "The Macroeconomic Effects of Tax Changes: Estimates Based on a New Measure of Fiscal Shocks", available at: https://www.nber.org/system/files/working_papers/w13264/w13264.pdf
[72] OECD e-book, "Consumption Tax 2020: VAT/GST and Excise Rates, Trends and Policy Issues", https://www.oecd-ilibrary.org/sites/152def2d-en/index.html?itemId=/content/publication/152def2d-en
[73] Reserve Bank of New Zealand bulletin, "Causes of the Fall in Inflation: 1985-88", available at: https://www.rbnz.govt.nz/-/media/ReserveBank/Files/Publications/Bulletins/1989/1989sep52-3hodgettsclements.pdf?revision=949a0e34-7253-41e1-90c6-642d15bdd24e

EU directive of at least 15%. Table 10 in Appendix A3 fully highlights the GST details of all the benchmark jurisdictions and New Zealand.

Singapore's GST was introduced in 1994 and, like New Zealand's, is a broad-based, low rate GST. Its introduction was accompanied by a permanent decrease in headline PIT and ongoing compensatory payments to low-income households and individuals.[74] It was initially set at a 3% rate and has increased steadily over the years to the current 7% rate.

3.2.4. Other taxes

In addition to the main taxes discussed above, other taxes charged in Guernsey and in the benchmark jurisdictions include property tax and excise taxes. Of all the benchmark jurisdictions, only Luxembourg charges an inheritance tax and capital gains tax. These taxes are not currently charged in Guernsey and are not included in the illustrative tax levers provided by the States. Therefore, they are only briefly described and compared across benchmark jurisdictions in this section.

CIT

Guernsey, Jersey and the Isle of Man have encountered equivalent scrutiny from outside organisations such as the OECD and the EU Code of Conduct Group. They all introduced new corporate tax regimes, zero-10, which took effect in the Isle of Man in April 2006, in January 2008 for Guernsey and January 2009 for Jersey. The standard rate of 0% is applicable to companies that are tax resident in Guernsey. The '10' refers to an intermediate 10% rate levied on specific financial services income streams.[75] Under the CIT scenario used in this report it is assumed that Guernsey's CIT system would remain broadly aligned with those of Jersey and the Isle of Man; more details of the specific assumptions made regarding CIT are provided in section 2.3.

Other Taxes

All five jurisdictions charge excise duties on alcohol, tobacco and fuel with variation in the respective rates.[76] For example, Luxembourg charges a rate of approximately 31p per litre on automotive diesel, the Isle of Man charges 57.95p per litre and Guernsey charges 73.4p per litre on road diesel.[77] Guernsey stopped charging annual motor tax fees from 2008, when a relatively high rate of excise duty on road diesel was introduced to recover the lost revenue.[78] Guernsey is currently considering road pricing in addition to its motor fuel duties, but this is driven by environmental factors and the erosion of revenues as people transition to increasingly efficient or electric cars. It is not centred around raising tax revenue and is thus not considered here.

Taxes on property are also charged differently. Jersey charges 'Rates' of 0.74p per rateable value or quarter for domestic land and 1.05p per rateable value or quarter for non-domestic land.[79] The rateable unit is assessed based on size, location, accommodation, condition, land use and the quality of any building on the land. Guernsey charges a maximum of £2.98 per square metre of domestic buildings and a maximum of £48.55 per square metre of non-domestic buildings owned by utilities providers.[80] Luxembourg property tax rates range from 0.7% to 1% of the property value depending on property use and location.[81] At a higher level, revenue generated from property taxes is 9.7% of tax revenue for Luxembourg (the

[74] "Value Added Tax Policy and Implementation in Singapore", available at: https://cri-world.com/publications/qed_dp_128.pdf

[75] Furthermore, the States also charge a higher tax rate of 20% on company income arising from telecommunications, ownership of local land and buildings, large retail operations with taxable profits over £500,000, the business of the cultivation or use of the cannabis plant, the business of the prescribed production or prescribed use of controlled drugs, and the importation and supply of gas or hydrocarbon oil, Fifth Schedule of The Income Tax (Guernsey) Law, 1975, available at: https://www.guernseylegalresources.gg/CHttpHandler.ashx?documentid=80761

[76] The aim of these taxes is to incentivise behaviour, such as a reduction in consumption of alcohol and tobacco. As such, many OECD countries take fuel efficiency levels into consideration whilst taxing cars, to encourage the use of vehicles that have lower emissions.

[77] Luxembourg - https://www.fuelseurope.eu/knowledge/refining-in-europe/economics-of-refining/fuel-price-breakdown/, Isle of Man - https://www.gov.im/categories/tax-vat-and-your-money/customs-and-excise/technical-information-vat-duty-and-interest-rates/, Guernsey - https://www.gov.gg/CHttpHandler.ashx?id=134733&p=0

[78] Resolutions, Billet XVII, Made On 25th, 26th And 27th October 2006: https://www.gov.gg/CHttpHandler.ashx?id=5698&p=0

[79] Jersey government Rates website, available at: https://parish.gov.je/pages/rates.aspx

[80] States Tax on Real Property (TRP) System and States Tax on Real Property Tariffs for 2021, available at: https://www.gov.gg/cadastre & https://www.gov.gg/CHttpHandler.ashx?id=135987&p=0

[81] PWC worldwide tax summaries, available at: https://taxsummaries.pwc.com/luxembourg/individual/other-taxes

highest amongst the benchmark jurisdictions) in comparison to Guernsey where the figure is 4%, while Jersey generates just 1% of revenue from property taxes (the lowest amongst benchmark jurisdictions).[82]

With regards to the capital gains tax in Luxembourg, individuals are subject to personal income base rates ranging from 8% to 42%.[83] Capital gains from the sale of a main residence are exempt.[84] Likewise, companies are subject to corporate income tax rates on gains, ranging from base rates of 15% to 17% depending on the company's taxable income. Gains from company holdings, where an individual has over 10% of the company's share capital, are taxed at half of the average rate.[85] Dividends received may be tax exempt in Luxembourg, according to the participation exemption regime, if certain conditions are met. The other jurisdictions do not charge a capital gains tax, as previously highlighted, and this could be as a result of the distortions this tax could cause. Taxes on capital gains discourage savings and investment while also encouraging tax evasion and capital flight.[86] Thus, it can have a negative effect on the economy while lowering the jurisdiction's appeal to high net worth individuals and the financial sector, as they would be more likely to own assets that generate capital gains.[87] A recent study has shown that in terms of efficient redistribution, taxing labour and capital is better than taxing labour alone.[88]

Luxembourg's inheritance tax is levied on the entire estate at variable rates depending on the relationship between the beneficiary and the deceased.[89] The maximum base rate is 15% and the maximum total incremental rate due to the value of the estate share received is 48%.[90] There is a tax-free allowance of €1,250 on small estates and €38,000 for spouses without children.[90] In addition, any acquisitions made with a partner at least 3 years before death are exempt. As the inheritance tax is a tax on wealth, maintaining attraction to HNWIs could be a reason why the other jurisdictions do not charge an inheritance tax.

[82] Luxembourg - https://data.oecd.org/tax/tax-on-property.htm, Guernsey - property tax revenue provided by the States, Jersey – Island rates https://opendata.gov.je/dataset/government-of-jersey-accounts/resource/b9bc6bb3-a74a-4c6e-bd20-b5e6a9464b1f
[83] PWC worldwide tax summaries, available at: https://taxsummaries.pwc.com/luxembourg/individual/other-taxes
[84] IBFD note on Luxembourg Individual taxation, available at: https://www.ibfd.org/sites/ibfd.org/files/content/pdf/European%20Tax%20Handbooks%202015_Indiv.pdf
[85] IBFD note on Luxembourg Individual taxation, available at: https://www.ibfd.org/sites/ibfd.org/files/content/pdf/European%20Tax%20Handbooks%202015_Indiv.pdf
[86] "Taxing Wealth and Capital Income", available at: https://www.cato.org/tax-budget-bulletin/taxing-wealth-capital-income
[87] "The economic effects of capital gains taxation", available at: https://www.researchgate.net/publication/293267376_The_economic_effects_of_capital_gains_taxation
[88] "Capital taxation: A survey of evidence", available at: https://voxeu.org/article/capital-taxation-survey-evidence
[89] PWC worldwide tax summaries, available at: https://taxsummaries.pwc.com/luxembourg/individual/other-taxes
[90] Estate and inheritance tax in Luxembourg, available at: https://www.expatica.com/lu/finance/taxes/luxembourg-inheritance-tax-1024768/

3.3. Key changes in comparators taxation and impacts overview

This section summarises some key changes in the core tax levers in some of the benchmark jurisdictions and the impacts of these changes on key economic indicators.

Figure 10: Overview of relevant tax changes in benchmark jurisdictions

Introduction of GST in Jersey in May 2008

3% rate, with exemption fee applicable for financial services and income support for low-income households

GST revenue of £32 million in 2008, about 4% of total tax revenue

1.9 percentage point increase in Retail Price Index (RPI) which was temporary and dropped out in June 2009.

As of 2019, the financial services exemption fee receipts were 10% of total GST revenue

Increase in Jersey GST in June 2011

Rate increased from 3% to 5% as part of initial medium-term plan

GST revenue of £66 million in 2011, about 8% of total tax revenue

RPI increased by 1.3 percentage points and the impact dropped out in June 2012

Introduction of Long-Term Care Charge in Jersey in 2015

Introduced to supplement the States' funding for those with daily care needs

Set at 0.5% before increasing to 1% in 2016 and is now at a headline rate of 1.5% above the income tax personal allowance

Raised £8.4 million in 2015, 0.2% of GDP

Introduction of charge specifically tied to introduction of the long-term scheme in Jersey

Increase in Singapore Top Tax Rate in 2015

Increased from 20% to 22% above 320,000 SGD (£173,913)

PIT revenue as a percentage of GDP went up from 2.2% in 2015 to 2.4% in 2016

Part of a policy focus on fiscal sustainability designed to boost social security and support the ageing population and low- or middle-income families

Source: See Appendix A2

Key Insights

The four benchmark jurisdictions chosen and agreed with the States were: Jersey, the Isle of Man, Luxembourg and Singapore; New Zealand is also analysed with regard to its GST due to the similarities with the GST under consideration in this report. **These jurisdictions were selected according to economic structure, tax structure, tax as a share of GDP and the size of the economies, with a focus on the financial sector.**

Guernsey sits in the middle of its comparators in terms of the size of the economy and is second only to Jersey in terms of the importance of the financial sector. **Guernsey's tax as a share of GDP is 19%, higher than the lowest value, which is the Isle of Man (15%), but considerably lower than the highest value, which is Luxembourg (39%). The tax policy options under consideration in this report would increase the ratio of tax revenue to GDP to more than 21% in each case but in none of these scenarios is the change sufficient to alter Guernsey's position relative to the benchmark jurisdictions. When combined with other revenues Policy Options 2 and 3 are capable of raising the States' working target of total government revenues relative to GDP, 24%, while Option 1 would raise 23.8%.**

Guernsey currently has a lower tax-free allowance for PIT than both Jersey and the Isle of Man. Under Options 2 and 3 this tax-free allowance would increase but it would not exceed the level in these jurisdictions. While the PIT rate is unchanged under all policy options, Option 1 includes the introduction of a Health Tax of 3% which is higher than in Jersey where there is a 1.5% headline rate. Of all jurisdictions considered, Guernsey has the lowest share of tax revenue raised through indirect taxation. Option 1 would further increase this reliance. Option 2 would significantly reduce this reliance moving Guernsey above Jersey and Singapore in terms of tax revenue raised through indirect sources. Option 3 sits as an intermediate case, raising the indirect revenue share but not above the level in Singapore.

The restructures in social security contributions considered in Options 1, 2 and 3 increase social security contributions as a share of GDP but not by a sufficient amount to change the position of Guernsey relative to its peers (above the Isle of Man and Jersey but below Singapore and Luxembourg). Options 2 and 3 *reduce* the level of PIT revenue raised as a share of GDP slightly but not by enough to change Guernsey's position relative to the benchmark jurisdictions. Policy Option 1, by contrast, would see a more notable increase in the level of tax revenue raised from income taxation bringing Guernsey above Luxembourg and near to parity with Jersey.

The GST rates amongst the comparators range from 5% in Jersey to 20% in the Isle of Man. Consequently, GST accounts for between 8% and 40% of total tax revenue across the benchmark jurisdictions that charge a GST. Of all the benchmark jurisdictions, **Guernsey alone does not charge a GST. As a result, Guernsey's indirect tax share is the lowest, at 10%. The GST rates of 8% under Option 2 and 5% under Option 3 sit at the bottom end of the range amongst benchmark jurisdictions, with the 8% GST being higher than the 5% rate currently in place in Jersey.** Under Policy Options 2 and 3 GST tax revenue as a share of total tax revenue would be 12% or 8% respectively which is at the bottom end of the range found amongst benchmark jurisdictions. In Jersey, a 5% GST accounts for 8% of total tax revenue.

In Jersey, a GST was introduced at 3% in 2008 and then increased to the current 5% in 2011. **The effects of both GST changes on price levels, 1.9 percentage points and 1.3 percentage points increase respectively, dissipated after one year**. **New Zealand's 1986 broad-based GST with minimal exemptions and few zero ratings is a model followed by Jersey and Singapore. The illustrative GST option in this report is also similar to this.** New Zealand's GST is reported to have a high level of efficiency.

Overall, the States' reliance on tax revenues is less than some of its benchmark jurisdictions'. However, it is heavily reliant on its income tax structure, which is less progressive than that of other benchmark jurisdictions considered here. Guernsey does not levy a capital gains tax or inheritance tax, providing an attractive tax environment for higher earners and high net worth individuals (HNWIs). This, along with changes to the PIT regime, could ensure that Guernsey remains competitive and continues to attract highly skilled individuals. Furthermore, the States have stated that any changes to CIT will consider how Guernsey compares to jurisdictions such as Jersey and the Isle of Man. Finally, introducing a low rate GST is unlikely to impact Guernsey's overall competitiveness considering that it is currently the only one of the jurisdictions considered that does not have a GST.

4 Economic impacts

Option 1, which is based on income taxation, is likely to have short-term impacts on the economy through household consumption, output and employment but is more progressive than a GST. Options 2 and 3, which are based on consumption taxation, lead to a short-term increase in inflation; GST is typically less distortionary to labour markets and is empirically found to be a more efficient tax.

The tax policy options under consideration within this Report can be categorised as changes to income taxation (either through changes in the tax-free allowance, the introduction of a Health Tax or changes in the structure of social security contributions) and tax on consumption through a GST. These tax changes may have impacts on the economy of Guernsey that can be split into two dimensions. First, macroeconomic impacts such as through a change in GDP growth, the level of employment or the rate of inflation, which also include sectoral impacts on key sectors of focus for Guernsey. Second, distributional impacts on individuals across the income distribution.

Impacts of tax changes are highly dependent on the specific structure of the economy. The revenue raised through the potential tax increases considered in this Report would be used to fund increased government spending in Guernsey. The States have posited that this spending is necessary to maintain current service levels given the demographic and fiscal challenges the States are facing. The net impact of the taxation on economic activity can be expected to be relatively small as a result of the increase in expenditure. However, it must be noted that the introduction of some of the tax changes may cause short term impacts, as spending to boost economic activity may not follow immediately. Furthermore, the introduction of a new tax such as a GST will involve extra administration and compliance costs both initially and over time.

The impacts of tax increases can be both direct and indirect. Direct impacts include, for example, a reduction in disposable income as a result of a PIT increase, which leads to households consuming less. Conversely, indirect impacts include effects on investment and employment in sectors as a result of a reduced level of demand for their goods and services. Indirect impacts also include the boost to the economy provided as a result of additional government expenditure funded by the tax revenues raised through each of the tax policy options.

This section outlines the economic impacts of the tax policy options being considered by the States of Guernsey, in the context of Guernsey's fiscal needs and its economy. A key measure reported for all tax policy options is the tax revenue impact, showing how much revenue each scenario could raise towards the working target. The overall revenue target, provided as a working assumption by the States, is 24% of GDP within the next five years.[91]

4.1.1. Macroeconomic Impact

The macroeconomic impact analysis of the tax changes focuses on three key economic indicators: GDP growth, employment and inflation. The analysis also considers any sectoral impacts, particularly in relation to the financial sector and those sectors which are more labour intensive or would be most impacted.

The approach in this report is to use empirical studies that estimate the effect of the policy options outlined above. These estimated impacts are discussed in the specific context of Guernsey's economy. The absence of an economic model outlining the details of Guernsey's economy (for example, using input output tables) means that the results from this analysis should be considered as directional, rather than precise impacts on the economy. For GST, studies on the impact

[91] The overall revenue itself is made up of a combination of streams on which tax revenue is the largest, but also includes revenue from fees and departmental revenues.

of its introduction in New Zealand and Jersey are analysed given their relevance to the GST structure being proposed by the States.

In the case of employer social security contribution increases, the direct impact is estimated using the most recent data on employee remuneration by sector in Guernsey as provided by the States. The impact on different sectors is considered in the context of each sector's contribution to GVA and overall labour productivity.

4.1.2. Distributional Impact

The distributional impact analysis examines the effect of each tax policy option on households across the income distribution. For each of the tax policy options, the impact on each household is estimated by the States.[92] Using the same household income data,[93] household gross unequivalised income ranges for each quintile can be established as listed below. By estimating the impact of each policy option on average within these quintiles,[94] this report assesses the distributional consequences of each policy option:[95]

- Q1: 0 - £23,953
- Q2: £23,954 - £44,328
- Q3: £44,329 - £69,909
- Q4: £69,910 - £108,890
- Q5: £108,891 and above

The analysis of tax impacts and the tax burden on household income, is performed for each income quintile. The magnitude of the impact is assessed relative to household income and household expenditure. The impact relative to expenditure is estimated using data from the latest Household Expenditure Survey Report.[96] The expenditure items are split into essential and non-essential expenditure with food and non-alcoholic drinks and housing, fuel and power classified as essential. As a result, the average expenditure by quintile on essentials relative to total expenditure, shown in Figure 20.

The GST tax burden on each household by category of expenditure has been provided to us by the States. By categorising expenditure into essential and non-essential items, the differences in tax burdens are studied across household quintiles and compositions.

4.1.2.1. Impact on Higher Earners

To analyse the impact of PIT changes on the income of higher earners, we use data provided by the States for the top 5% of households in terms of household income. As individual income is not available, household income is used as a proxy. This is declared household income as individuals who pay the PIT cap are not obliged to declare their full income. Thus, the impacts calculated as a proportion of overall household income may be an overestimation for these higher earners. We contextualise these results using insights contained in this dataset, including information on employment sector and the length of time resident in Guernsey.

4.2. Impacts on revenue

Guernsey currently raises approximately 19% of its GDP as tax revenues. The breakdown of this is shown in Table 6.

[92] Household composition broadly includes single adult households, one or more pensioner households, multiple adult households and multiple adult households with children. These are included in the household data as well.
[93] The income distribution data used is as observed by the States and does not include capital income or any measure of household wealth. As a result, it (and by extension, the distributional analysis) does not accurately reflect the spending power of households that are reliant on these other means which are not captured.
[94] Impact within each quintile is calculated by dividing the average change in tax liability as a result of the policy option by the average level of gross household income.
[95] The household income and ranges do not take into account differences between household composition (e.g. number of children, adults, pensioners) at this stage.
[96] Guernsey Household Expenditure Survey Report, available at: https://www.gov.gg/CHttpHandler.ashx?id=133968&p=0

Table 6: Types of taxes and the revenues raised through each of them

Tax	Tax revenues raised as a % of GDP (2021 forecast)
Personal Income Tax (PIT)	8.6%
Corporate Tax	2.2%
Social Security	5.7%
Other taxes	2.8%
Miscellaneous and operating income	3.1%

Source: Tax revenue data and 2021 GDP forecast provided by the States

As discussed in Section 3, this is less than in some of Guernsey's benchmark jurisdictions. In addition to tax revenue, Guernsey also generates revenue from operating income and other sources,[97] the value of which is in the region of 2 to 3% of GDP. Total revenue relative to GDP was 21.9% prior to COVID-19. The States have requested a working assumption that they may seek to raise revenues of up to 24% of GDP by 2026. Each of the considered tax policy options may raise between 1.9% and 2.2% of GDP according to the revenue analysis provided by the States.

Policy Option 1 relies on changes in personal income taxation through a Health Tax and SSCs for revenue raising. Policy Option 2 relies on the introduction of a GST with a reduction in PIT and a marginal increase in SSCs also present. Policy Option 3 is chiefly based on a GST but is accompanied by a smaller reduction in PIT and a greater increase in SSCs than under Option 2.

Given that CIT changes will consider how Guernsey compares to jurisdictions such as Jersey and the Isle of Man, it is not included in the scope of this Report. For analytical purposes the States have provided an assumption regarding CIT, which is presented in section 2.3. The assumption involves broad alignment between comparators and estimated revenues from introducing the OECD Pillar 1 and 2 proposals.

Table 7 shows the additional tax revenues raised as a percentage of GDP as forecast for 2021 for each tax policy option (and core elements).

Table 7: Additional tax revenues raised as a percentage of GDP from proposed tax measures

Proposed Tax	Option elements	Additional tax revenues raised as a % of GDP (2021 forecast)
Option 1	SSC restructure - *rates increased to 9% for employees and 7.5% for employers*	0.63%
	Health Tax - *administered in a similar way to PIT of 3%*	1.20%
	Corporate income tax	0.31%
	Peak forecast revenue lost from secondary pensions	-0.25%
	Option 1 Total	**1.9%**
Option 2	SSC restructure - *rates increased to 8% for employees and 7.5% for employers*	0.06%
	8% GST	2.68%
	PIT allowance increase to £14,000	-0.60%
	Corporate income tax	0.31%
	Peak forecast revenue lost from secondary pensions	-0.25%
	Option 2 Total	**2.2%**
Option 3	SSC restructure - *rates increased to 9% for employee and 7.5% for employers*	0.51%
	5% GST	1.75%
	PIT allowance increase to £12,700	-0.29%
	Corporate income tax	0.31%
	Peak forecast revenue lost from secondary pensions	-0.25%
	Option 3 Total	**2.1%**

Source: Based on tax impact data provided by the States

[97] These include housing rental income, company fees, dividend income from States Trading, court fines and rental income on commercial property.

The SSC restructure present in all options under consideration involves an increase in the SSC rates, although this is to a greater extent for Options 1 and 3 than for Option 2. The SSC restructure also includes a move away from an equal rate for both employers and employees, with employees' rates higher in all options. Despite this shift, SSC revenue from employers remains higher than that from employees. Currently, employers' revenue share is 51% while employees' share is 49% for Class 1 contributions. For Option 1, employers' SSC revenue share is 59% while employees' is 41%. With Option 2, employers' SSC revenue share is lower than for Option 1 at 55% while employees' is higher at 45%. Option 3 has employers' and employees' revenue shares between Option 1 & 2 at 56% and 44% respectively. This increase is as a result of the changes in income treatment for both employers and employees.

As GDP grows over the next few years, the levels of tax revenues raised will also increase. Studies have shown that in developed countries, tax buoyancy is approximately equal to unity, in both the short and long term.[98] This means that in general, for a 1% increase in GDP, revenues from taxes will also increase by 1%, implying that the tax to GDP ratio will not change.

To estimate overall growth in the economy up to the end of 2026, the GDP growth forecast as provided by the States is used. This forecasts that GDP will contract by 4.2% in 2020, increase by 4.1% in 2021 and then increase by less than 1% annually. Using this growth forecast, the overall growth expected in Guernsey by the end of 2026 is 1.03%. This would imply an approximate increase of 1.03% in tax revenues as well.

By design, each of the policy options under consideration produces a similar increase in tax revenue as a share of GDP in 2021. The impact of Policy Option 2 is greatest at 2.2% of GDP, the next largest impact arises from Option 3 at 2.1% and the smallest impact would be under Option 1 at 1.9%. Under Option 1, total revenues as a percentage of GDP in 2026 would be 23.8%, which is marginally lower than the working target of 24% while it would be 24.1% under Option 2 and 24.0% under Option 3.

A small portion of the increase in tax revenues comes from the CIT change, which is constant across each of the policy options at 0.31% of GDP. Each tax policy option incorporates a variant of an SSC restructure. The most impactful restructure to SSCs is under Option 1, which would raise an additional 0.63% of GDP in tax revenue; Option 2 is smallest with a minimal impact of 0.06% and then Option 3 is similar to Option 1 in terms of impact on SSC revenue at 0.51%.

Policy Option 1 involves the introduction of a 3% Health Tax, which is estimated to raise an additional 1.2% of tax revenue as a share of GDP (equal to £38.9m), the largest contributor to the additionally raised revenue under Option 1. While Options 2 and 3 do not involve a Health Tax, both incorporate an increase in the tax-free allowance for PIT – which results in a reduction in tax revenue from PIT. Under Policy Option 1, there are a variety of changes to the level of social security contributions (SSCs). The net impact of these changes is an increase in the level of revenue generated through SSCs to the tune of £20.4m. **In sum, the impact of Policy Option 1 is to increase the level of revenue raised from taxes on income by approximately £59.3m.**

The tax revenue increases from Options 2 and 3 are chiefly based on the introduction of a GST. The impact of the GST is greater for Option 2 where a GST of 8% is introduced, which results in an increase in tax revenue raised as a share of GDP of 2.68%. Option 3 involves the introduction of a GST at a lower level of 5%, which produces a smaller increase in tax revenues from GST equal to 1.75% of GDP.

Policy Option 2 involves an increase in the PIT tax-free allowance, which will reduce the level of revenue raised through PIT by £19.5m or 0.6% of GDP. The restructure of SSCs that forms part of Policy Option 2 would result in an increase in the level of revenue generated through SSCs to the tune of £2.1m. **In sum, the impact of Policy Option 2 is to decrease**

[98] Tax buoyancy is the relationship between the percentage change in tax revenues and the percentage change in GDP. If tax buoyancy is not different from unity, this implies that a 1% growth in GDP is linked to a 1% increase in tax revenues, leaving the tax revenues to GDP ratio constant. See IMF working paper, "How Buoyant is the Tax System? New Evidence from a Large Heterogeneous Panel", available at: https://www.imf.org/~/media/Files/Publications/WP/wp1704.ashx

the level of revenue raised from taxes on income by £17.4m. In addition, Policy Option 2 involves the introduction of a GST at 8%, meaning that **£86.9m would be raised by consumption taxation under Option 2**.

Policy Option 3 involves an increase in the PIT tax-free allowance, which will reduce the level of revenue raised through PIT by £9.2m or 0.29% of GDP. The restructure to SSCs that forms part of Policy Option 3 would result in an increase in the level of revenue generated through SSCs to the tune of £16.7m. **In sum, the impact of Policy Option 3 is to increase the level of revenue raised from taxes on income by £7.5m.** In addition, Policy Option 3 involves the introduction of a GST at 5%, meaning that **£56.5m would be raised by consumption taxation under Option 3.**

4.3. Macroeconomic impact

As discussed in Section 2, the impacts of the tax changes considered are discussed in the context of changes in the taxation of individual income (changes in the PIT tax-free allowance, increased social security contributions and a Health Tax) and the introduction of a GST.

4.3.1. Impact of Individual Income Tax Increase

4.3.1.1. GDP Growth

While an increase in individual taxation, as would result from the implementation of Policy Options 1 or 3, may impact disposable income and consumption, it is important to consider that the overall impacts on GDP growth in this scenario depend on how the government decides to use the additional revenue raised. Since it is anticipated that the States will use the raised revenue to increase spending in order to maintain current service levels, this may offset the reduction in household consumption, ensuring that the overall impacts on the economy are limited. For Policy Option 2, under which there would be a reduction in the level of revenue raised through income taxation, all impacts discussed in this section would be reversed.

A study by the OECD considers the impact of increasing tax revenues on GDP growth using both a top-down cross-country regression approach and a bottom-up simulation approach.[99] Based on the top-down approach, this study estimates that for developed countries a 10 percentage point increase in tax revenues as a percentage of GDP could reduce growth by about 0.5 percentage points, all else being equal.[100]

Furthermore, studies that do show a negative impact on GDP growth tend to show that this impact is transitory and that it is absorbed in around two years.[101] A study using US data shows that for a 1 percentage point increase in the tax to GDP ratio, the impact on growth is not significantly different from zero, three years after the change is implemented.[102] Similarly, a study based on 18 OECD countries showed that there are no significant impacts on growth if tax increases are applied to higher earners, as the level of consumption by these households does not vary much as a result of changes in personal income taxation.[103]

Following the empirical evidence, and the decision that government expenditure will increase alongside the tax changes, the overall impacts on GDP growth will be limited and transitory in nature. However, there will be significant short-term transitory impacts associated with compliance costs, behavioural impacts and administration costs as businesses, individuals and the government learn to navigate the new systems. Furthermore, there will be impacts if there are delays to the government increasing expenditure.

[99] OECD working paper, "Taxation and Economic Performance", available at: https://www.oecd-ilibrary.org/economics/taxation-and-economic-performance_668811115745

[100] The same paper conducts a bottom up simulation approach which finds that a reduction in tax to GDP ratio of 10 percentage points is estimated to increase growth by 0.5-1 percentage points

[101] "The Macroeconomic Effects of Tax Changes: Estimates Based on a New Measure of Fiscal Shocks", available at: https://www.nber.org/system/files/working_papers/w13264/w13264.pdf

[102] "How Large Are the Effects of Tax Changes", available at: https://www.researchgate.net/publication/46474949_How_Large_Are_the_Effects_of_Tax_Changes

[103] "Optimal Taxation of Top Labour Incomes: A Tale of Three Elasticities", available at: https://www.nber.org/system/files/working_papers/w17616/w17616.pdf

These impacts would be largest for Policy Option 1, given that it raises an additional £59.3m through taxes on income. In the case of Policy Option 3, only £7.5m would be raised through taxes on income meaning any impacts on GDP growth would be significantly reduced. Under Policy Option 2 there would actually be a decrease in the level of revenue generated through income taxation by £17.4m, which would have the opposite impact and potentially provide an increase in growth.

4.3.1.2. Sectoral impacts

Whilst the increase in the level of individual income taxation under Policy Options 1 and 3 (and the decrease under Policy Option 2) are unlikely to impact the overall levels of economic activity in Guernsey, the overall structure of the economy may be impacted. As a result of households potentially reducing consumption in response to increased taxation, sectors such as wholesale, retail and repairs, and transport and storage may shrink. However, these sectors currently comprise 10% of total GVA, meaning that overall impacts on the economy may be limited. In addition, some of the more labour-intensive sectors like education, hostelry, and transport and storage will also be negatively impacted given the increased cost of labour.

40% of Guernsey's economy is derived from the financial services industry. This activity is almost entirely driven by services provided to off-island beneficiaries.[104] This implies that the demand for services in this industry is not adversely impacted even in the scenario where household disposable income reduces as a result of increases in individual taxes on income. In addition, professional, business, scientific and technical activities comprise 13% of the overall economy in Guernsey. This sector is also unlikely to be adversely impacted, as its services generally have inelastic demand as they are consumed by higher earners or the finance sector, which is unlikely to be impacted.

A further 9% of Guernsey's GVA results from the activities of the government and public administration sector, which is likely to expand given the anticipated increase in government expenditure for which tax revenues are being raised and that is required in order to maintain current service levels in light of the ageing population and other fiscal pressures. The health and care sectors[105] are also likely to expand for the same reason. This expansion is, however, likely to be influenced by the availability of health and care professionals. To a lesser extent, the capital investment in infrastructure may also positively impact the construction sector.

It is also worth noting that the public administration sector relies less on imports than sectors such as wholesale, retail and repairs, real estate, etc. This implies that as public administration expands, while more import driven sectors shrink, Guernsey will rely more strongly on its own assets and less on imports.

4.3.1.3. Employment

Theoretically, there is both a labour supply and a labour demand response following an increase in individual taxation. Impacts on labour demand come through the indirect effects of income tax. As a result of a reduction in consumption of certain goods and services, firms begin producing less and therefore demand less labour. On the supply side, taxing income disincentivises work as the value of work post-tax falls (income effect) and incentivises work more as a result of a reduction in post-tax income (substitution effect). For lower income earners, low wages may often make labour supply inelastic. This is because at very low wages, individuals do not have the choice to work less as their essential expenses often equate to a significant part of their income.

The downward pressure on GDP in Guernsey in the short term may also impact employment. In general, the largest sectors by employment are finance and the professional, business, scientific and technical sectors. Together, they employ approximately 28% of Guernsey's labour force. As discussed above, these sectors are unlikely to see a large impact on economic activity and therefore on employment. Furthermore, at 17%, the government and public administration sector

[104] The Channel Islands and the EU – Financial Services, available at: https://www.channelislands.eu/wp-content/uploads/2011/12/FS-background-note-September-2016.pdf

[105] In Guernsey, healthcare provided directly by the States is captured under "public administrative". Private health and care providers such as GP practices and care homes are captured as in the health and care sector even where their activity is heavily subsided.

also employs a large percentage of the labour force. Considering the increases in expenditure and services, employment within the public sector, and to a larger extent within the health sector, may increase.

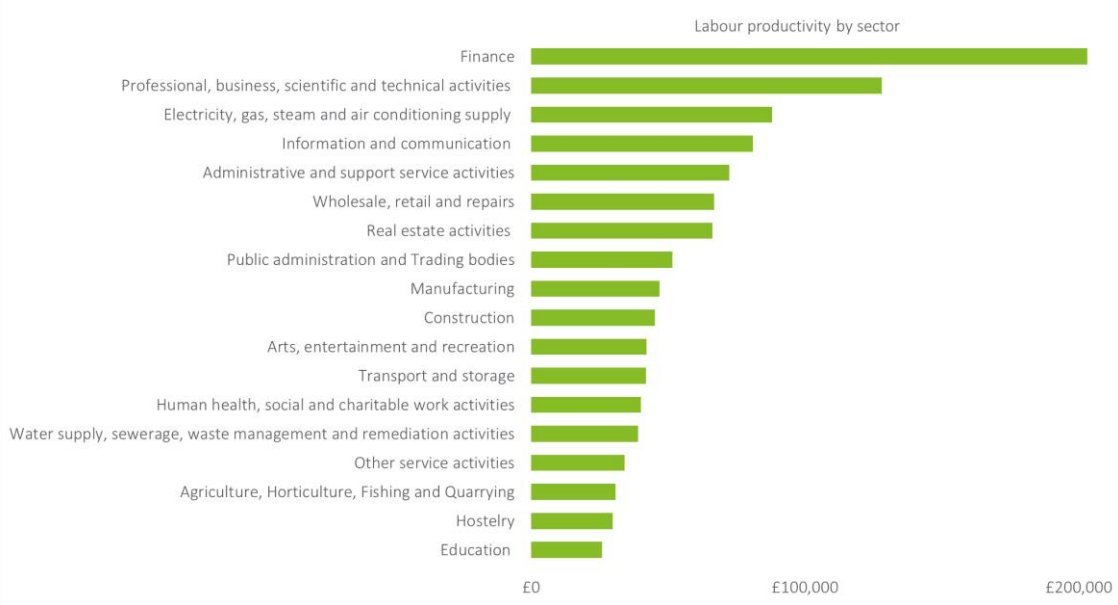
Adverse impacts on employment are most likely to be felt in the sectors that may have larger decreases in GVA. Some of the largest sectors (by employment) that are likely to be more adversely impacted are construction, wholesale, retail and repairs, hostelry, transport and storage, and administrative and support service activities. These sectors together comprise 35% of the labour force and contribute 19% of GVA.[106]

However, given that a portion of the revenue from tax increases will be spent on capital infrastructure,[107] some of the adverse impacts on sectors such as construction may be negated. In comparison to industries such as wholesale, retail and repairs, real estate, administrative and support services, sectors such as public administration, healthcare and construction rely more on labour than capital. This implies that as the economy structurally changes to expand sectors such as public administration, healthcare and construction, the overall impact on jobs may be positive as the loss in jobs from reduced consumption may be offset by the creation of new jobs in labour intensive sectors.

4.3.2. Impact of social security increases on employers in different sectors

An increase in the level of social security contributions, which occurs in each policy option though to a much lesser extent under Policy Option 2, will impact employers in different sectors to a varying extent. Social security contributions will impact sectors that rely more on labour than capital, as they increase the cost of labour. This includes sectors such as hospitality, which often work on low margins and have lower labour productivity. Figure 11 shows the labour productivity, calculated as GVA divided by the number of employees by sector. This figure shows that sectors such as finance, and professional, business, scientific and technical activities have high labour productivities whilst those such as agriculture, sewage and waste management, and hostelry have lower labour productivity.

Figure 11: Labour productivity by sector (£)



Source: The States government website, 'Supplementary GVA and GDP Data 2019', available at https://www.gov.gg/gdp & 'Facts and Figures 2020 Supplementary Data: T 2.16, F 2.16 - Employment by economic sector', available at https://www.gov.gg/ff

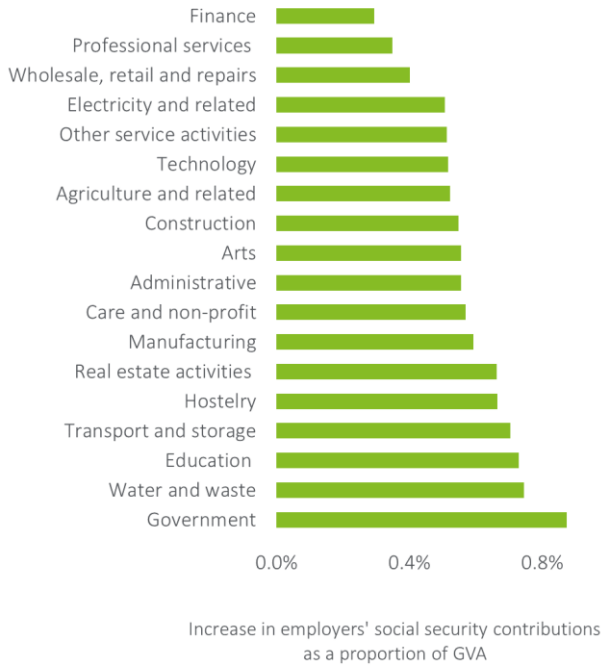
By applying the considered SSC restructure to the data provided on remuneration by sector, we can estimate the change in the social security burden on sectors. As overall remuneration is highest in sectors such as finance and professional,

[106] Guernsey Facts and Figures, 2020, States, Nominal GVA All Sectors - available at: https://www.gov.gg/CHttpHandler.ashx?id=131184&p=0
[107] Guernsey 2019 report, "The Review of the Fiscal Policy Framework and Fiscal Pressures", available at: https://www.gov.gg/CHttpHandler.ashx?id=122178&p=0

business, scientific and technical activities, these sectors bear the largest impact of social security increases in absolute terms. However, when this is compared to their GVA, the sectors that rely more on labour than capital are seen to be impacted more. Figure 12 shows the social security impact as a proportion of GVA for each sector.

As expected, key sectors of focus including the financial services sector are largely not adversely impacted as a percentage of their GVA (at 0.29% for all options). In comparison, sectors such as hostelry, transport and storage, education, and water management are impacted by as much as 0.6% to 0.8% of their GVA for all options. While these impacts are on the higher end of the range relative to GVA, as stated in section 2.3.2, there is evidence to suggest that about two thirds of this burden may be passed on to employees. This may imply a more limited impact on sectors than is provided by these estimates.

Figure 12: Increase in social security contributions for employers as a proportion of GVA



Source: Latest sectoral renumeration data provided by the States

4.3.3. Impact of GST

The GST (which would be introduced at 8% in Option 2 and 5% in Option 3) is a relatively more efficient tax in comparison to PIT because its base does not include mobile capital income. The GST causes fewer distortions as it does not directly impact the cost of capital or labour.[108] Furthermore, the GST decreases in efficiency with higher rates and the addition of exemptions.[109]

Empirical evidence shows that income tax changes have a larger impact than GST on output, private consumption and investment in the short run.[110] As a result, the impact of a GST on the economy is expected to be more limited. To this end, this section reviews the potential impacts that a GST could have on Guernsey's price levels and sectoral performance.

[108] OECD working paper, "Taxation and Economic Growth", available at: https://www.oecd-ilibrary.org/economics/taxation-and-economic-growth_241216205486
[109] IMF working paper, "The Value Added Tax and Growth: Design Matters", available at: https://www.imf.org/en/Publications/WP/Issues/2019/05/07/The-Value-Added-Tax-and-Growth-Design-Matters-46836
[110] "The Macroeconomic Effects of Income and Consumption Tax Changes", available at: https://ideas.repec.org/p/shf/wpaper/2017008.html

Given the relative reliance of the different policy options on the GST for revenue raising and the relative efficiency of the GST, Policy Option 1, which relies solely on income taxation to raise revenue, is likely to be less efficient than Option 3, which incorporates a 5% GST. Option 3 is in turn likely to be less efficient than Option 2, which relies exclusively on GST for revenue raising and is accompanied by a *decrease* in income taxation.

There are a number of empirical studies in the literature that estimate the impact of introducing a GST. An analysis of 53 GST changes in 14 developed countries suggests that aggregate consumption and economic growth increases just before GST is raised, decreases as it is raised and then increases again afterwards.[111] These findings are consistent with a temporal substitution effect of a GST increase, as consumption is brought forward in response. The findings are also consistent with the impact of a GST increase on inflation being temporary in nature.[112] In the long term, a GST increase is not found to adversely impact economic growth.[113] This result is in part driven by countries also increasing government expenditure alongside these tax changes (e.g. compensating low-income households or funding social welfare), which matches the options under consideration for Guernsey.[114]

4.3.3.1. Impact of GST introduction on price levels

In general, the introduction of a GST leads to higher price levels in the short-term as a result of the direct impact on the prices faced by consumers. Empirically, it has been noted that this effect is usually temporary and dissipates after around 4 quarters. A study of the macroeconomic effects of GST introduction in New Zealand, Australia and Canada reported a temporary effect on inflation for all three countries.[115] A separate analysis of the GST effect on inflation in Australia confirms this transitory impact. Australia introduced the tax at a 10% rate in July 2000, thus simplifying its existing sales tax system.[116] It had a higher number of exemptions than New Zealand and was slightly revenue expansionary.[117] A one-off national effect of this GST introduction is reported on price levels at 2.8%, this impact was observed only in the September quarter with no lasting impacts observed beyond this point.[118]

The study of the macroeconomic effects of the GST introduction in New Zealand, Australia and Canada also reviewed the percentage change in GDP arising as a result and reported no common GDP impacts.[119] This result is supported by findings in a paper comparing the effect of the income tax rate and GST rate cuts, showing that a reduction in the GST rate had no significant impact on GDP and its components.[120]

As Guernsey and Jersey have several similarities in their economic structures, the impacts of Jersey introducing a GST are also considered. In Jersey, both the introduction of a GST at 3% and then a subsequent increase to 5% had similar impacts, whereby 1% of GST was associated with an increase in price levels of approximately 0.65% but did not impact inflation beyond the span of one year. Considering Jersey as a close comparator, the introduction of a GST of 5% in Guernsey, as under Policy Option 3, may therefore lead to an increase in price levels of approximately 3.25 percentage points. However, following the Jersey case study, as well as evidence from other countries, the impact this has on inflation can be expected

[111] "The Effect of the VAT Rate Change on Aggregate Consumption and Economic Growth", available at: https://academiccommons.columbia.edu/doi/10.7916/D86W9JX0/download
[112] "Quantifying the Effect of GST on Inflation in Australia's Capital Cities: An Intervention Analysis", available at: http://eprints.qut.edu.au/423/1/Valadkhani_153.pdf
[113] "The Effect of the VAT Rate Change on Aggregate Consumption and Economic Growth", available at: https://academiccommons.columbia.edu/doi/10.7916/D86W9JX0/download
[114] Examples of countries mentioned in the paper and details of the changes: Canada's 1991 introduction of a 15% GST also involved a GST credit scheme for low-income households, Japan's 3% GST introduction in 1989 was used to fund social welfare spending and the Netherlands' 2001 GST increase by 1.5% was accompanied by a 8% drop in PIT rate
[115] "An Empirical Note on the Comparative Macroeconomic Effects of the GST in Australia, Canada and New Zealand", available at: https://www.une.edu.au/__data/assets/pdf_file/0006/67947/econ-2004-17.pdf
[116] "The New Zealand GST and its Global Impact: 30 Years On", available at: https://www.researchgate.net/publication/315782694_The_New_Zealand_GST_and_its_Global_Impact_30_Years_On
[117] "An Empirical Note on the Comparative Macroeconomic Effects of the GST in Australia, Canada and New Zealand", available at: https://www.une.edu.au/__data/assets/pdf_file/0006/67947/econ-2004-17.pdf
[118] "Quantifying the Effect of GST on Inflation in Australia's Capital Cities: An Intervention Analysis", available at: http://eprints.qut.edu.au/423/1/Valadkhani_153.pdf
[119] "An Empirical Note on the Comparative Macroeconomic Effects of the GST in Australia, Canada and New Zealand", available at: https://www.une.edu.au/__data/assets/pdf_file/0006/67947/econ-2004-17.pdf
[120] "The Macroeconomic Effects of Income and consumption tax Changes", available at: https://ideas.repec.org/p/shf/wpaper/2017008.html

to dissipate after one year as prices adjust to a new base level. Under Policy Option 2, where a GST of 8% would be introduced, it is reasonable to expect a greater price effect than in the 5% case.

With the introduction of a GST, compliance costs are worth considering. Several countries, especially in the EU, have GST rates with several exemptions and zero-rated sectors. Whilst zero-rated or exempt sectors can help reduce the regressivity of the tax, they lead to higher compliance costs and erode revenues. Furthermore, these costs especially impact smaller businesses. A study commissioned by New Zealand's Inland Revenue Department after the GST was introduced estimated compliance costs of 7.3% relative to GST revenue.[121] However, when split by the size of the firm, it showed that for smaller firms (less than $30,000) compliance costs were as high as 2.6% of turnover, whilst for larger firms with turnover between $1 and $2 million, the estimate was only 0.2%.

In this respect, the GST under consideration with minimal zero-rating and an exemption for small firms at a threshold similar to Jersey's of less than £300,000 would be beneficial for a reduction in overall compliance costs. In general, compliance costs are also transitory as businesses get used to new systems and develop the know-how to register and comply with new legislation. The States of Guernsey have posited that the annual administration costs associated with the introduction of the GST would be equal to approximately £0.8m.

4.3.3.2. Impact of GST introduction on sectors

The impact of GST on specific sectors in Guernsey will depend on the GST treatment applied, and whether the sectors are exempted or zero-rated, or other mitigating strategies are employed. Whilst zero-rating helps alleviate any adverse effects on consumption, it imposes an administrative or, even more complex, some compliance burden as businesses need to register for GST and then apply to reclaim any GST paid on all their inputs.

Given that a GST will raise the prices of goods consumed by households by the tax rate, it is reasonable to expect that a concentrated effect of the introduction will be felt in the wholesale, retail and repairs sector. As will be highlighted within the distributional analysis in Section 4.4, the percentage of household expenditure spent on essentials is relatively high for lower-income households. This reduces the avenues through which expenditure can be reduced and for these households may prompt a shift towards lower price items.

The medium- and high-income households spend a smaller share of their income on essentials, as is seen in Figure 20, and are likely to find this GST cost minimal in comparison to their total expenditure. Hence, they are less likely to reduce their expenditure in response. On balance, this may shift the expenditure components around but not materially impact the sector's output.

4.3.4. Overall macroeconomic impacts

Overall, based on the empirical evidence in the literature and the fact that the tax changes proposed by the States are expected to be accompanied by equivalent expenditure increases, this implies that **overall impacts to GDP growth will be limited and transitory** in nature as the economy restructures. Therefore, while GDP growth may not be impacted significantly in the long term, **there will be short-term transitory impacts associated with compliance costs, behavioural impacts and administration costs as businesses, individuals and government learn to navigate the new systems.** Furthermore, there may also be impacts associated with government expenditure being delayed, for example as a result of a labour shortage for healthcare professionals to fulfil the increased capacity resulting from greater expenditure. The **introduction of a GST at 5% is likely to impact price levels by approximately 3 percentage points**; however, it is expected that this will not have any long-term impact on inflation as price levels settle to a new base level after a year.

Whilst the overall level of economic activity in the jurisdiction is unlikely to be impacted significantly, the structure of the economy will likely change as a result of the tax changes and increased government expenditure. This may include a

[121] "Reflections on the introduction of Value Added Tax in the United Kingdom and Goods and Services Tax in New Zealand", available at: https://core.ac.uk/download/pdf/12824616.pdf

reduction in the size of sectors such as wholesale, retail, and repair, hostelry and transport and storage, and an expansion in the size of the health and care, and public administration sectors. Key industries such as financial services, and other professional, technical, business and scientific activities are unlikely to be adversely impacted.

With respect to employment, the key industries including **financial services, and other professional, technical, business and scientific activities are unlikely to be adversely impacted**. The **recessionary impact may be felt in the short term in industries such as construction, wholesale retail and repair, hostelry, and transport and storage**. However, even within some of these industries, some of the negative impacts may be counteracted considering that the government aims to spend some of the extra revenues raised from taxes on providing physical infrastructure in the jurisdiction. Furthermore, the structural changes in the economy may lead to an expansion in jobs, especially in the healthcare and public administration sector. These estimated impacts are summarised in Table 8 below, this is then mapped onto the policy options under consideration in Table 9.

Table 8: Overall impacts of individual tax increases and GST introduction

	Overall expected impacts of increases to individual tax	Introduction of a GST
Household consumption	short-term ⇩	Consumption brought forward, but no significant impact ⇔
GDP growth	short-term ⇩	No significant impact ⇔
Employment	short-term ⇩	No significant impact ⇔
Inflation	No significant impact ⇔	short-term ⇧

Table 9: Impacts of tax policy options

	Policy Option 1 (income tax based)	Policy Option 2 (GST based)	Policy Option 3 (GST and income based)
Household consumption	short-term ⇩	short-term ⇗ due to decreased level of income taxation	short-term ⇘
GDP growth	short-term ⇩	short-term ⇗ due to decreased level of income taxation	short-term ⇘
Employment	short-term ⇩	short-term ⇗ due to decreased level of income taxation	short-term ⇘
Inflation	⇔	short-term ⇧	short-term ⇗

4.4. Distributional Impact

4.4.1. Impact by quintile and household composition

Each of the potential illustrative tax changes considered will have varying impacts on different types of households. This section discusses the impacts of each of the proposed tax increases by quintile and household composition (as set out in Section 4.2). When examining the impact by income quintile, we consider impacts relative to total expenditure, essential expenditure and gross household income. As highlighted in Figure 20 in the Appendix, the lower quintiles spend a higher proportion of their expenditure on essential items. Given that such expenditure is less income elastic, seeing how the tax impact relative to essential expenditure is reflected across the quintiles is an indicator of progressivity. In addition, some

elements of essential expenditure may be exempt in the policy options which include a GST thus making the view of tax impact relative to essential expenditure of interest.

4.4.1.1. Policy Option 1: 3% Health Tax and SSC restructure

Policy Option 1 involves the introduction of a 3% Health Tax administered in a similar fashion to PIT, along with an SSC restructure. The 3% Health Tax will impact all households whose taxable income is above the personal allowance threshold. The introduction of an SSC allowance will reduce the tax burden for those with lower incomes. The increased rates for employees will lead to greater tax payments as will the change in the nature of income treatment, which sees SSCs levied on all income rather than earnings from employment alone. Policy Option 1 also involves an automatic reduction in the level of income support as a result of the increase in income due to the introduction of a tax-free SSC allowance.

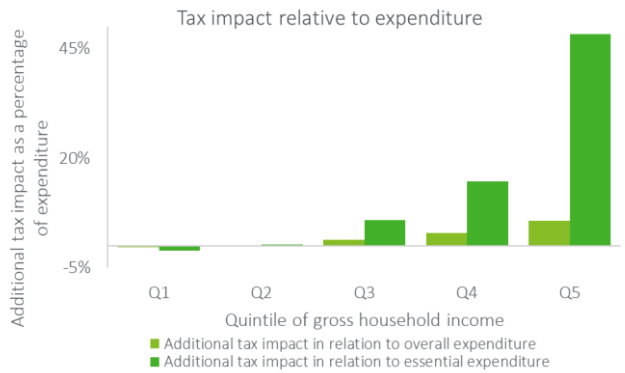
Figure 13 shows the impact of Policy Option 1 by income quintile relative to expenditure in the leftmost panel and relative to gross household income in the rightmost panel. The lighter bars in the left panel shows the impact by quintile relative to *overall* expenditure, the darker bars illustrate the impact relative to *essential* expenditure. The items classified as essential are food and non-alcoholic drinks and housing, fuel and power.

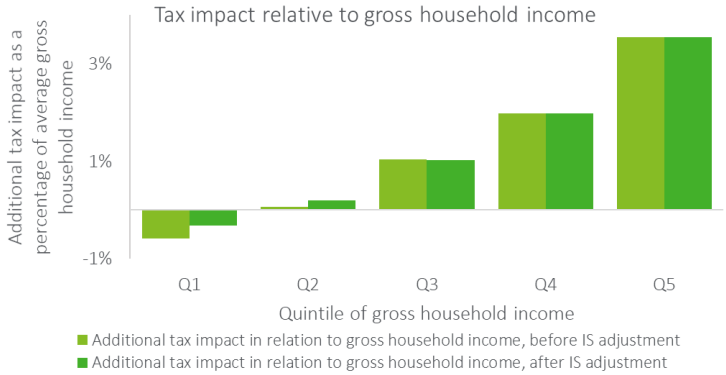
The lighter bars in the right panel show the impact as a share of gross household income before the adjustment in income support whereas the darker bar shows the impact after this adjustment. While residents only observe the impacts after the income support adjustment, it is useful to understand the impact of the tax levers themselves before the States' mitigating interventions.

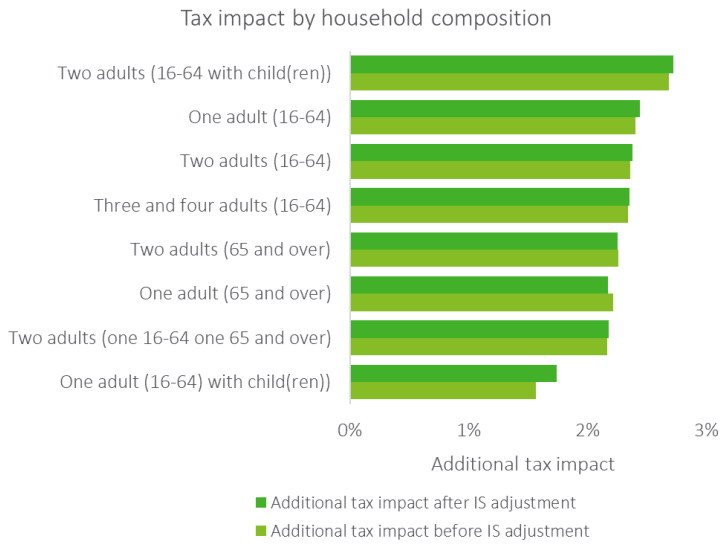
In the left panel the y-axis shows the additional tax impact as a share of expenditure whereas the y-axis on the right panel shows the additional tax impact as a share of gross household income.

The final chart in Figure 13 shows the impacts by household composition before and after the income support adjustment.

Figure 13: Analysis of the additional tax impact of Policy Option 1







Source: Expenditure data from Guernsey Household Expenditure Survey Report, available at: https://www.gov.gg/CHttpHandler.ashx?id=133968&p=0. Household income data and tax impact data as provided by the States

Policy Option 1 is associated with a decrease in the tax take from those in the first quintile of the income distribution because of the benefit gained from the allowance on SSCs. For those in the second income quintile there is a marginal increase in their tax burden. **Policy Option 1 is therefore progressive as the proportionate tax impact relative to both income and expenditure is increasing with income.** For quintile 1, the tax impact after income support adjustment is -0.32% compared to 3.54% for quintile 5. The impact relative to essential expenditure is significantly greater than when compared to overall expenditure for those in the third, fourth and fifth income quintiles as a result of essential expenditure constituting a smaller share of total expenditure for these higher income households.

Under Option 1 there are no additional income support mitigations. As a result of the introduction of the SSC allowance the take-home income of lower income households is increased. This increase in take-home income results in the States making a lower level of income support payments, which offsets the impact of the SSC reduction. The impact of this automatic fiscal stabiliser from the income support adjustment is felt entirely by those in the first and second quintiles of income (as illustrated in the rightmost panel where the dark green bars pertain to greater values than the light green bars).

When the impact of Policy Option 1 is compared across the different household composition types, on a proportionate basis the greatest share of the burden is borne by two working age adult households with children, with the smallest impact coming for a household with one working age adult and children. Further, the automatic income support adjustment compounds this impact. The income support adjustment is only beneficial for households with one or two adults aged 65 and over.

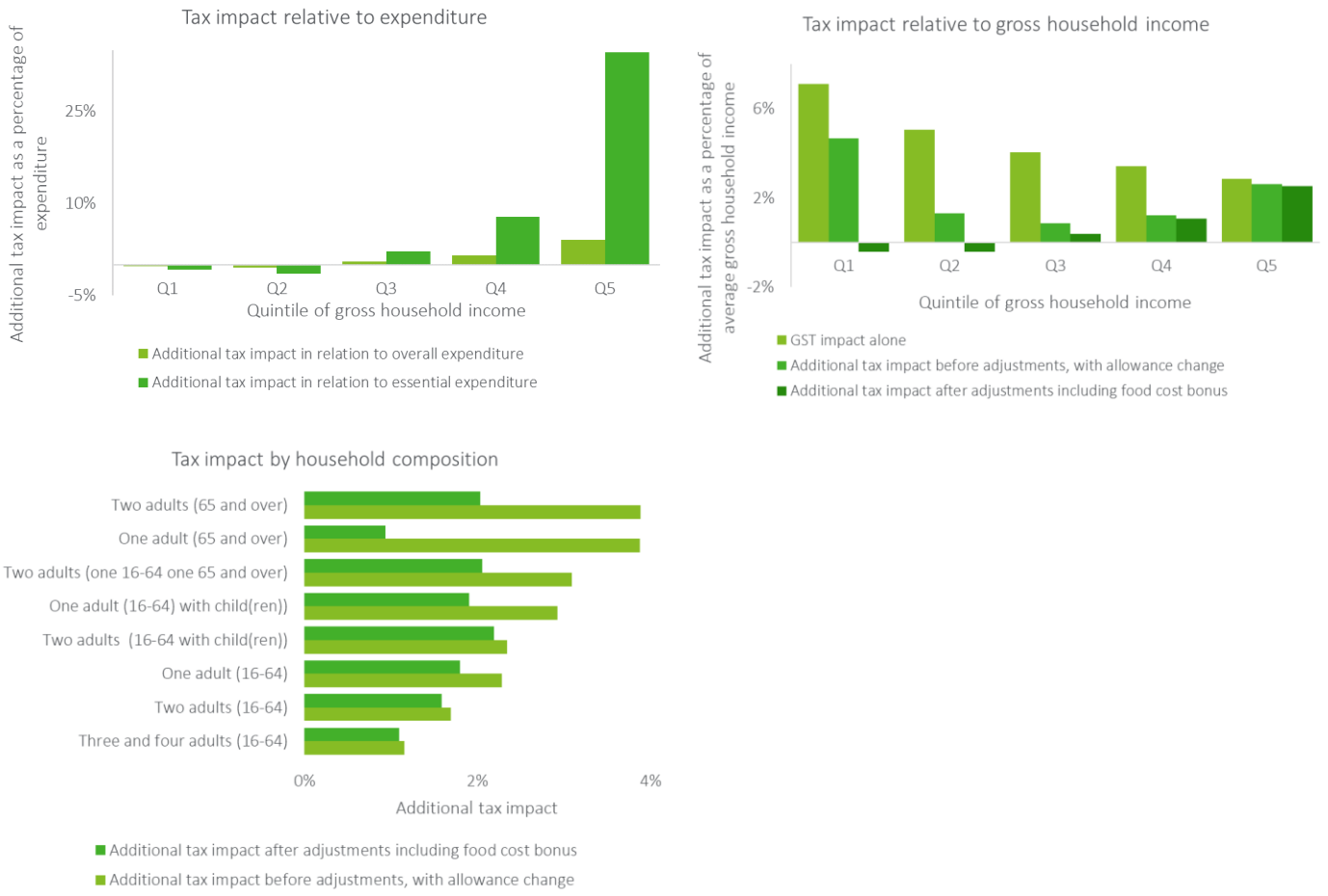
4.4.1.2. Policy Option 2: 8% GST, PIT allowance increase and SSC restructure

Policy Option 2 involves the introduction of a GST at 8% administered in a similar fashion to the GST in Jersey, along with an SSC restructure and an increase in the PIT allowance. The 8% GST will impact all households through its application to all eligible expenditure. The SSC restructure involves the introduction of an allowance in alignment with the PIT allowance and an increase in SSC rates.

Policy Option 2 also involves an automatic reduction in the level of income support as a result of the increase in income due to the introduction of a tax-free SSC allowance. The fact that the GST applies to all eligible expenditure means that it is potentially regressive. To alleviate this, the States of Guernsey have allocated £6m to £9m to increase income support for affected individuals and households and an additional allowance of £0.5m to £2.5m for further mitigation.

Figure 14 shows the impact of Policy Option 2 by income quintile relative to expenditure in the leftmost panel and relative to gross household income in the rightmost panel. The lighter bars in the left panel show the impact by quintile relative to *overall* expenditure, the darker bars illustrate the impact relative to *essential* expenditure. The lighter bars in the right panel show the impact as a share of gross household income for GST alone, the intermediately coloured bars also include the impact of the allowance change and change in the structure of SSCs and finally the darkest bars add to this the impact of offsetting adjustments. The final chart in Figure 14 shows the tax impacts by household composition before and after the income support adjustment.

Figure 14: Analysis of the additional tax impact of Policy Option 2



Source: Household income data and tax impact data as provided by the States & Expenditure data from Guernsey Household Expenditure Survey Report, available at: https://www.gov.gg/CHttpHandler.ashx?id=133968&p=0. Household income data and tax impact data as provided by the States

Policy Option 2 is associated with an increase in the tax take in income quintiles 3 to 5; however, those in income quintiles 1 and 2 would see a decrease in their tax burden. The tax impact as a share of both overall and essential expenditure is increasing along the income distribution. When the tax impact is assessed relative to essential spending, the proportionate impact increases more substantially for those in the fourth and particularly fifth quintiles. This occurs because essential expenditure is a smaller proportion of total expenditure for those in the upper echelons of the income distribution.

Policy Option 2 is progressive when analysed relative to gross household income and considered after the inclusion of mitigating measures. Quintile 1 has tax impact of -0.42% while the tax impact for quintile 5 is 2.54%. For those in income quintiles 1 and 2, the net effect of Option 2 is a decrease in their net tax burden. The GST in isolation (the lightest bar) is regressive such that the tax impact relative to gross household income is higher for those at the lower end of the income distribution. The other elements of Option 2, which include the increased PIT allowance and SSC allowance, help to

alleviate the regressivity of Option 2. The main contributing factors to this are the increased PIT allowance, which reduces the tax burden for those in income quintiles two to four, and the offsetting measures for GST cost, which especially alleviate quintile one's tax burden. Those in income quintile five are less affected by the other elements of tax Policy Option 2. This is because of the tax cap and the proportionately smaller role that the withdrawal of tax allowances plays in their tax affairs.

The final bar in the rightmost graph shows the tax impact as a share of gross household income after also adjusting for the offsetting interventions by the States of Guernsey. On a proportionate basis, the impact of these offsetting interventions would be greatest for those in the lowest income quintile. The net effect of Policy Option 2 after mitigations is therefore that the tax impact as a proportion of gross household income increases along the income distribution.

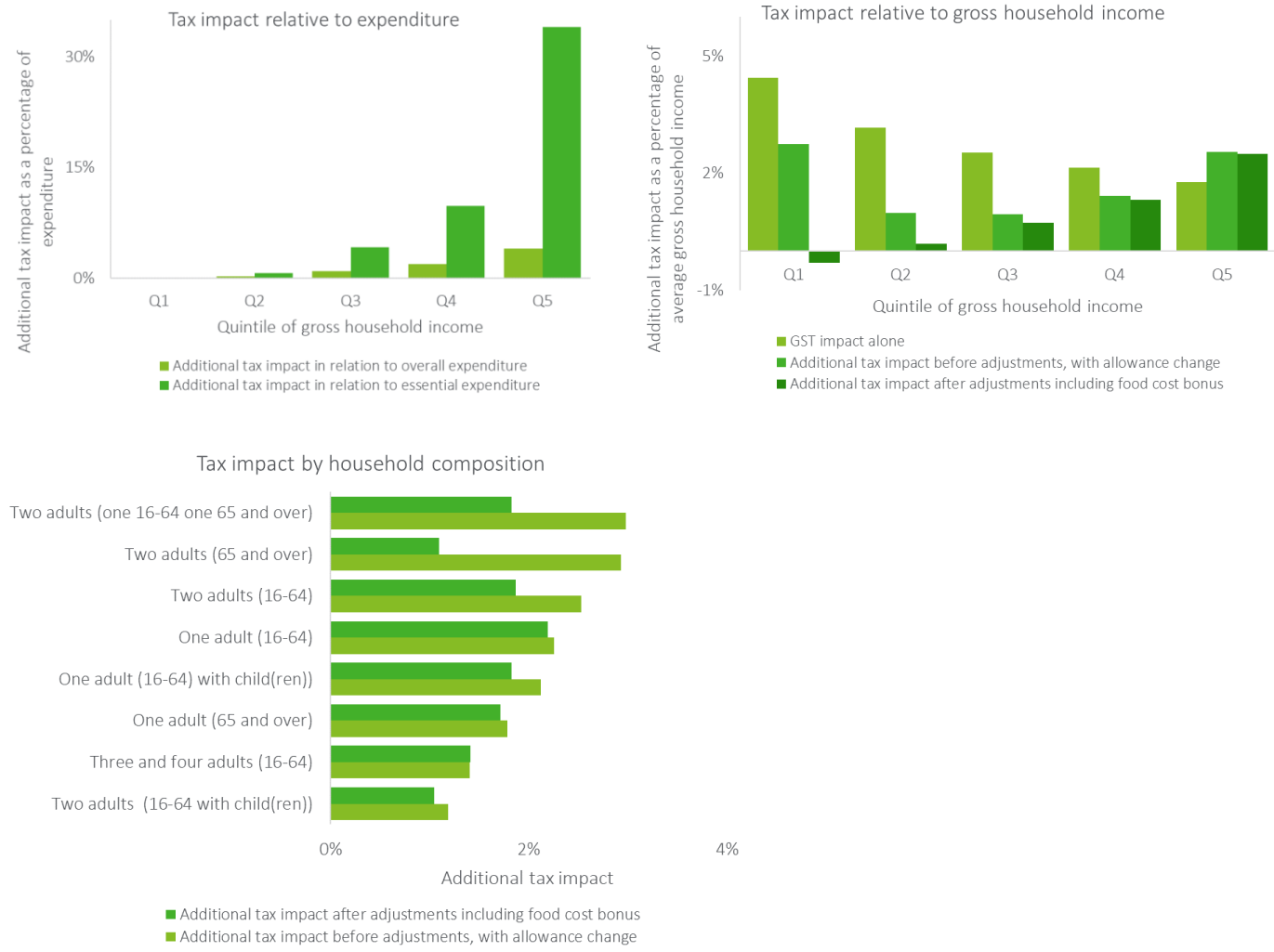
The final chart in Figure 14 shows the impact of Policy Option 2 across household types before adjustments (lighter bar) and post-adjustment (darker bar). The tax impacts before the adjustments are greatest for households containing adults aged 65 and over. However, these households benefit most from the adjustments bringing the impact to a level comparable to other household types. Households with one adult aged over 65 benefit particularly significantly from the adjustments. Prior to the adjustments they rank 2nd amongst household types in terms of impact magnitude and after the adjustments, the tax impact is smallest for this group.

4.4.1.3. Policy Option 3: 5% GST, PIT allowance increase and SSC restructure

Policy Option 3 involves the introduction of a GST at 5% administered in a similar fashion to the GST in Jersey, along with an SSC restructure and an increase in the PIT allowance. The 5% GST will impact all households through its application to all eligible expenditure. The introduction of an SSC allowance and increase in the PIT allowance will reduce the tax burden for those with lower incomes and the increased SSC rates for employees will lead to greater tax payments for these individuals as will the change in the nature of income treatment. Policy Option 3 also involves an automatic reduction in the level of income support as a result of the increase in income due to the introduction of a tax-free SSC allowance. The fact that the GST applies to all eligible expenditure means that it is potentially regressive. To alleviate this, the States of Guernsey have allocated £4m to £5m to increase income support for affected individuals and households and an allowance of £0.3m to £0.7m for additional mitigations.

Figure 15 shows the impact of Policy Option 3 by income quintile relative to expenditure in the leftmost panel and relative to gross household income in the rightmost panel. The lighter bars in the left panel show the impact by quintile relative to *overall* expenditure; the darker bars illustrate the impact relative to *essential* expenditure. The lighter bars in the right panel show the impact as a share of gross household income for GST alone, the intermediately coloured bar also includes the impact of the allowance change and change in the structure of SSCs and finally the darkest bar adds to this the offsetting adjustments. The final chart in Figure 15 shows the impacts by household composition before and after the income support adjustment.

Figure 15: Analysis of the additional tax impact of Policy Option 3



Source: Expenditure data from Guernsey Household Expenditure Survey Report, available at: https://www.gov.gg/CHttpHandler.ashx?id=133968&p=0. Household income data and tax impact data as provided by the States

Policy Option 3 is associated with an increase in the tax take from those in income quintiles 2 to 5; however, those in the lowest income quintile would see a decrease in their tax burden. The tax impact as a share of both overall and essential expenditure is increasing along the income distribution. When the tax impact is assessed relative to essential income the proportionate impact increases more substantially for those in the fourth and particularly fifth quintiles. This occurs because essential expenditure is a smaller proportion of total expenditure for those in the upper echelons of the income distribution.

The final (darkest) bar in the rightmost graph shows the tax impact as a share of gross household income after also adjusting for the offsetting interventions by the States of Guernsey. On a proportionate basis, the impact of these offsetting interventions would be greatest for those in the lowest income quintile. **After accounting for the adjustments, Policy Option 3 is progressive and for those in the lowest income quintile the tax burden would actually be *reduced*. The tax impact for quintile 1 is -0.30% while the tax impact for quintile 5 is 2.49%.**

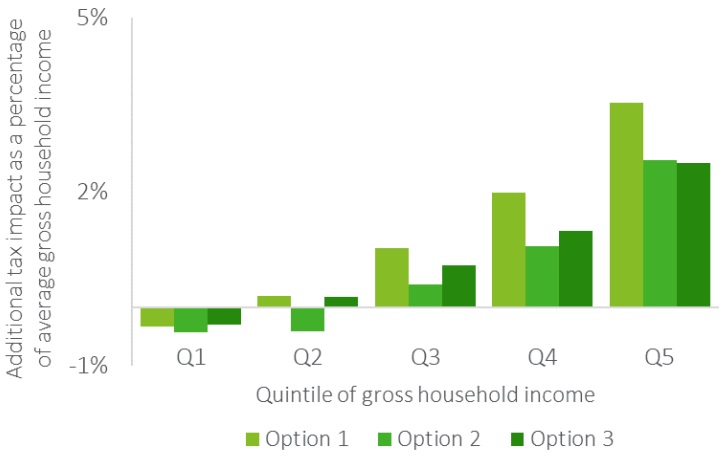
When the tax impact of Policy Option 3 is assessed relative to gross household income, the GST in isolation (the lightest bar) is regressive. This regressivity means that on a proportionate basis those in the first income quintile are more affected than those in the second, who are more affected by those in the third and so on. When the other changes included as part of Policy Option 3 are accounted for, the regressivity of the tax is reduced slightly for the fourth quintile but, in contrast, increased for the fifth quintile since the tax allowance change and mitigations such as income support have much less of an impact on their tax liability. Those in income quintiles one to three are most affected by the other elements of tax Policy Option 3 as they benefit from the change in allowance (more so in the case of second and third quintiles) and the additional mitigations (particularly the case of the first quintile).

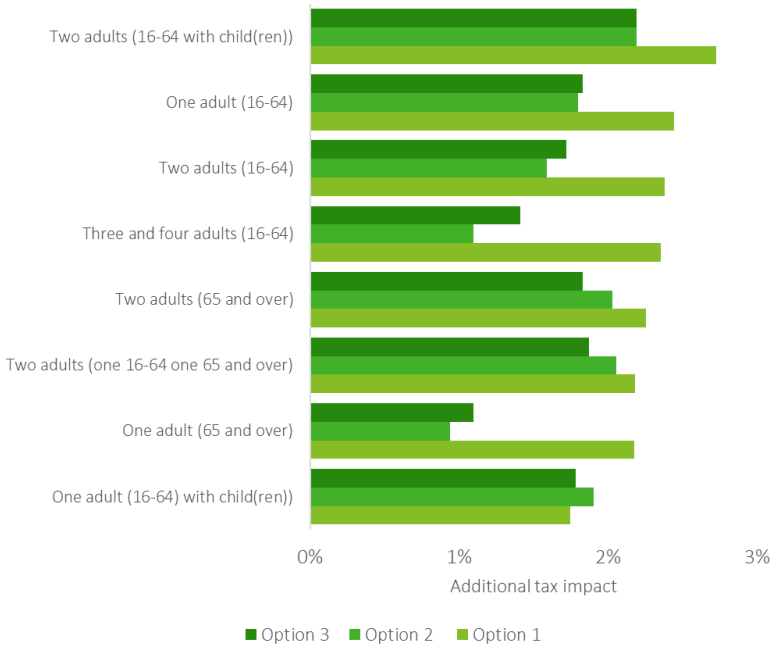
The final chart in Figure 15 shows the impact of Policy Option 3 across household types before adjustments (lighter bar) and post-adjustment (darker bar). The impact before the adjustments is greatest for multi-adult households containing individuals aged 65 and over. Two working-age adult households with children and households with three to four working-age adults are least affected. The adjustments have the largest impacts for the most affected households. In particular, households with two adults aged 65 and over benefit significantly from the adjustments, taking them from being the second most affected household group to the second least affected group. After adjustments, the most impacted household type is a household with only one working age adult.

4.4.1.4. Overall impacts of policy option, by income quintile

The purpose of this section is to facilitate easy comparison of the distributional consequences of the different policy options under consideration. The first chart in Figure 16 shows the tax impact across the income distribution relative to gross household income. The second chart in Figure 16 shows the tax impacts for the different types of household.

Figure 16: Impacts of policy options relative to gross household income





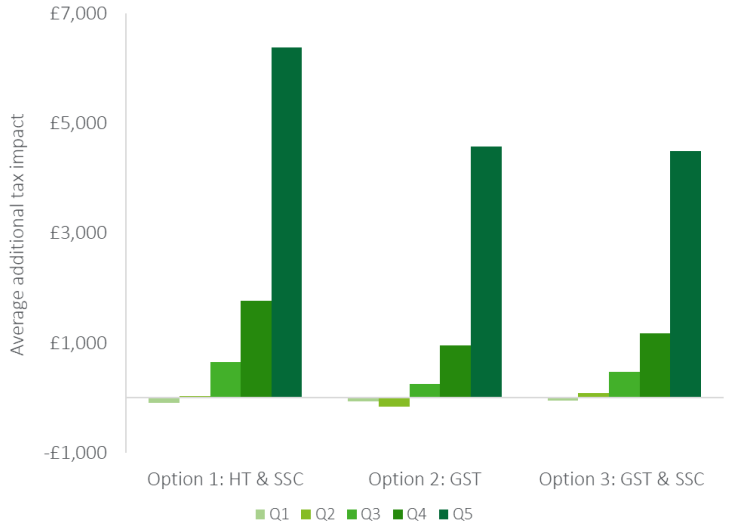
Source: Household income data and tax impact data as provided by the States

All three tax policy options are progressive, with Option 1 being the most progressive. Under all options, the most affected household type is a household with two working age adults with children.[122] There are numerous examples of notable changes in the magnitude of the tax impacts across the different household types. The impact for households containing a single adult aged 65 and over is significantly higher under Option 1, and this is also true for households with multiple working age adults without children. For the single pensioner households, this is because Options 2 and 3 include old age pension adjustments and pension support scheme along with the introduction of GST rates. The impact for single parent households is slightly greater under Option 2 compared to Options 1 and 3. Across the households, Option 1 has a higher tax impact than Options 2 and 3 as some of the revenue raised from the latter options are from tourist spend and the ISE scheme.

An additional view of the distributional impact of each tax policy option is shown in Figure 17 below, which illustrates the additional tax impact from each option by income quintile. For all options, the largest impact is seen in the fifth quintile, which includes those with the highest income levels. Each preceding quintile for Options 1 and 3 has less of a tax impact, meaning less tax liability. This is partly the same for Option 2, except in the case of the first and second quintiles; on average, quintile 2 results in less of a tax liability than quintile 1.

[122] These households have higher incomes on average across the household compositions.

Figure 17: Additional tax impact from each policy option by income quintile



Source: Household income data and tax impact data as provided by the States

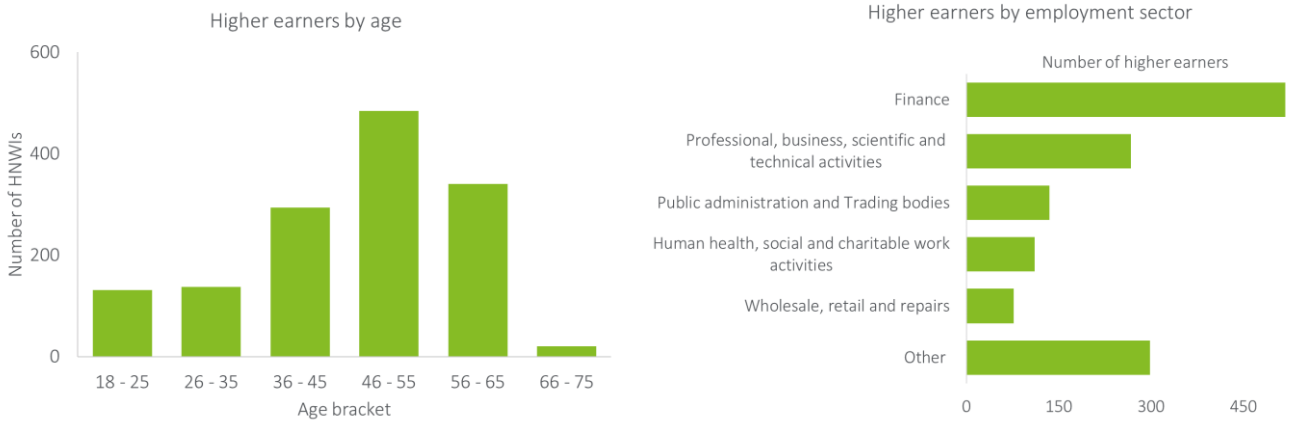
4.4.2. Higher Earners (Part of Top 5%)

Of the illustrative tax changes being considered, the PIT changes would be most likely to impact higher earners. Impacts on higher earners are therefore considered in the context of the different policy options under consideration. Furthermore, the demographics of these higher earners are studied to discuss impacts to specific sectors in the scenario that these individuals move out of Guernsey.

4.4.2.1. Demographics of Higher Earners

Overall, a total of 1,406 higher earners have been identified from data on the top 5% of households in the income distribution, as provided by the States. These higher earners are employed and self-employed individuals in 1 to 4 person households and employed and self-employed individuals chosen from 5 to 6 person households based on aggregate household income reflecting a high number of higher earners. Almost 80% of these individuals are between 45 and 65 years of age. Furthermore, 56% of these higher earners are employed either in the finance sector or in the professional, business, scientific, and technical activities sectors. Their distribution by age and employment sectors is shown in Figure 18.

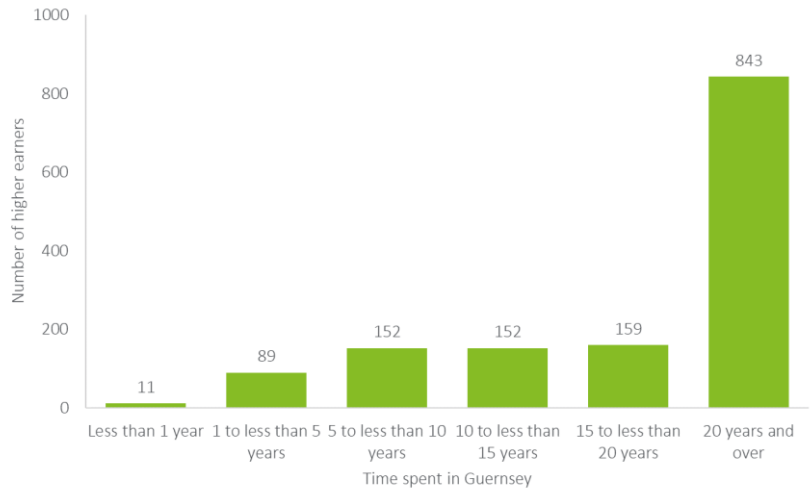
Figure 18: Distribution of higher earners by age and employment sectors (five largest)



Source: Household income data for the top 5% of households as provided by the States

When looking at time spent resident in Guernsey, 60% of higher earners have spent over 20 years in Guernsey, and 82% of higher earners have spent over 10 years in Guernsey. Figure 19 shows the distribution by the amount of time spent in Guernsey.

Figure 19: Higher earners by time spent in Guernsey



Source: Household income data for the top 5% of households as provided by the States

4.4.2.2. Impact on income of higher earners as a result of proposed changes in income taxation

Overall, it is seen that the largest proportion of those individuals who are categorised as higher earners would see an **impact of 3% to 4% on their household income under Option 1 and impact of between 2% and 3% of household income under both Option 2 and Option 3**.[123] For the small number of individuals who make use of the States' tax cap this impact will be zero. Under each policy option the impact on higher earners is 5% or less for at least 80% of households. In the event that these tax changes are large enough to incentivise higher earners to relocate to minimise their income tax

[123] As individual income is not available, household income is used as a proxy. This is declared household income as individuals who pay the personal income tax (PIT) cap are not obligated to declare their full income. Thus, the impacts calculated may be an overestimation.

burden, the finance and professional activities sectors may be adversely impacted as they employ over 50% of the higher earners.

However, given the PIT ranges seen in comparable jurisdictions in the benchmarking analysis in Section 3, it is **unlikely that the tax changes illustrated here will lead to a material change in factors that make Guernsey an attractive location for some higher earners. For the few high net worth individuals who make use of the tax cap, their location choice is more likely to be sensitive to changes in the tax cap and capital taxes, which are unchanged for each of the options under consideration in this report**. Further, higher earners generally tend to be more adversely impacted by increases in capital gains taxes, which are not currently applied in Guernsey.

Considering the distribution of time spent in Guernsey, this may suggest that about 82% of higher earners have ties to the island which could make them less sensitive to tax reform. On this basis, the improvement of the health and care sector, as a result of the planned expenditure, relative to the counterfactual where the spending does not take place, will help to retain Guernsey's attractiveness as a jurisdiction of residence. This still leaves 18% of this group who may have a more limited local connection and could be fairly mobile and sensitive to their direct tax burden. Given their large contribution to the tax base, the loss of even a small number could be significant for the States. This also does not consider whether the changes in direct taxation may impact Guernsey's ability to attract such individuals in the first place. Higher earners differ from the high net worth individuals (HNWIs), which are much smaller in number, more mobile and would be most influenced by the tax cap and any taxes on capital.

Key Insights

Government revenue in Guernsey, before 2020 and the impacts of COVID-19, was 21.9% of GDP, which is lower than the States' target of 24%. The first element of the economic impact study presented in this report is to consider whether the illustrative tax reforms considered in this Interim Report would lead to a sufficient increase in government revenue.

The three tax reforms under consideration include changes to existing tax policy as well as the introduction of new forms of taxation. The first option involves the introduction of a 3% Health Tax administered in a similar fashion to PIT along with restructured (increased) SSC rates. The second option involves the introduction of an 8% GST administered in a manner similar to the GST in place in Jersey, along with a marked increase in the PIT allowance and restructured (increased) SSC rates. The third option involves the introduction of a 5% GST administered in a manner similar to the GST in place in Jersey, along with an increase in the PIT allowance and restructured (increased) SSC rates.

Implementing Policy Option 1, which is based on the Health Tax, would increase the ratio of tax revenue to GDP to 23.8% by 2026. If Policy Option 2, which is based on the GST, were implemented, it would increase the ratio of tax revenue to GDP to 24.1% by 2026. If Policy Option 3, which is a balance between relying on the GST and changes in SSCs, were implemented, it would increase the ratio of tax revenue to GDP to 24.0% by 2026. While the analysis presented in this report suggests that the policy options under consideration may be sufficient to lead to an increase in government revenue, there are also likely to be wider economic impacts associated with their introduction.

Increases in individual taxation (PIT, social security and Health Tax) will lead to a short-term decrease in household consumption, a short-term decrease in GDP growth, a short-term decrease in employment and have no impact on price levels. The introduction of a GST will lead to household consumption being brought forward but not with any significant total impact, no significant impact on GDP growth, no significant impact on employment and a short-term increase in inflation.

While the aggregate impacts of changes in taxation may be somewhat limited, the impacts for individual sectors and the distributional consequences of reform may be greater. Changing the higher rate of PIT is most progressive, while the impact of changing social security contributions and introducing a Health Tax is limited for those in the top income quintile as a result of the tax cap.

The GST is least progressive as the burden falls predominantly on lower income households; this impact has been mitigated in other jurisdictions by introducing accompanying compensatory policies. **When the impact of mitigations is included all policy options under consideration are found to be progressive in terms of expenditure or income and in absolute terms.**

82% of higher earners have spent more than 10 years in Guernsey, which, when combined with the position of Guernsey's tax regime relative to its benchmark jurisdictions, suggests that the reforms considered in this report are unlikely to be sufficient to result in a material change in the incentives of such higher earners. However, it could be the case that some individuals who are more mobile and have less significant ties or time spent in Guernsey may consider their position, and this would have wider consequences for the people that such individuals employ as well as their overall contributions to Guernsey's tax base.

5 Conclusion and next steps

Guernsey's current tax regime is broadly comparable to those of its benchmark jurisdictions and would continue to be so after accounting for the tax policy options considered in this report. Nevertheless, the options analysed will cause changes to Guernsey's tax regime across the different dimensions considered. The direction of these changes is specific to each option. The economic impacts of the tax policy options are likely to be transitory but may have important repercussions for certain sectors.

The States currently have an expected operating deficit of £64 million in 2020. The States are considering three tax policy options to increase revenues such that the States meet the future needs of their ageing population and are capable of the 24% of revenue to GDP target. This Report analyses the options put forward by the States, which include changes to their key tax levers. It does so by first benchmarking Guernsey's current tax regime and the tax regime that would prevail under each of the three options, relative to comparable jurisdictions, and second considering the economic impact of implementing these options to increase revenues.

The first tax policy option involves the introduction of a 3% Health Tax and a restructured social security contribution system with rate increases. The second option involves the introduction of a GST at a rate of 8% along with a social security contributions restructure. The third option involves the introduction of a GST at a rate of 5%, a social security contribution system restructure with rate increases. Outside the tax policy options analysed in this report, the States have provided the assumption applicable to MNEs in line with the OECD work-stream on corporate taxes, that changes to the CIT would raise an additional £10m in revenue. Importantly, with regard to Jersey and the Isle of Man, the States are likely to seek to maintain alignment and the comparative position would remain broadly the same.

The States have posited that the revenue raised by any one of the options chosen will be reinvested in the economy as a result of increasing demand for health and aged care. Based on this and the empirical evidence, **the considered tax levers' overall impacts on GDP growth may be limited and transitory in nature.** However, there may be impacts in the short term that are associated with government expenditure being delayed, for example as a result of a labour shortage for healthcare professionals required to increase capacity in the sector. It is also likely that the **economy will experience structural change** resulting from both changes to the tax system and increased government expenditure. Sectors such as **wholesale, retail, and repairs, and transport and storage may be negatively affected**, as household consumption is adversely impacted. By contrast, sectors such as **health and care and public administration may expand in line with increased spending necessary to maintain existing service levels.** Consideration may need to be given to investing in upskilling labour to support the labour market in transitioning to a restructured economy.

Any tax reforms are likely to be accompanied by adjustment costs, these costs will be more pronounced where new systems are being introduced, such as a GST in the case of Guernsey. Furthermore, the introduction of a GST itself **may increase price levels in the short-term** increasing prices by approximately 3 percentage points for Option 3 and even more so for Option 2, based on impacts observed in Jersey. However, this is expected to **not have any long-term impacts on inflation** as prices settle to a new baseline after a year.

As discussed in Section 3, **Guernsey currently raises less tax as a proportion of its GDP relative to some of the benchmark jurisdictions**. **Guernsey's position remains the same when all three options are considered**. Amongst the benchmark jurisdictions, **Guernsey is the only one that does not currently have a GST in place. However, Options 2 & 3 present a**

change to this as a result of introducing GST at different rates. Guernsey's GST contribution to total revenue would increase with both options, bringing Guernsey to the lower end of the benchmark range.

Guernsey's share of direct tax as a proportion of total tax revenue is currently the highest amongst the benchmark jurisdictions considered in this report. Option 1 would increase Guernsey's direct tax reliance, maintaining its position across the range. This is largely driven by the introduction of a 3% Health Tax charged in the same way as PIT but also by the increase in SSC rates and the broader SSC restructure. Options 2 & 3 would reduce Guernsey's direct tax reliance as a result of introducing a GST, with Option 2 causing change of a higher magnitude due to its higher GST rate.

Furthermore, depending on the taxes implemented, the impacts on different parts of the income distribution will vary. Option 1 with the 3% Health Tax is the most progressive of the three tax policy options, with impact increasing from the first to fifth quintile. This is a result of Guernsey's current PIT structure and the SSC restructure as part of Option 1 to match the current PIT structure.

The introduction of a GST could be regressive in nature without any accompanying mitigations, particularly as no essentials are being zero-rated or taxed at a lower rate. Attempts to mitigate this regressivity in other jurisdictions have been made by providing means-tested benefits to lower income households. The States have included a change in the PIT and SSC allowance as well as mitigation measures such as a food cost support bonus to Options 2 and 3. As a result, the options involving a GST as presented by the states are progressive after making these adjustments.

The impacts on higher earners have been studied in the context of each individual option. It is seen that higher earners are mostly employed in high-skilled sectors such as finance and that a large majority of them have spent over 10 years in Guernsey. Given the nature of their high-skilled employment, it is unlikely that the employment status of these individuals will be adversely impacted as a result of the structural changes in the economy given that changes in the marginal personal income tax rate are unlikely to be a significant factor when companies choose where to locate. Furthermore, given that Guernsey's structures for capital gains tax, inheritance tax, and corporate tax are comparable to those of its benchmark jurisdictions, it is unlikely that the tax changes illustrated here will lead to a material change in factors which make Guernsey an attractive location for some higher earners. For some of the more mobile higher earners who may have weaker ties to the Island, the changes under consideration may cause them to reconsider their residence in Guernsey. For the few high net worth individuals who make use of the tax cap, their location choice is more likely to be sensitive to changes in the tax cap and any taxes on capital.

Appendix

A1. Identification of higher earners

The States have provided us with household-level data for the top 5% of households by household income. To further classify these individuals as higher earners:

- The household income data provided by the States is first filtered by quintile 5 households only.
- This subset is then filtered by large household sizes and these households are examined to determine the validity of their inclusion in this sample.
- For the 7 to 11 person households in the distribution, when income per working individual was calculated, the values were quite small. These households therefore have a large household income as a result of several adults living in one household. These individuals from these households were all removed from the sample.
- For 5 and 6 person households, all individuals with employment status "Full Time Education", "Incapacitated", "Non-Employed", "Other", or "Unemployed" were removed. The remaining individuals were then manually categorised as higher earners or not based on household income.
- For 1 to 4 person households, all individuals with employment status "Full Time Education", "Incapacitated", "Non-Employed", "Other", or "Unemployed" were removed. The rest were all classified as higher earners as the remaining dataset was too large to manually sort.

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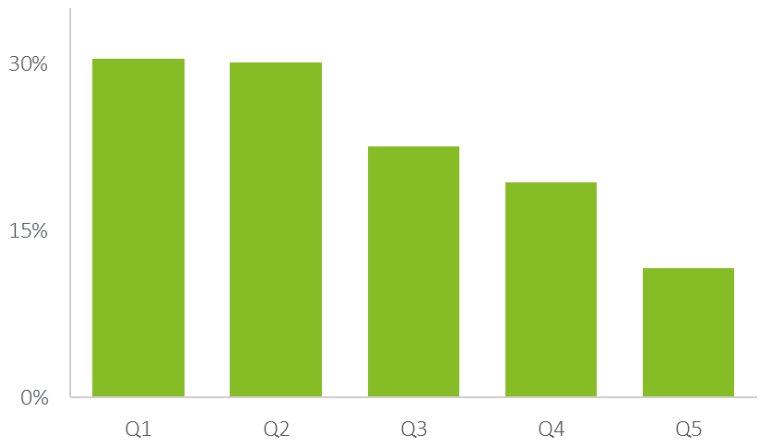
Figure 20: Proportion of total expenditure spent on essentials



Source: Expenditure data from Guernsey Household Expenditure Survey Report, available at: https://www.gov.gg/CHttpHandler.ashx?id=133968&p=0.

Table 10 below details the GST rates applied to each jurisdiction alongside a summary of some other GST treatments. It also highlights the exemption of financial services, which is important to each of these jurisdictions' economies.

Table 10: GST rates, zero ratings, exemptions and business threshold for each jurisdiction

	Jersey	Isle of Man	Luxembourg	Singapore	New Zealand
Standard Rate	5%	20%	17%	7%	15%
Other Rates	-	5% Children's car seats, home energy, domestic property repairs and accommodation provided by hotels	14% - Certain wines, solid mineral fuels, washing and cleaning products 8% - shoes and leather goods, clothing, household linen and hairdressing; 3% - Foodstuffs, soft drinks, children's clothing and footwear		-
Zero rated items	Exports of goods, housing, international services	Exports, most food and children's clothes, books and newspapers	Intra-community supplies, international transport and exports	Exports of goods and provision of international services	Exports, sales of ongoing business, sale of land
Exemptions	Financial services, insurance, postal services, medical and paramedical supplies made by registered professionals or institutions, registered childcare, school fees, supplies by charities, some burial and cremation services	Postage stamps, financial and property transactions	Medical services, health services, supplies of postage, welfare services, education and financial services	Sale and lease of residential land and financial services	Financial services, donations, private rent sale of private property and penalty interest
Business threshold	£300,000	£85,000	€35,000 (£30,435)	SGD 1 million (£543,478)	NZD 60,000 (£31234)

Source: See Appendix A2 Table 10, the exchange rates used for business threshold values were £1 = €1.15, £1 = SGD 1.84, and £1 = NZD 1.92, all calculated on the 28th April 2021

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Appendix 3. States of Guernsey Strategic Tax Review: Review of Corporate Tax Options

States of Guernsey Strategic Tax Review: Review of Corporate Tax Options

30 September 2022

Building a better working world

Contents

Executive Summary **1**

1. Introduction **4**
1.1 The options for reform 4
1.2 The scope of this report 4

2. Current environment in Guernsey **5**
2.1 The economic environment 5
2.2 The “red line” sectors 7
2.3 Tax system and impact 7
2.4 Effective tax rates 9
2.5 Tax receipts 11

3. Behavioural responses to tax changes **13**
3.1 Behavioural responses 13
3.2 Main behavioural assumptions 14
3.2.1 Semi-elasticities 14
3.2.2 Mobility factors 15
3.2.3 Non-linearity 16
3.2.4 Summary of elasticities used 17
3.2.5 Second round effects 17

4. The evolution of the options **19**
4.1 Initial test of the options 19
4.2 Developing a 0/10/20 option 20
4.3 Testing the “red line” 20
4.4 Refinement of the Levy option 20
4.5 Additional options 20

5. Modelling outcomes and economic impacts **21**
5.1 Option 1 – reforms within the existing structure 21
5.1.1 Background 21
5.1.2 Results 21
5.2 Option 2 – a territorial regime excluding “red line” sectors 23
5.2.1 Background 23
5.2.2 Results 23
5.3 Option 2a – a territorial regime including “red line” sectors 25
5.3.1 Background 25
5.3.2 Results 26
5.4 Option 4 – Flat fee model 27
5.4.1 Background 27
5.4.2 Data 28
5.4.3 Scenarios 29
5.4.4 Collection mechanism 31
5.4.5 Summary 31

6. Assessing the options **32**
6.1 Revenue raising capacity 32
6.2 Compliance with the international norms 32
6.3 Impact on competitiveness 33
6.3.1 Option 1 33
6.3.2 Option 2 33
6.3.2.1 Option 2a (i.e. Option 2 without red lines) 34
6.3.3 Option 4 34

7. Conclusion **36**

Appendix A Methodology **37**
Key data inputs 37
Approach – static impact 37
Approach – behavioural impact 38
Drivers of behavioural impact 38
Corporation and tax on distributions impact 38
Other tax impacts 39
GDP impact 39

Appendix B EU Code of Conduct – history and background **40**

Appendix C Evaluation of measures under the CoCG **44**

Figure 1: Composition of Guernsey GVA by key sectors in 2019 5
Figure 2: Composition of the Finance sector GVA in Guernsey by sub-sector in 2019 5
Figure 3: Composition of Guernsey GVA by sector in 2009 and 2019 (£k 2019 prices) 6
Figure 4: Composition of Guernsey GVA within Finance sector in 2009 and 2019 (£k 2019 prices) 6
Figure 5: Treatment of income under Guernsey's current system 8
Figure 6: The propensity of sectors to relocate 14
Figure 7: Treatment of income under a Territorial regime 19
Figure 8: Treatment of income under a World Wide regime 19
Figure 9: Summary of changes in tax under Option 1 (£m 2019 prices) 23
Figure 10: Summary of changes in tax under Option 2 (£m 2019 prices) 25
Figure 11: Summary of changes in tax under Option 2a (£m 2019 prices) 27

Table 1: Summary of impacts 2
Table 2: Effective tax rates by sector in Guernsey in 2019 9
Table 3: Corporate income and tax on distributions receipts by sector in Guernsey in 2019 (£000s) 11
Table 4: Semi-elasticities by sector 15
Table 5: Mobility factors by OECD sector 16
Table 6: Semi-elasticities and mobility factors by Guernsey sub-sector 17
Table 7: Summary of impacts under Option 1, by tax type (£m 2019 prices) 21
Table 8: Summary of impacts under Option 1, by sector (£m 2019 prices) 21
Table 9: Summary of impacts under Option 2, by tax type (£m 2019 prices) 24
Table 10: Summary of impacts under Option 2, by sector (£m 2019 prices) 24
Table 11: Summary of impacts under Option 2a, by tax type (£m 2019 prices) 26
Table 12: Summary of impacts under Option 2a, by sector (£m 2019 prices) 26
Table 13: The number of companies in Guernsey in 2019 by sector and status 28
Table 14: Summary of impacts of flat fee scenarios 31
Table 15: Summary of impacts 32
Table 16: Summary of Jersey ISE fees for 2021 34
Table 17: Summary of client data sources 37

Executive Summary

Background

This study was commissioned by the Government of Guernsey as part of the Strategic Tax Review. The purpose of the report is to assess the extent to which various changes to the Corporate Income Tax system could contribute to the sustainability of Guernsey's overall tax receipts.

The current environment in Guernsey

Guernsey's economy is dominated by the Finance sector, which accounts for some 40% of the total GVA of the economy (2019 figures). Within that sector, the bulk of GVA is created by the funds sector (41%), followed by fiduciary (18%), banking (24%) and insurance (11%).

The current tax system

Guernsey's current Corporate Income Tax system is designed to raise tax revenues in a manner which maintains Guernsey's economic competitiveness while being compliant with international tax norms including the European Union's Code of Conduct on Business Taxation.

In 2019, Guernsey's Corporate Income Tax collected £62.3m (with a further £10.2m being raised through personal income tax on Distributed Profits). Within that total, the *Finance* sector accounted for 78% of all corporate income tax revenue. Within the *Finance* sector, the top three sub-sectors (*Private and other banking*, *Domestic retail banking* and other *Holding companies)*, accounted for about 60% of corporate income tax receipts. Within non-finance sectors, the top three sub-sectors were *Wholesale, retail and repairs*, *Rental property* and *Information and communication*. They accounted for 12% of corporate income tax.

Behavioural responses to tax changes

The key risk in any reform to Corporate Income Tax is that companies will respond to increased taxation by relocating business to other jurisdictions. An analysis of elasticities shows that companies in the Finance sector would display the greatest propensity to move when faced with increased tax cost. For a low-tax economy which is heavily dependent on the Finance sector, such as Guernsey, this raises the risk that companies, faced with a new or additional tax charge might relocate to other locations, reducing the economy of Guernsey.

In addition to the elasticities analysis, this study estimates the expected second round effects of changes in activity in the Finance sector on other sectors including supply chain impacts on professional services and impacts of reduced consumer spending.

Developing options for reform

The starting point for the current study was the identification of three potential reform options, being:

- A Territorial Corporate Tax regime
- A worldwide Corporate Tax regime
- A flat rate levy or charge

Initial analysis of the options revealed that in, the context of the Guernsey economy, a worldwide regime would be practically indistinguishable from a Territorial regime (given the broad absence of foreign branches of Guernsey companies).

In addition, an option was developed to raise additional revenue through the existing 0/10/20 regime. A further sub-option of the Territorial regime was also developed in order to test the impact of excluding "red line" finance sectors from changes proposed under the options.

Modelling outcomes and economic impacts

Consequently, the following options were modelled:

- Option 1: maintaining the 0/10/20 structure but increasing the tax rate to 20% for selected sectors
- Option 2: a territorial regime with a headline rate of 15%, with the "red line" financial sectors not being subject to an increased rate
- Option 2a: a territorial regime with a headline rate of 15%, with the "red line" financial sectors included in the tax base
- Option 4: a flat-rate levy.

Summary of impacts

Table 1: Summary of impacts
Source: EY analysis

Option	Tax impact	GVA impact	
Option 1	£19.2m	(£40.1m)	(1.3%)
Option 2	£18.4m	(£34.3m)	(1.1%)
Option 2a	£9.1m	(£352.7m)	(11.1%)
Option 4	£16 – 20m		

Assessment of the options

Revenue raising

All four options have the capacity to raise additional revenues. However, this increase in tax receipts will result in inevitable reductions in GVA.

In the context of the future tax regime for Guernsey, it should be noted that the examples given here represent approximately a quarter of the capacity that the government is looking to raise. Finally, some revenue under these reforms will be generated from companies with global revenues in excess of €750m, and as such could in the future be taxed under the Global Minimum Tax proposed under "Pillar 2" of the Inclusive Framework on Base Erosion and Profit Shifting (which we understand led to the working assumption by the government of Guernsey as being of the order of £10m).

Compliance with the Code of Conduct

All of the options could be designed to avoid straying clearly into non-compliant territory. Option 1, by retaining the current 0/10/20 structure, is unlikely to disrupt the current regime's "compliant" status. The move to a territorial regime would also be likely to be compliant, but also to result in a reassessment of Guernsey by the Code of Conduct Group which could lead to some time spent on the "grey list" while the process was finalised. Option 4 should be seen as outside the scope of Code of Conduct.

Impact on competitiveness

Guernsey's competitiveness as an international financial centre rests on a range of factors which are not all directly impacted by changes to the tax system. The impact of tax changes under these options are designed to be minimal in the case of Option 1 and will potentially be significant under Option 2. While Option 4 is not a tax option, since it raised revenues, it will increase the cost of doing business in Guernsey. The design and implementation of the increase should be carefully managed with a view to ensuring that these costs are not sufficiently material to trigger behavioural change. It is, in general, good practice to consult

with industry stakeholders before proceeding to the policy development stage of the Strategic Review.

Conclusions

In the context of the Strategic Review, Corporate Income Tax options have the capacity to deliver additional tax revenue in ways which should not stray clearly into non-compliant territory under the Code of Conduct. As such, the key focus of further work on Corporate Income Tax options would be on their competitiveness impact and their fit with Guernsey's wider tax strategy.

1. Introduction

This report has been produced as a contribution to Guernsey's Strategic Tax Review and in response to the Request for Quotation[1] ("RFQ") issued on 7 March 2022. In the RFQ, the States of Guernsey ("Guernsey") requested an independent analysis of three tax policy options to raise additional sustainable revenues from the taxation of company profits, along with the identification of strengths and weaknesses of those options.

1.1 The options for reform

The options set out in the RfQ were:

1. A territorial regime, conditional on meeting substance requirements
2. A worldwide regime, with a headline rate at a material rate, such as 9%
3. A low rate or fixed amount of tax payable by every company operating in Guernsey, thereby ensuring that a minimum amount is paid by every company

Additionally, EY was invited to recommend alternative options that might be a potentially suitable fit for Guernsey.

These initial options were refined and agreed with the Policy and Resources Committee, as described further in Section 4.

1.2 The scope of this report

The fundamental questions which the report seeks to answer are:

- How much would a change in Corporate Income Tax raise and how would this compare to the amount specified as needed to meet Guernsey's long-term needs?
- What impact would a reformed Corporate Income Tax have on Guernsey's international competitiveness as a financial centre
- What impact would a reformed Corporate Income Tax have on Guernsey's compliance with international and other standards, such as those set by the EU's Code of Conduct Group.

[1] States of Guernsey Strategic Tax Review - Independent analysis on corporate tax options

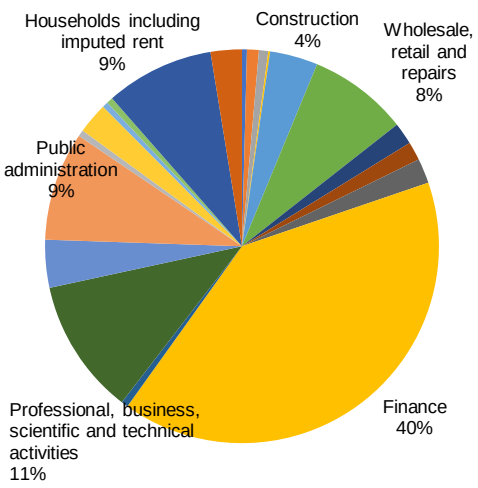
2. Current environment in Guernsey

In order to consider the impact of any policy options, it was important to obtain a clear articulation of the current state of the economic environment in Guernsey. Access was provided to aggregated economic information and used to create a model of the economy, against which various options could be tested. This Section sets out the "shape" of the economy as it has been captured within the model.

2.1 The economic environment

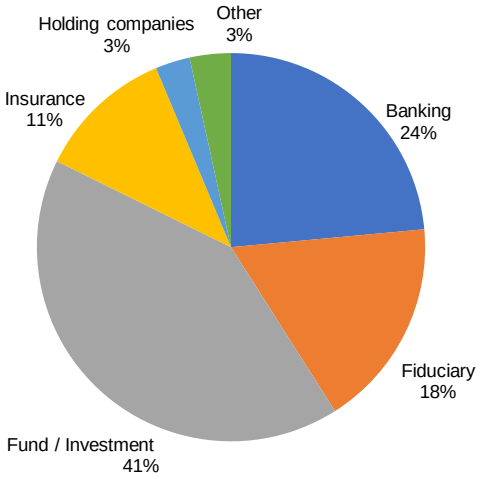
To understand what is driving economic activity in Guernsey, contributions to Gross Value Add ("GVA") by key sectors were analysed.

Figure 1: Composition of Guernsey GVA by key sectors in 2019



Source: States of Guernsey

Figure 2: Composition of the Finance sector GVA in Guernsey by sub-sector in 2019



Source: States of Guernsey

Guernsey's economy is dominated by the Finance sector, which accounted for 40.1% (£1.3b) of total GVA in 2019[2]. Funds/Investment is the largest sub-sector within Finance, followed by Banking and Fiduciaries.

Other sectors making substantial contributions to GVA are:

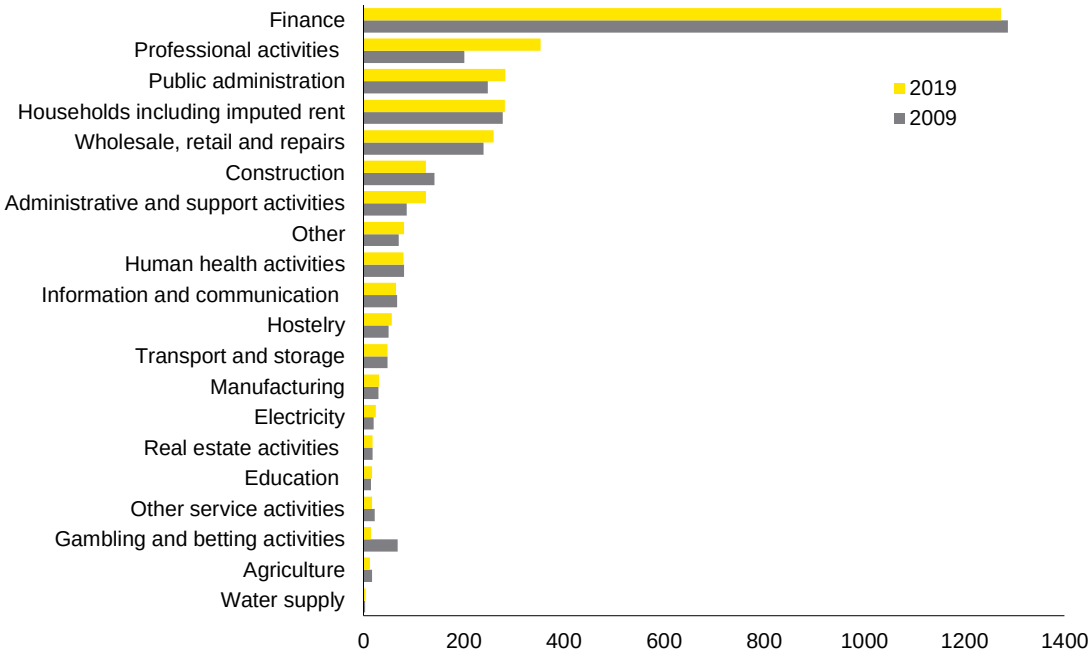
- Professional, business, scientific and technical activities at 11.2%,
- Public administration at 8.9%,
- Households including imputed rent at 8.9% and
- Wholesale, retail and repairs at 8.2%

Professional, business, scientific and technical services include accounting and legal services, and a large proportion of their activity supports the financial services sector.

To consider how the composition of Guernsey's economy has developed over time, a comparison has been made with GVA in 2009 (see Figure 3).

[2] 2019 has been selected as a reference year for the analysis as 2020 was disrupted by the impact of the COVID pandemic on the economic activity.

Figure 3: Composition of Guernsey GVA by sector in 2009 and 2019 (£k 2019 prices)

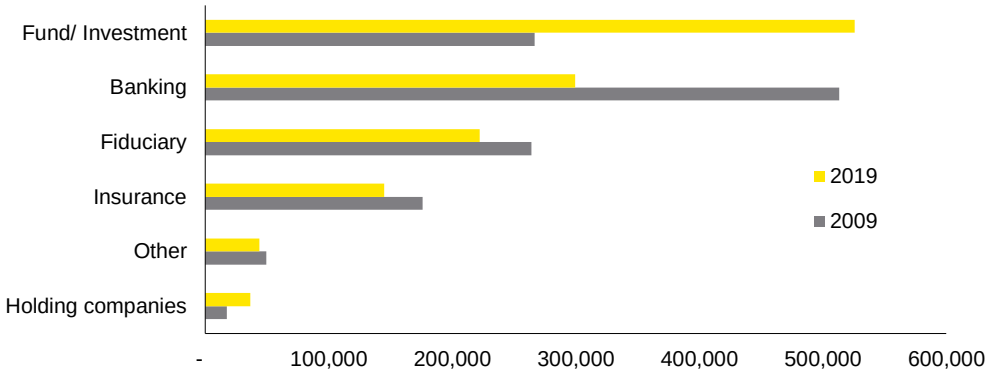


Source: States of Guernsey

The sector that saw the most growth during the ten years to 2019 was Professional, business, scientific and technical activities, which expanded by 75.8% in real terms (£153m in 2019 prices). During the same period, the Finance sector saw a slight decline, with its contribution to total GVA falling by 1.1% in real terms (£14m in 2019 prices).

The evolution of GVA of the Finance sector in Guernsey between 2009 and 2019 is presented on Figure 4 below.

Figure 4: Composition of Guernsey GVA within Finance sector in 2009 and 2019 (£k 2019 prices)



Source: States of Guernsey

The contraction in GVA of the Finance sector is caused by a decline in Banking by 41% in real terms (£214m in 2019 prices) due to the global contraction in banking activity and persistent low interest rate environment, as well as falls in Fiduciary and Insurance.[3] This decline is partially offset by the expansion in GVA of Funds by 97% (£259m in 2019 prices).

[3] States of Guernsey, January 2022, Guernsey Economic and Financial Stability Overview.

In conclusion, Finance continues to be Guernsey's largest economic sector, dominated by Funds, Banking and Fiduciary, while an increasingly important role is played by Professional, business, scientific and technical activities.

2.2 The "red line" sectors

Given the central importance of the financial services sector to the Guernsey economy and the importance of Alderney's gambling sector, a guiding principle adopted by this study has been that proposed changes to the tax system should not have a negative impact on the key elements of those sectors (as confirmed by the Policy & Resources Committee). In order to ensure this, a "red line" has been drawn round those elements of the key sectors, effectively declaring them "off-limits" for any changes in tax treatment.

The sectors contained within the red line[4] share the key characteristic that they might be expected to be display a high propensity to relocate in response to changes in how they are taxed.

Initially, the "red line" applied broadly to all Financial services sectors other than domestic banking and domestic insurance. However, following discussion with the Policy and Resources Committee and analysis of the propensity of the Captive Insurance sector to relocate, this sector was placed outside the "red line".

2.3 Tax system and impact

The main design features of current Guernsey's Corporate Income Tax regime are:

- Sustainable – the regime aims to be sustainable in the long-term, so that it can generate sufficient revenues to support the provision of public services provided in Guernsey

- Non-discriminatory – the regime does not offer preferential regimes/advantages only to non-residents, nor in respect of transactions carried out only with non-residents, meeting international standards and accepted by the European Union as being in line with the Code of Conduct on Business Taxation

- Transparent – Guernsey's law and statements of practice setting out administrative guidelines are published, and operated, in a transparent manner, with the rules for profit determination not departing from internationally accepted principles. Guernsey is also an active jurisdiction promoting transparency and ensuring effective information exchange

In terms of the tax regime itself, companies which are resident for tax purposes are taxed on their worldwide income. Guernsey operates a 0/10/20 regime, under which a different rate of tax is applied to the profits arising from different forms of income. Since the tax rates applied depend upon the type of income received, rather than to a company as a whole, a company might have different income streams taxed at different rates:

- Company higher rate: A rate of 20% applies to trading income from:
  - Conducting activities regulated by the Guernsey Competition and Regulatory Authority[5]
  - The ownership of Guernsey land and buildings
  - The import and/or supply of hydrocarbon oil or gas in Guernsey
  - Large trading profits[6] by retail business carried on in Guernsey
  - Cultivation or use of the cannabis plant
  - Prescribed production or prescribed use of controlled drugs

[4] The sectors protected by the "red line" would be: Private banking; Other fiduciary; Holding companies; Funds / Investment – other; Managers of funds, investments and securities; Investment General Partner (regulated); Stockbroker services, trading in commodities; Investment advisors; Commercial General Insurers; Commercial Reinsurers; Commercial life insurers; Special purpose vehicles; Other finance; Gambling and betting activities – other.
[5] broadly Guernsey utilities such as electricity, post and telecommunications
[6] taxable profit of more than £500,000

- Property development and exploitation of land

- Company intermediate rate: A rate of 10% applies to:
  - Specified banking business
  - Domestic insurance business
  - Insurance intermediary business and insurance manager business
  - Fund administration businesses
  - Fiduciary business
  - Administration of controlled investments
  - Provision of custody services
  - Provision of investment management individual client services
  - Operation of an investment exchange
  - Compliance and other related activities, and
  - Income from operating an aviation registry.

- Company standard rate: All other income and profits are taxable at the general rate of 0%.

The 0/10/20 percent rates apply to both resident corporate taxpayers and to non-resident corporate taxpayers operating in Guernsey. Double tax relief or unilateral tax relief is available (up to a limit) if income has already suffered tax in another jurisdiction. Investment income, such as bank or bond interest, royalties and dividends, is taxable at the company standard rate of 0%, though investment income would generally be treated as disregarded income for non-resident companies. Companies engaged in collective investment (funds) activities may apply for exemption from tax, and are treated as non-Guernsey resident for tax purposes.

Where a resident company pays a dividend to a Guernsey tax resident individual from profits that have been taxed at the 0% or 10% rate, the company is required to deduct tax from the dividend, such that the total tax suffered in relation to the distribution reaches the 20% rate applied to personal income for Guernsey resident individuals (essentially applying a top-up rate of 20% or 10% respectively). As such, for profits that are distributed to Guernsey resident individuals, the 0/10 regime acts as to defer some or all of the tax charge until distribution. However, for shareholders who are not Guernsey resident, distributions are not taxable in Guernsey, but may be taxable in the recipients' home jurisdiction.

From an international perspective, the Guernsey tax regime can be seen to be a worldwide regime, which taxes only certain forms of income. Tax regimes can generally be analysed across four quadrants, representing the interaction of active income (e.g. trading) and passive income (e.g. interest) on one side and domestic and foreign on the other. The nature of the Guernsey corporate income tax system currently is that it taxes active income that is both domestic and foreign, but does not generally expose passive income to taxation. The interaction with Tax on distributions, however, means that all profits distributed to Guernsey residents will have been taxed at 20% once distributed.

Figure 5: Treatment of income under Guernsey's current system

Type Source	Active income	Passive income
Domestic	TAX (0%, 10%, 20%)	0%
Foreign	TAX (0%, 10%, 20%)	0%

From an international perspective, the lack of taxation of passive income on non-resident shareholders can be seen as a form of tax neutrality. In common with other countries, the application of a zero rate of taxation to passive income can be seen to be a mechanism for avoiding double taxation, allowing Guernsey to operate in an international arena without the extensive network of double tax treaties a larger jurisdiction would be expected to hold. The use of economic substance provisions helps to protect against the risk of double non-taxation.

In practice, whilst Guernsey taxes foreign active income, no significant revenues were identified as coming from such a source (e.g. a foreign branch), indicating that the regime operating currently could be considered to raise the same revenue as a territorial regime (subject to the fact that the taxation of foreign active income may be a deterrent to moving domestic income offshore).

Based on 2019 data, 85% of Guernsey's GVA was exempt or taxed at the 0% level.

2.4 Effective tax rates

This section presents a summary of effective tax rates by sector for 2019 for the corporate income tax and tax on distributions.[7] The effective rate represents the actual tax due as a percentage of reported profits. Since companies can have income streams taxable at different rates, these can differ from the 0%/10%/20% rates applied.

As described in Section 2.3 above, where a company's income is taxed at a rate less than 20%, distributions paid to Guernsey residents give rise to tax on distributions[8]. Tax on distributions is paid on behalf of the individual, rather than the company. This 'tops-up' the tax rate paid on taxable profits to 20% – the rate payable on personal income. Therefore, the analysis in this study uses change in the combined corporate income and distributed profits effective tax rate as the basis for economic modelling.

Table 2 below shows the effective corporate income tax rate and effective corporate income tax plus tax on distributions rate for each sector in Guernsey in 2019.

Table 2: Effective tax rates by sector in Guernsey in 2019

Source: States of Guernsey

Sector	Share of GVA	Corporate income tax	Corporate income and tax on distributions
Rental property	0.6%	18.0%	20.0%
Information and communication	2.0%	8.9%	19.2%
Wholesale, retail and repairs	8.2%	12.0%	15.6%
Manufacturing	1.0%	3.8%	15.3%
Agriculture	0.4%	10.6%	15.1%
Transport and storage	1.5%	8.4%	13.5%
Authorised managers	0.2%	10.2%	10.2%
Insurance intermediaries	0.4%	10.2%	10.2%
Domestic insurers	0.1%	10.2%	10.2%
Hostelry	1.8%	2.7%	9.5%
Regulated fiduciary	2.8%	7.7%	8.5%
Administrators of funds	1.2%	8.0%	8.1%
Domestic retail banking	4.2%	7.8%	7.8%
Private and other banking	5.3%	7.8%	7.8%
Construction	3.9%	2.1%	7.8%
Water supply	0.1%	5.8%	5.8%
Professional activities	11.2%	0.2%	4.2%

[7] Effective tax rates have been calculated by taking tax receipts as a proportion of net assessable profits for each sector. Where a detailed sub-sector breakdown was not available, assumptions have been made to disaggregate broader sector data. For Insurance and Funds, data on the number of firms in each sub-sector has been used to disaggregate profit data. For Banking sectors, client data on the split of total banking profits has been used for disaggregation. More detail on source files can be found in Appendix A.

[8] GOV.GG. *Tax information for Companies*. https://www.gov.gg/RevenueService/Companies

Sector	Share of GVA	Corporate income tax	Corporate income and tax on distributions
Human health activities	2.5%	0.2%	3.7%
Other finance	1.4%	3.0%	3.0%
Administrative and support activities	3.9%	0.6%	2.6%
Holding companies	1.2%	1.8%	2.5%
Gambling and betting activities	0.5%	2.1%	2.1%
Other fiduciary	4.2%	1.3%	1.4%
Electricity	0.8%	0.6%	0.6%
Stockbroker services	0.04%	0.0%	0.1%
Investment advisors	0.4%	0.0%	0.1%
Managers of funds	0.7%	0.0%	0.1%
Funds / Investment - other	14.2%	0.0%	0.1%
Captives	2.2%	0.0%	0.0%
Commercial General Insurers	0.6%	0.0%	0.0%
Commercial Reinsurers	0.3%	0.0%	0.0%
Commercial life insurers	0.2%	0.0%	0.0%
Special purpose vehicles	0.5%	0.0%	0.0%
Education	0.5%	0.0%	0.0%
Other service activities	0.5%	0.0%	0.0%

Given the above, the following should be noted:

- Guernsey accounts data for the *Rental property* sector gives rise to an effective corporate income tax rate of 23.3%[9] and an effective combined corporate income and tax on distributions rate of 26.0%. These higher-than-expected values may have been driven by the impact of timing differences or one-off transactions and therefore have been adjusted within the analysis such that the combined rate does not exceed the maximum rate of 20%.[10]

- Sectors such as *Information and Communication, Manufacturing* and *Hostelry* have a much higher combined effective tax rate than effective corporate income tax rate alone, at 19.2%, 15.3% and 9.5% respectively. This reflects that a substantial proportion of profits are distributed to Guernsey residents in these sectors.

- *Insurance* sectors that generate active income in Guernsey are taxed at an effective corporate income tax rate of 10.2%. These sectors are *Authorised Managers, Insurance Intermediaries* and *Domestic Insurers*.

- Both *Domestic retail banking* and *Private and other banking* pay corporate income tax at an effective rate of 7.8%. No tax on distributions is reported for these sectors.

- Although the *Agriculture sector* is largely subject to a headline corporate income tax rate of 0%, a 20% rate is charged on income from land and property where fields and buildings are rented out, and cannabis related industries are subject to a 20% tax rate (although this only accounts for a small proportion of profits within the sector). This results in an effective rate of 10.6% for the sector.

- Similarly, whilst the *Retail, wholesale and repairs sector* is largely taxed at 0%, large retail (with a taxable profit of more than £500k) is subject to corporate income tax at a headline rate of 20%. Additionally, some rental income is taxed at 20%. This results in an effective rate of 12.0% for the sector, because the small number of large retailers who pay at the 20% rate account for a large proportion of profits in the sector.

[9] Effective rates exceed 20% for the rental property sector due to deductible expenses.
[10] Net assessable profits for the Rental property sector have been adjusted to revise effective tax rates for the sector.

- Whilst the *Transport and storage sector* is largely subject to corporate income tax at a rate of 0%, the sector includes postal services, which are regulated and taxable at 20%. This explains why the sector is subject to an effective rate of 8.4%.

- The *Information and communication sector* is mostly subject to tax at a headline rate of 0%. However, certain activities in the telecoms sub-sector are regulated by CIRCA and thus taxable at 20%, accounting for the 8.9% effective corporate income tax rate.

- While *Holding companies* are largely subject to corporate income tax at a rate of 0%, they may receive (and be taxed on) rental income. This contributes to them paying at an effective rate of 1.8%. Holding companies may include holding companies for trading groups outside of the *Finance* sector that make distributions; once the tax on distributions is included, the effective rate amounts to 2.5%.

2.5 Tax receipts

Guernsey's Corporate tax system collected £62.3m in 2019, whilst total tax on distributions receipts amounted to £10.2m. Corporate income tax is the second largest tax, collecting more than is raised from the self-employed (£27.4m), though considerably less than is collected via the income tax (Employees Tax Instalment, or ETI) (£276.6m).

Table 3 below shows corporate income and tax on distributions revenue for each sector in Guernsey in 2019.

Table 3: Corporate income and tax on distributions receipts by sector in Guernsey in 2019 (£000s)
Source: States of Guernsey

Sector	Corporate income tax	Tax on distributions	Total
Private and other banking	16,580	-	16,580
Domestic retail banking	13,027	-	13,027
Holding companies	7,641	3,176	10,817
Other	5,523	1,025	6,548
Regulated fiduciary	5,388	512	5,900
Wholesale, retail and repairs	3,816	1,127	4,943
Rental property	2,622	307	2,929
Administrators of funds	2,794	22	2,816
Information and communication	802	922	1,724
Other fiduciary	1,364	102	1,466
Professional activities	50	1,332	1,382
Construction	222	615	836
Insurance intermediaries	679	-	679
Other finance	614	-	614
Hostelry	123	307	431
Authorised managers	425	-	425
Agriculture	242	102	345
Transport and storage	168	102	270
Funds / Investment - other	-	263	263
Manufacturing	34	102	137
Administrative and support activities	29	102	131
Human health activities	6	102	108
Domestic insurers	106	-	106
Gambling and betting activities	22	-	22
Managers of funds	-	14	14
Water supply	13	-	13
Electricity	7	-	7
Investment advisors	-	7	7
Stockbroker services	-	1	1
Captives	-	-	-
Commercial General Insurers	-	-	-

Sector	Corporate income tax	Tax on distributions	Total
Commercial Reinsurers	-	-	-
Commercial life insurers	-	-	-
Special purpose vehicles	-	-	-
Education	-	-	-
Other service activities	-	-	-
Total	62,297	10,245	72,542

Given the above, the following should be noted:

- *Finance* sectors account for a large proportion of corporate income tax revenue in Guernsey. In 2019, 78% of all corporate income tax revenue was generated from *Finance*, amounting to £48.6m.

- Within the *Finance* sector, the top three sub-sectors, i.e. *Private and other banking*, *Domestic retail banking* and *Holding companies*[11], accounted for about 60% of corporate income tax receipts, or £37.2m in 2019.

- Non-finance sectors contributed the remaining 22% of corporate income tax revenue in 2019. This amounted to £13.7m.

- Within non-finance sectors, the top three sub-sectors were *Wholesale, retail and repairs*, *Rental property* and *Information and communication*. They accounted for 12%, or £7.2m, of corporate income tax revenue in 2019.

- Although the *Rental property* sector is subject to the highest combined effective tax rate, total corporate income and tax on distributions receipts of £2.9m accounted for 4.0% of total revenue. Total corporate income tax on rental income is allocated across sectors according to the sector that the company generating rental income sits within. For example, if a company in the *Agriculture* sector is taxed on rental income, this income and tax revenue will be reflected within the *Agriculture* sector.

[11] Holding companies may include holding companies for trading groups outside of the Finance sector that make distributions. The value of the tax payment by Holding companies also includes tax on rental income.

3. Behavioural responses to tax changes

As is implicit in the design of the current Corporate Income Tax system, the primary issue in designing changes to a tax system for an economy such as Guernsey's is the extent to which economic entities are likely to leave the island in response to changed tax treatment or be less attracted to invest in new business in Guernsey. The propensity of businesses or functions to relocate is the over-riding limiting factor, since both competitiveness and revenue raising capacity rest on the maintenance of a thriving economy and in particular a thriving financial services sector. A short term gain in tax revenue will be unsustainable if the businesses from which it is generated choose to leave in response to it.

3.1 Behavioural responses

It is expected that a tax change will result in a behavioural response from firms as they seek to move profits towards where they will be subject to a lower tax rate or where costs of business are lower.[12] There are two main mechanisms through which this can be done, the first being through migration and the second being through international profit shifting. As outlined by the IMF[13], common techniques used historically to shift profits between entities include intragroup (mis-) pricing, strategic location of management of IP and debt shifting through intercompany loans.

The loss of activity by migration implies not only the loss of any potential Corporate Income Tax receipts that may be generated by their activity but also the loss of the employment that supported it and the tax and contributions paid on that employment income. The behavioural change is therefore a significant consideration and can significantly reduce the potential revenue available from any steps taken to modify the Corporate Income Tax regime.

In order to assess the propensity of sectors or activities to relocate from Guernsey, the project has considered three criteria:

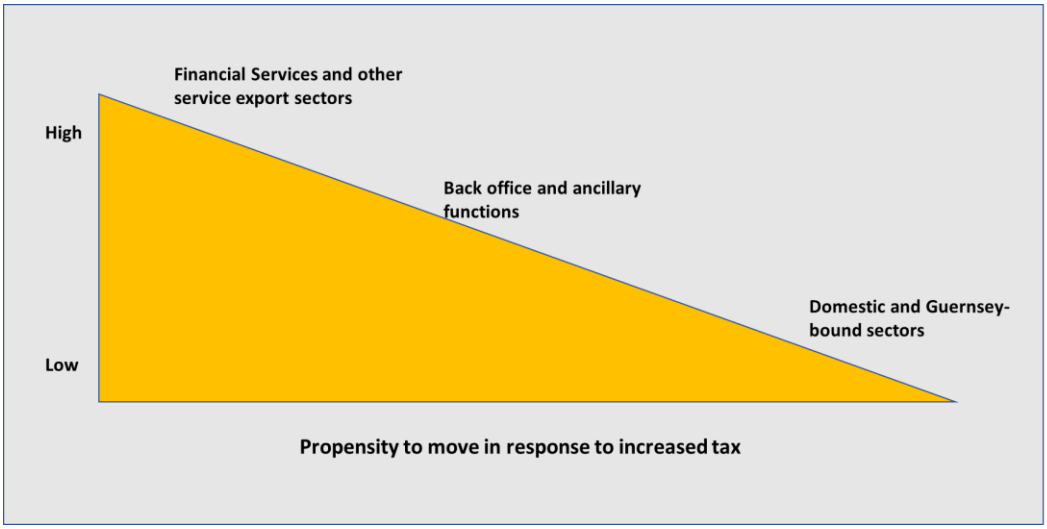
- **Can** they move: is it a practical proposition for the activity to be relocated?
- **Would** they move**:** what would be the likely trigger point for a move?
- **What collateral effects** would this have on others**:** which support and ancillary services could not survive other departures?

Applying the first criterion allows for an initial classification of the sectors in Guernsey into three broad groups along a continuum.

[12] For a fuller discussion of corporate mobility in response to tax changes, see e.g. Oversech et al (2008) *Who Cares About Corporate Taxation? Asymmetric Tax Effects on Outbound FDI.* https://papers.ssrn.com/sol3/papers.cfm?abstract_id=1521266.

[13] IMF. *International Corporate Tax Avoidance: A Review of Channels, Magnitudes and Blind Spots.* https://www.imf.org/en/Publications/WP/Issues/2018/07/23/International-Corporate-Tax-Avoidance-A-Review-of-the-Channels-Effect-Size-and-Blind-Spots-45999

Figure 6: The propensity of sectors to relocate



The impact on tax receipts is captured using two measures: static change and total change including behavioural response.

The static change illustrates the impact on tax receipts from the change in the tax rate only, while the tax base, i.e. net assessable profits, remains unchanged. In the static calculation, the tax on distributed profits is adjusted proportionately to the change in Corporate Income Tax rate.

The total change in tax receipts additionally covers the behavioural response, which includes the following impacts:

- Change in net assessable profits driven by the companies changing their behaviours in ways that would result in lower after-tax returns, including by relocating and shifting profits.
- Change in receipts from other taxes driven by reduced economic activity. For instance, income tax on individuals and social security contributions are reduced to reflect lower employment due to potential company relocations. Company fees decrease to reflect the reduction in the number of companies paying the charge due to potential relocations.

In addition to changes in tax receipts, this study estimates the change in Guernsey GVA driven by lower levels of economic activity. In particular, it reflects change in income components of GVA including compensation of employees by sector as a result of lower employment in Guernsey in relocating companies and gross operating surplus in line with the behavioural change in net assessable profits. Gross mixed income is assumed to be unchanged. The relative size of the change in GVA has been validated using literature review.[14]

3.2 Main behavioural assumptions

3.2.1 Semi-elasticities

The magnitude of the behavioural response is measured through use of sector-specific semi-elasticities, which are informed by the literature review.[15]

[14] See Mertens and Olea (2018) Marginal Tax Rates and Income: New Time Series Evidence, The Quarterly Journal of Economics, Volume 133, Issue 4, November 2018, Pages 1803–1884; and Romer and Romer (2007) The Macroeconomic Effects of Tax Changes: Estimates Based on a New Measure of Fiscal Shocks, NBER Working Paper 13264.

[15] A 'semi-elasticity' measures percentage change in one variable in response to an absolute (not percentage) change in another variable, as opposed to an 'elasticity' which measures percentage change in one variable in response to a percentage change in another variable.

The semi-elasticities used in this study quantify the percentage change in pre-tax profits in response to one percentage point change in the corporate income and distributed profits effective tax rate. It is understood that there are asymmetries in tax effects depending on the activities of a business, driven by differences in mobility and the degree of internationalisation.[16] For example, some financial services businesses are expected to be highly mobile, with relatively low relocation costs, and thus are more sensitive to a change in tax. This is captured by a higher semi-elasticity on the more mobile sectors.

The semi-elasticities have been sourced from Overesch et al. (2008) which estimates sector-specific semi-elasticities of the number of affiliates in a host country in response to a one percentage point change in the effective tax rate. Rather than the change in number of affiliates in a host country, the analysis requires an estimate of the response in terms of profits. Therefore, these semi-elasticities have been adjusted using an aggregate semi-elasticity of pre-tax profits in response to a one percentage point change in the tax rate from Dharmapal and Riedel (2012).[17]

Table 4 below summarises the elasticities inputs from the literature.

Table 4: Semi-elasticities by sector

Sources: Overesch et al. (2008), Dharmapal and Riedel (2012), EY analysis

Sector	Estimated semi-elasticity of number of affiliates	Implied semi-elasticity of pre-tax profits
All Manufacturing	(0.607)	(0.876)
Heavy Manufacturing	(0.820)	(1.184)
Non-Heavy Manufacturing	(0.488)	(0.705)
All Non-manufacturing	(0.712)	(1.028)
Business Services	(0.278)	(0.401)
Wholesale Trade	(0.524)	(0.757)
Financial Services	(1.620)	(2.339)
Research & Development	(1.530)	(2.209)
Holding Companies	(0.230)	(0.332)
Residual Group	(0.810)	(1.169)

A matching exercise has been carried out to allocate each Guernsey sector to one of the ten linear elasticities provided by the literature review. Matching has been refined according to the specific nature of the sectors within the Guernsey economy.

3.2.2 Mobility factors

In addition, the analysis considers whether some sectors and sub-sectors are relatively more or less mobile compared with aggregated sector elasticities found in the literature. The values of semi-elasticities are therefore adjusted to reflect the specific structure of the Guernsey economy.

In practice, there are few quantitative measures available to use to adjust the elasticities. Mobility factors have been informed by two key inputs which are indicative of the propensity of a sector to relocate following a change in tax rate:

- The share of HQ's that are overseas in each sector in Guernsey.[18] It is assumed that sectors with a higher proportion of overseas headquarters have a higher propensity to relocate following a change in tax.

- The share of each sector found in other Offshore Financial Centres, based on the country-by-country reporting of the Organisation for Economic Cooperation and

[16] Oversech et al. (2008). *Who Cares About Corporate Taxation? Asymmetric Tax Effects on Outbound FDI.* https://papers.ssrn.com/sol3/papers.cfm?abstract_id=1521266
[17] Overesch et al. (2008) Who Cares about Corporation Taxation? Asymmetric Tax Effects on Outbound FDI; Dharmapal and Riedel (2012) Earnings Shocks and Tax-Motivated Income-Shifting: Evidence from European Multinationals.
[18] Data provided by the States of Guernsey.

Development ("OECD"). It is assumed that sectors which are overrepresented in low tax jurisdictions have a higher propensity to relocate following a change in tax.

These inputs have been used to produce a ranking of sectors in terms of likelihood to relocate following a tax reform.[19] Based on this ranking and judgement[20], the study allocates mobility factors ranging from 0.8 to 1.2 across the sectors. A mobility factor of 0.8 reflects that a sector is less mobile than average, whilst a mobility factor of 1.2 reflects that a sector is more mobile than average. A mobility factor of 1 reflects that a sector has average mobility.

Table 5 below summarises the mobility assumptions for sectors used for country-by-country reporting by the OECD. Note that in some areas different assumptions have been made for different sub-sectors (e.g. domestic vs international Insurance) in this study; these more detailed assumptions are included in Table 6 in Section 3.2.4.

Table 5: Mobility factors by OECD sector

Sources: OECD, EY analysis[21]

OECD sector	Mobility factor
Regulated Financial Services	1.20
Insurance	1.20
Holding Shares or other Equity Instruments	1.20
Other	1.20
Research and Development	1.00
Manufacturing or Production	1.00
Provision of Services to Unrelated Parties	1.00
Internal Group Finance	1.00
Dormant	1.00
Holding or Managing Intellectual Property	0.80
Purchasing or Procurement	0.80
Sales, Marketing or Distribution	0.80
Administrative, Management or Support Services	0.80

Mobility factors by OECD sector have been mapped to Guernsey sectors used in this study as presented in Section 3.2.4 below. Where a sector is assumed to be completely immobile, i.e. there would be no significant relocation or profit shifting expected in response to a change in tax, a mobility factor of 0 is applied. These sectors include Agriculture, Electricity, Water supply, Hostelry, Education, Human health activities and Households including imputed rent.

3.2.3 Non-linearity

An increase in tax rate has been shown to have a much larger negative effect on reported profits in countries with substantially lower tax rates. In order to reflect the potential non-linear impacts on Guernsey's sectors which are currently taxed at 0% Corporate Income Tax rate, this study applies non-linear semi-elasticities replicating the quadratic relationship estimated in a paper by Bratta et al. (2017).[22]

For sectors identified as "red line", as well as Captives (which are currently subject to a 0% tax rate), non-linear (quadratic) elasticities have been applied. This reflects that these sectors are the most sensitive and therefore will have a larger behavioural response to a change in tax. This results in a relationship where, for the same sector-specific elasticity, there will be a more severe behavioural response if a sector had a very low effective tax rate, prior to a change in tax rate (i.e. the effect of a 1 pp. increase in the tax rate for an activity currently

[19] Both inputs have been assigned an equal weight when determining the ranking by sector.
[20] This judgement has been shared, tested and validated with the Policy and Resources Committee, but remains subjective.
[21] Sectors in this table represent OECD sectors as used for country-by-country tax reporting. Source: https://www.oecd.org/tax/tax-policy/corporate-tax-statistics-database.htm.
[22] Bratta et al. (2017) *Assessing profit shifting using Country-by-Country Reports: a non-linear response to tax rate differentials.*

taxed at 0% is higher than it would be for a sector activity taxed at 10%, even if their semi-elasticity is the same).

3.2.4 Summary of elasticities used

Within the analysis, mobility-adjusted semi-elasticities have been used to estimate the behavioural response of firms in terms of change in net assessable profits in response to a change in the effective corporate income and tax on distributions rate.

$$Mobility\ adjusted\ semi\ elasticity = Semi\ elasticity \times Mobility\ factor$$

Table 6 below summarises final semi-elasticities, mobility factors and mobility-adjusted semi-elasticities by sector in Guernsey.

Table 6: Semi-elasticities and mobility factors by Guernsey sub-sector

Sources: Overesch et al. (2008), Dharmapal and Riedel (2012), Bratta et al. (2017), OECD, EY analysis

Guernsey sub-sector	Linear semi-elasticity	Including non-linearity	Mobility factor	Mobility-adjusted
Agriculture	(0.40)	-	-	-
Electricity	(0.76)	-	-	-
Water supply	(0.76)	-	-	-
Hostelry	(1.03)	-	-	-
Education	(1.03)	-	-	-
Human health activities	(1.03)	-	-	-
Transport and storage	(0.40)	-	0.80	(0.32)
Domestic retail banking	(0.40)	-	0.80	(0.32)
Domestic insurers	(0.40)	-	0.80	(0.32)
Construction	(0.40)	-	1.00	(0.40)
Professional activities	(0.40)	-	1.00	(0.40)
Administrative and support activities	(0.40)	-	1.00	(0.40)
Other service activities	(0.40)	-	1.00	(0.40)
Information and communication	(0.40)	-	1.20	(0.48)
Rental property	(0.40)	-	1.20	(0.48)
Wholesale, retail and repairs	(0.76)	-	0.80	(0.61)
Manufacturing	(0.88)	-	1.00	(0.88)
Regulated fiduciary	(1.03)	-	1.00	(1.03)
Administrators of funds	(2.34)	-	1.00	(2.34)
Managers of funds	(1.03)	(2.80)	1.00	(2.80)
Captives	(1.03)	(2.80)	1.00	(2.80)
Authorised managers	(2.34)	-	1.20	(2.81)
Insurance intermediaries	(2.34)	-	1.20	(2.81)
Gambling and betting activities	(1.03)	(2.66)	1.20	(3.19)
Private and other banking	(2.34)	(5.16)	1.20	(6.20)
Other finance	(2.34)	(5.90)	1.20	(7.08)
Holding companies	(2.34)	(5.98)	1.20	(7.18)
Other fiduciary	(2.34)	(6.16)	1.20	(7.39)
Stockbroker services	(2.34)	(6.36)	1.20	(7.63)
Investment advisors	(2.34)	(6.36)	1.20	(7.63)
Funds / Investment - other	(2.34)	(6.36)	1.20	(7.63)
Commercial General Insurers	(2.34)	(6.37)	1.20	(7.64)
Commercial Reinsurers	(2.34)	(6.37)	1.20	(7.64)
Commercial life insurers	(2.34)	(6.37)	1.20	(7.64)
Special purpose vehicles	(2.34)	(6.37)	1.20	(7.64)

3.2.5 Second round effects

Given the importance of the Finance sector in Guernsey's economy, the potential decline in its activities is expected to have a significant knock-on impact on other sectors, in particular,

Professional services and Administrative and business support activities, which are closely linked to the Finance sector.

A reduction in the level of economic activity and therefore a decline in compensation of employees throughout the economy would also affect demand for consumer-facing sectors such as Retail, Hostelry and Rental property. For example, a reduction in employee compensation would likely be associated with a decline in demand for restaurants, pubs and other consumer-facing services.

To account for these impacts, the following second round effects have been estimated:

- Supply chain impacts of reduced demand from Finance on professional services including Professional, business, scientific and technical activities; and Administrative and support services activities.
- Impacts of reduced consumer spending on Wholesale, retail and repairs; Hostelry; and Rental property.

Impacts of reduced demand from Finance

Supply chain impacts of reduced demand from Finance have been estimated as follows:

- Total spend on professional services as a proportion of Finance sector GVA has been estimated at 13% based on Input-Output tables for Luxembourg, due to the lack of Input-Output tables for Guernsey.[23]
- The change in spend of the Finance sector on professional services in Guernsey has been calculated based on the change in GVA of the Finance sector under each option. Given that there are two professional service-related sectors in Guernsey, the total decline in professional services GVA has been allocated on the basis of relative GVA by sector.
- The change in net assessable profits of the professional services sectors has been calculated using an appropriate multiplier[24], which captures the impact of professional services' spending in their own supply chains, and the ratio of net assessable profits to GVA in these sectors.
- The fall in profits associated with supply chain impact drives further movement in GVA and taxes on a sector level.

Impacts of reduced consumer spending

Total fall in compensation of employees associated with the behavioural response to a tax change has been used to estimate second round effects on consumer-facing sectors:

- A secondary fall in the profits of consumer-facing sectors is assumed to be proportionate with the total fall in compensation of employees for the whole Guernsey's economy.
- The fall in the profits associated with second round effects results drives additional movement in GVA and taxes at sector level.

[23] Luxembourg data has been used to estimate spend by the Finance sector on professional services due to its status as a low-tax jurisdiction and the availability of robust Input-Output tables published by OECD. Source: OECD, 2018 Luxembourg Input-Output tables (domestic only).
[24] An average UK Type 1 multiplier effect of 0.88 for all professional services sectors for 2019 has been used. These sectors include, but are not limited to Accounting, book-keeping and auditing services; Services of head offices; and Other professional, scientific and technical activities.

4. The evolution of the options

As noted in Section 1 above, the RfQ identified three options for the reform of Guernsey's Corporate Income Tax model. These were:

a. A territorial regime, conditional on meeting substance requirements

b. A worldwide regime, with a headline rate at a material rate, such as 9%

c. A low rate or fixed amount of tax payable by every company operating in Guernsey, thereby ensuring that a minimum amount is paid by every company

Additionally, EY was invited to recommend alternative options that might be a potentially suitable fit for Guernsey. All options recommended would need to be competitive, internationally acceptable and maintain tax neutrality.

4.1 Initial test of the options

As a first step, the project assessed each of the initial options in terms of the ability to successfully operate in the context of the Guernsey economy. Focusing on the different types and source of income which would come within the scope of a reformed Corporate Income Tax, it was noted that the key difference between a Territorial regime and Worldwide regime rests on the treatment of foreign sourced active income.

As illustrated in the Figure 7 below, the Territorial regime would focus on domestic sourced active income (that is the profits of companies operating in Guernsey), while active foreign sourced income and all passive income (from interest, royalties etc) would be outside the scope of the tax.

Figure 7: Treatment of income under a Territorial regime

Type Source	Active income	Passive
Domestic	TAX	No tax
Foreign	No tax	No tax

By comparison, a Worldwide regime would additionally draw foreign sourced active income into the tax net, as shown in Figure 8.

Figure 8: Treatment of income under a World Wide regime

Type Source	Active income	Passive income
Domestic	TAX	No tax
Foreign	TAX	No tax

In theory, these approaches offer quite distinct options. However, once analysed in the context of Guernsey's economy, this distinction collapses. This is because Guernsey's economy does not feature significant foreign source active income (such as income of foreign branches of Guernsey based companies). In effect, the active foreign income box represents an empty set, and a Worldwide regime for Guernsey would be, to all intents, identical to a Territorial one. For that reason it was agreed, in discussion with the Policy and Resources Committee that the Worldwide option should not be evaluated further.

4.2 Developing a 0/10/20 option

In order to test the capacity for reforms to the current Guernsey system to deliver the required outcomes, an additional option was developed which would retain the current 0/10/20 structure, but increase the rate of tax applied to domestic sectors and those which currently already pay Corporate Income Tax.[25] This option considers the semi-elasticities discussed previously and considers where the existing regime might be expanded with least impact.

4.3 Testing the "red line"

Given the size of the economic sectors which comprise the "red line", it is important to be able to test the basic premise that "red line" sectors would respond to the imposition of tax by relocating to other jurisdictions. Therefore, a sub-option of the Territorial regime was developed, under which the "red line" sectors would be brought within the charge to tax.

4.4 Refinement of the Levy option

Following discussion with the Policy and Resources Committee, the Levy option was refined to a variant which could be applied to all companies operating in Guernsey which do not currently pay Corporate Income Tax. This would provide a mechanism where even those not subject to tax would contribute.

4.5 Additional options

In addition to the above options, it was noted that the adoption of a global minimum tax (in the context of the "Pillar 2" initiative of the Inclusive Framework on Base Erosion and Profit Shifting) would enable Guernsey to introduce a qualifying domestic minimum tax ("QDMT"). Such a QDMT would mean that (broadly) companies with a group turnover of more that €750m would suffer tax at an effective rate of 15%.

In discussion with the Policy and Resources Committee, an additional option of an Environmental, Social and Governance ("ESG") voluntary tax designed to enable non-tax paying entities on Guernsey to opt to be taxed in line with their internal ESG requirements was raised.

These options fall outside the scope of the current project but should be considered in the context of the wider Strategic Review. The economic model developed for this project could be adapted to provide potential estimates of the impacts of such options.

[25] The list of sectors is provided in Section 5.1.1.

5. Modelling outcomes and economic impacts

This section sets out potential impacts of the policy reform options on tax receipts and Gross Value Added (GVA).

5.1 Option 1 – reforms within the existing structure

5.1.1 Background

This option retains the existing 0/10/20 regime, and increases the tax rate applied to domestic sectors and those which currently already pay Corporate Income Tax. As Option 1 considers where the existing regime might be expanded with least impact, these sectors have been selected based on their relatively low potential behavioural response.

The sectors which would be subject to an increase in the statutory Corporate Income Tax rate from 0% to 20% are: Agriculture; Manufacturing; Construction; Wholesale, retail and repairs; Hostelry; Transport and storage; Information and communication; Administrative and support service activities; Education; Human health activities; Other service activities[26].

The sectors which would be subject to an increase in the statutory Corporate Income Tax rate from 10% to 20% are: Domestic retail banking; Regulated fiduciary; Administrators of funds, Authorised managers (insurance); Insurance intermediaries; Domestic insurers.

5.1.2 Results

Table 7 and Table 8 below summarise the impacts under Option 1.

Table 7: Summary of impacts under Option 1, by tax type (£m 2019 prices)

Source: EY analysis

Tax type	Static change	Behavioural change	Total tax change
Corporate Income Tax	30.9	(4.9)	26.0
Income tax – individuals		(1.7)	(1.7)
Income tax – distributed profits	(3.8)	-	(3.8)
Social security contributions		(1.2)	(1.2)
Company fees		(0.1)	(0.1)
Total tax revenue	27.1	(7.9)	19.2

Table 8: Summary of impacts under Option 1, by sector (£m 2019 prices)

Source: EY analysis

Sector	Static change	Behavioural change	Total tax change	Change in GVA[27]
Agriculture	0.1	-	0.1	-
Manufacturing	0.0	(0.1)	(0.0)	(0.6)
Electricity	-	-	-	-
Water supply	-	-	-	-
Construction	1.3	(0.5)	0.8	(2.2)
Wholesale, retail and repairs	1.4	(0.5)	0.9	(5.6)

[26] While these sectors are subject to a 0% statutory Corporate Income Tax rate, many of them already pay some Corporate Income Tax rate as some revenue streams are charged at a non-zero rate. For the detail of the effective Corporate Income Tax rate by sector, see Section 2.4.

[27] In total, the relationship between change in GVA and change in tax receipts is consistent with benchmarks. However, it does vary across sectors, and in some sectors (e.g. Wholesale, retail and repairs; Professional activities; and Administrative and support activities) the trade-off is markedly less favourable, i.e. relatively little tax raised compared to the decline in GVA. For these sectors, this appears to reflect the limitations of the data available, with some large differences between the operational surplus component of GVA and net assessable profits as measured for tax purposes. Consequently, this ratio may not be a good guide for including/excluding sectors in the proposed policy option. In the event that this Option was to be developed as a practical policy option, it would be important to investigate the sector allocation further and the underlying data. Should robust data be obtained, further review of the sectors could be undertaken.

Sector	Static change	Behavioural change	Total tax change	Change in GVA[27]
Hostelry	0.5	(0.0)	0.4	(0.1)
Transport and storage	0.1	(0.1)	0.1	(0.4)
Information and communication	0.1	(0.0)	0.1	(0.1)
Domestic retail banking	13.0	(1.2)	11.8	(3.6)
Private and other banking	-	-	-	-
Regulated fiduciary	5.1	(2.3)	2.8	(8.5)
Other fiduciary	-	-	-	-
Holding companies	-	-	-	-
Funds / Investment – other	-	-	-	-
Administrators of funds	2.8	(1.7)	1.1	(9.3)
Managers of funds	-	-	-	-
Stockbroker services	-	-	-	-
Investment advisors	-	-	-	-
Authorised managers	0.4	(0.3)	0.1	(1.4)
Insurance intermediaries	0.6	(0.5)	0.2	(2.2)
Domestic insurers	0.1	(0.0)	0.1	(0.0)
Captives	-	-	-	-
Commercial General Insurers	-	-	-	-
Commercial Reinsurers	-	-	-	-
Commercial life insurers	-	-	-	-
Special purpose vehicles	-	-	-	-
Other finance	-	-	-	-
Rental property	-	(0.0)	(0.0)	(0.1)
Professional activities	-	(0.1)	(0.1)	(1.1)
Administrative and support activities	0.9	(0.6)	0.3	(4.6)
Education	0.0	(0.0)	0.0	-
Human health activities	0.5	-	0.5	-
Gambling and betting activities	-	-	-	-
Other service activities	0.1	(0.1)	(0.0)	(0.3)
Total	27.1	(7.9)	19.2	(40.1)

Given the above, the following should be noted:

- This tax reform option would generate an additional of £19.2m in post-behavioural tax receipts. This is based on a static increase of £30.9m due to the Corporate Income Tax rate change, adjusted for a decrease in the distributed profit tax (-£3.8m) and behavioural change (-£7.9m) due to potential company relocations and profits shifting.

- The largest change occurs in the Domestic retail banking sector, at £11.8m. This is a result of there being high net assessable profits in this sector, at £166.1m in 2019, and an 8-percentage point increase in the effective Corporate Income Tax rate.

- In some sectors, there is a relatively large decline in compensation of employees driven by lower employment[28], e.g. in Administrative and support services, Regulated fiduciary and Construction, which makes the relationship between GVA and tax receipts more adverse in these sectors. For instance, Construction would generate an additional £0.8m in post-behavioural tax receipts while experiencing a significant behavioural tax impact (-£0.5m), largely resulting from a fall in individual income tax and social security contributions for a relatively small change in net assessable profits. This is mainly driven by the high labour intensity of the construction sector.

- For Administrators of funds, Authorised managers and Insurance intermediaries, a relatively large decline in GVA compared to the tax gain is driven by a relatively large

[28] This drop in employment is expected to lead to an increase in unemployment and a drop in net migration.

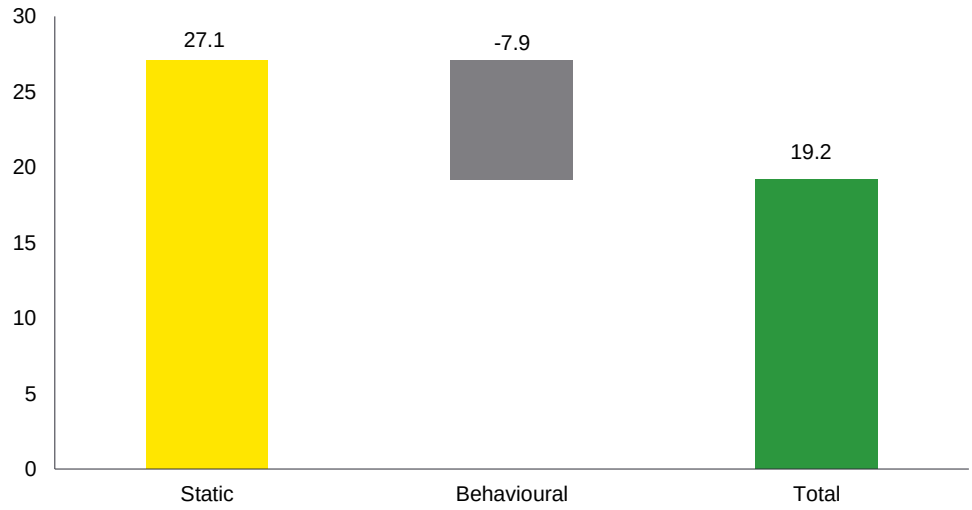
value of the elasticities applied based on the evidence from literature review and mobility assumptions.[29]

- The behavioural response includes second order effects of -£0.3m, of which -£0.1m is the impact of reduced Finance sector activity on professional services and administrative and support activities, and -£0.2m is the impact of reduced income on consumer-facing sectors of Guernsey's economy.

- The behavioural response from the increase in Corporate Income Tax would lead to an estimated decline in GVA by £40.1m, or 1.3%. This is generally consistent with the available literature on GDP response to changes in tax burden which suggests the range between 1.2% and 1.8%.[30]

- For £20m of tax revenue to be generated under the static impact, the new tax rate would have to be set at 17.3%. Accommodating for behavioural changes, this tax rate would need to be set at 20.3% to generate an additional £20m in tax revenue.

Figure 9: Summary of changes in tax under Option 1 (£m 2019 prices)



Source: EY analysis

5.2 Option 2 – a territorial regime excluding "red line" sectors

5.2.1 Background

Option 2 replaces the 0/10/20 structure with a single rate (15%) on all domestic active and passive income under a territorial regime. While this single rate increases the tax rate for most sectors, some sectors such as Rental property, which are subject to a 20% tax rate under the current regime, will benefit from a tax reduction. Sectors that have been identified as "red line" are not taxed within this option[31].

5.2.2 Results

Table 9 and Table 10 below summarise the impacts under Option 2.

[29] For a review of the approach to elasticities, see Section 3.2.
[30] The range has been inferred from the change in the ratio of tax revenue to GVA in Option 1 and parameters estimated in the literature. See Appendix A for the list of academic references used in this estimation.
[31] For the purposes of this Option is has been assumed that domestic and Captive insurance sits outside the "red line" with the tax applying where insurance is underwritten in Guernsey, as well as where the risk covered is in Guernsey

Table 9: Summary of impacts under Option 2, by tax type (£m 2019 prices)
Source: EY analysis

Tax type	Static change	Behavioural change	Total tax change
Corporate Income Tax	26.7	(2.5)	24.1
Income tax – individuals		(1.6)	(1.6)
Income tax - distributed profits	(3.1)	-	(3.1)
Social security contributions		(1.0)	(1.0)
Company fees		(0.1)	(0.1)
Total tax revenue	23.6	(5.2)	18.4

Table 10: Summary of impacts under Option 2, by sector (£m 2019 prices)
Source: EY analysis

Sector	Static change	Behavioural change	Total tax change	Change in GVA
Agriculture	0.1	0.0	0.1	-
Manufacturing	0.0	(0.1)	(0.0)	(0.4)
Electricity	(0.0)	0.0	(0.0)	-
Water supply	(0.0)	0.0	(0.0)	-
Construction	0.9	(0.3)	0.6	(1.6)
Wholesale, retail and repairs	0.5	(0.2)	0.3	(2.6)
Hostelry	0.3	(0.0)	0.3	(0.1)
Transport and storage	0.1	(0.0)	0.0	(0.2)
Information and communication	0.0	(0.0)	0.0	(0.1)
Domestic retail banking	6.5	(0.3)	6.2	(1.2)
Private and other banking	-	-	-	-
Regulated fiduciary	2.5	(0.6)	1.9	(2.7)
Other fiduciary	-	-	-	-
Holding companies	-	-	-	-
Funds / Investment – other	-	-	-	-
Administrators of funds	1.4	(0.4)	1.0	(3.1)
Managers of funds	-	-	-	-
Stockbroker services	-	-	-	-
Investment advisors	-	-	-	-
Authorised managers	0.2	(0.1)	0.1	(0.7)
Insurance intermediaries	0.3	(0.2)	0.1	(1.1)
Domestic insurers	0.0	(0.0)	0.0	(0.0)
Captives	6.0	(1.3)	4.7	(7.3)
Commercial General Insurers	-	-	-	-
Commercial Reinsurers	-	-	-	-
Commercial life insurers	-	-	-	-
Special purpose vehicles	-	-	-	-
Other finance	-	-	-	-
Rental property	(0.4)	(0.0)	(0.5)	(0.0)
Professional activities	3.9	(1.1)	2.8	(9.7)
Administrative and support activities	0.7	(0.4)	0.3	(3.4)
Education	0.0	0.0	0.0	-
Human health activities	0.0	0.0	0.0	-
Gambling and betting activities	0.4	(0.0)	0.4	-
Other service activities	-	-	-	-
Total	23.6	(5.2)	18.4	(34.3)

Given the above, the following should be noted:

- This tax reform option would generate an additional of £18.4m in post-behavioural tax receipts. This is based on a static increase of £26.7m due to the Corporate Income Tax rate change, adjusted for a decrease in the distributed profit tax (-£3.1m) and behavioural change (-£5.2m) due to potential company relocations and profits shifting.

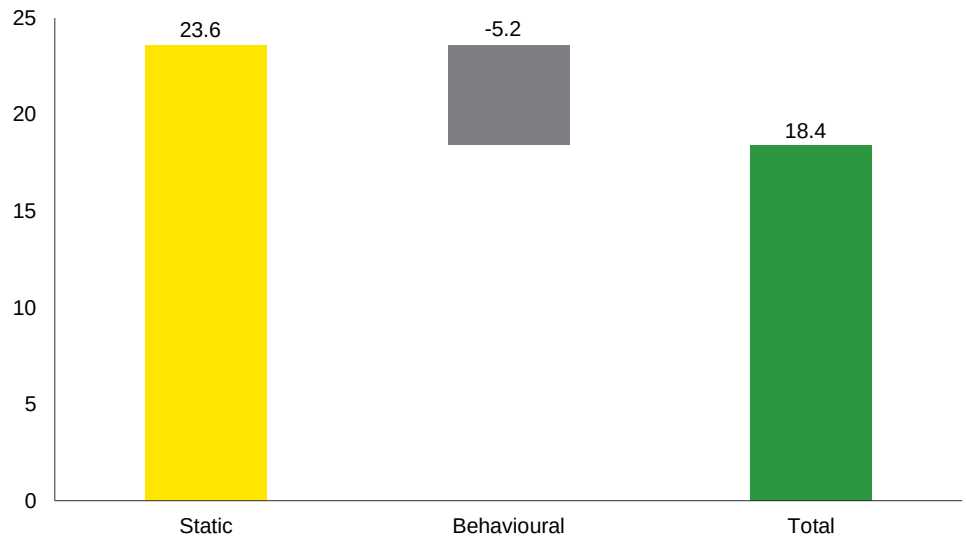
- The greatest increase under Option 2 is generated by Domestic retail banking (£6.2m) and Captives (£4.7m), followed by Professional activities (£2.8m) and Regulated fiduciary (£1.9m).

- The behavioural response includes second order effects of -£0.2m, of which -£0.1m is the impact of reduced Finance sector activity on professional services and administrative and support activities, and -£0.1m is the impact of reduced income on consumer-facing sectors of Guernsey's economy.

- The behavioural response from the increase in Corporate Income Tax would lead to an estimated decline in GVA by £34.3m, or 1.1%. This is generally consistent with the available literature on GDP response to changes in tax burden which suggests the range between 1.2% and 1.8%.

- For £20m of tax revenue to be generated under the static impact, the new tax rate would have to be set at 13.9%. Accommodating for behavioural changes, this tax rate would need to be set at 15.6% to generate an additional £20m in tax revenue.

Figure 10: Summary of changes in tax under Option 2 (£m 2019 prices)



Source: EY analysis

5.3 Option 2a – a territorial regime including "red line" sectors

5.3.1 Background

This is a variation of Option 2 where no sector is "red line", and all sectors face Corporate Income Tax at a rate of 15% under the territorial regime. In practice, such a pure territorial regime (without, for example, relief for domestic income of collective investment schemes) is not seen in practice but this has been developed to test the rationale for the "red lines".

The territorial nature of the option is maintained and hence the following sectors are excluded, due to the lack of disaggregation between domestic and foreign income: Other fiduciary, Funds / investment - other, Holding companies, Stockbroker services, Investment advisors and Special purpose vehicles.

5.3.2 Results

Table 11 and Table 12 below summarise the impacts under Option 2a.

Table 11: Summary of impacts under Option 2a, by tax type (£m 2019 prices)

Source: EY analysis

Tax type	Static change	Behavioural change	Total tax change
Corporate Income Tax	50.9	(26.0)	24.9
Income tax – individuals		(7.4)	(7.4)
Income tax - distributed profits	(3.1)	-	(3.1)
Social security contributions		(4.7)	(4.7)
Company fees		(0.5)	(0.5)
Total tax revenue	47.8	(38.6)	9.1

Table 12: Summary of impacts under Option 2a, by sector (£m 2019 prices)

Source: EY analysis

Sector	Static change	Behavioural change	Total tax change	Change in GVA
Agriculture	0.1	0.0	0.1	-
Manufacturing	0.0	(0.1)	(0.0)	(0.4)
Electricity	(0.0)	0.0	(0.0)	-
Water supply	(0.0)	0.0	(0.0)	-
Construction	0.9	(0.3)	0.6	(1.6)
Wholesale, retail and repairs	0.5	(0.5)	(0.0)	(6.2)
Hostelry	0.3	(0.1)	0.2	(0.6)
Transport and storage	0.1	(0.0)	0.0	(0.2)
Information and communication	0.0	(0.0)	0.0	(0.1)
Domestic retail banking	6.5	(0.3)	6.2	(1.2)
Private and other banking	15.1	(16.5)	(1.4)	(51.9)
Regulated fiduciary	2.5	(0.6)	1.9	(2.7)
Other fiduciary	-	-	-	-
Holding companies	-	-	-	-
Funds / Investment – other	-	(2.4)	(2.4)	(162.2)
Administrators of funds	1.4	(2.0)	(0.6)	(14.0)
Managers of funds	3.3	(2.2)	1.1	(13.1)
Stockbroker services	-	-	-	-
Investment advisors	-	-	-	-
Authorised managers	0.2	(0.4)	(0.2)	(2.5)
Insurance intermediaries	0.3	(0.2)	0.1	(1.1)
Domestic insurers	0.0	(0.0)	0.0	(0.0)
Captives	6.0	(1.3)	4.7	(7.3)
Commercial General Insurers	1.7	(2.4)	(0.6)	(13.6)
Commercial Reinsurers	0.9	(1.3)	(0.4)	(7.4)
Commercial life insurers	0.6	(0.8)	(0.2)	(4.7)
Special purpose vehicles	-	-	-	-
Other finance	2.4	(3.1)	(0.7)	(29.8)
Rental property	(0.4)	(0.1)	(0.5)	(0.2)
Professional activities	3.9	(2.5)	1.4	(22.5)
Administrative and support activities	0.7	(0.9)	(0.2)	(7.6)
Education	0.0	0.0	0.0	-
Human health activities	0.4	(0.0)	0.4	-
Gambling and betting activities	0.1	(0.6)	(0.5)	(1.7)
Other service activities	0.1	(0.1)	(0.0)	(0.2)
Total	47.8	(38.6)	9.1	(352.7)

Given the above, the following should be noted:

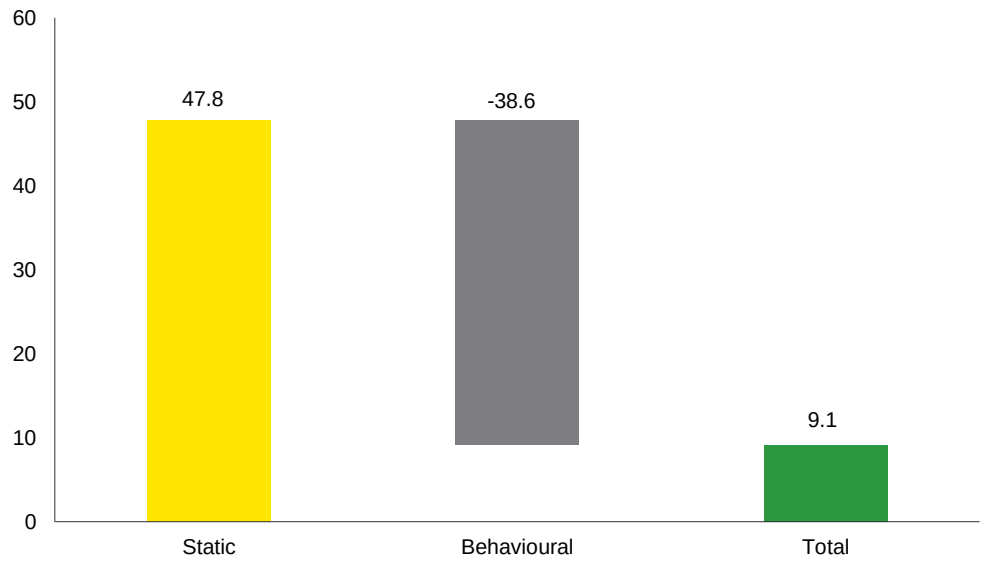
- This tax reform option would result in an increase of £9.1m in post-behavioural tax receipts. This is based on a static increase of £50.9m due to the Corporate Income Tax rate change, adjusted for a decrease in the distributed profit tax (-£3.1m) and behavioural change (-£38.6m) due to potential company relocations and profits shifting. As, under Option 2a, the worldwide income is not subject to tax rate increase, a number of "red line" sectors do not generate additional tax, resulting in a relatively small gain in tax receipts.

- The behavioural response includes second order effects of -£2.6m, of which -£2.0m is the impact of reduced Finance sector activity on professional services and administrative and support activities, and -£0.6m is the impact of reduced income on consumer-facing sectors of Guernsey's economy.

- The behavioural response from the increase in Corporate Income Tax would lead to an estimated decline in GVA by £352.7m, or 11.1%. The decline in GVA in Option 2a is significantly higher than in the available literature on GDP response to changes in tax burden. This is driven by significant non-linearities expected in the response of Guernsey companies, which are expected to be highly mobile, to changes in tax rates. This includes a significant loss in financial services activity and would be consistent with a significant loss of employment activity (with the potential for consequent declines in household incomes and standard to living) in Guernsey.

- For £20m of tax revenue to be generated under the static impact, the new tax rate would have to be set at 10.5%. Accommodating for behavioural changes, this tax rate would need to be set at 29.0% to generate an additional £20m in tax revenue.

Figure 11: Summary of changes in tax under Option 2a (£m 2019 prices)



Source: EY analysis

5.4 Option 4 – Flat fee model

5.4.1 Background

Option 4 has been designed to apply a flat levy, rather than a profits-related tax rate. The option broadens the "tax" base and brings within charge those economic operators which do not currently contribute through the tax system.

This would retain the "zero-tax" regime and, depending on how the levy is structured, could potentially be viewed as a cost of doing business in Guernsey rather than as a tax.

This option could be structured in several different ways, taking into account:

- The basis for the charge – i.e., which companies would be subject to the levy.
- The collection mechanism – i.e., how the levy would be collected / administered.
- The "tax" attributes of the levy – i.e., whether this is a simple fee or a tax (which could be potentially creditable against tax payable on distribution or corporate profits).

For the purposes of this report, the following three scenarios for a flat fee have been costed:

- Apply a levy to all companies that are Guernsey registered (incorporated in Guernsey).
- Apply a levy to all Guernsey tax resident companies, excluding those that are exempt from paying tax (as they already pay a levy of £1,200).
- Apply a levy to all Guernsey tax resident companies that do not currently pay tax at the intermediate (10%) or higher (20%) rate, excluding those that have exempt status.

To gauge the revenue raising capacity of this approach, an indicative levy has been modelled for each scenario and set at a rate of £1,000 per year in addition to current Registry fees (and regulatory fees where applicable). An estimate of the rate of levy required to raise £20m has also been provided.

A levy of £1,000 per year has been selected based on indicative feedback that a higher fee could result in Guernsey becoming uncompetitive. In particular, in the fiduciary sector, private wealth asset holding vehicles may be more susceptible to outward migration, and care would be needed in setting a levy at the appropriate rate. Additionally, there exists a risk of any increase making the recruitment of new business more difficult, which would have implications for future growth. Such a behavioural response would need to be further tested in consultation with Guernsey businesses.

5.4.2 Data

Table 13 contains the total number of companies by sector in Guernsey in 2019.[32] These data have been broken down by company status and headline corporate income tax rate. This table provides an indication of the size of the different groups that could be targeted under a flat fee model.

Table 13: The number of companies in Guernsey in 2019 by sector and status

Source: States of Guernsey

				Total Guernsey tax residents by type			***Certificate 1 companies by headline tax rate***		
	Guernsey registered	Foreign incorporated Guernsey residents[33]	Total Guernsey tax residents[34]	Cert 1[35]	Cert 3	Exempt	20%	10%	0%
Total	**17,141**	**3,826**	**20,967**	**4,447**	**16,520**	**525**	**320**	**296**	**3,831**
Agriculture	85	55	140	33	107	-	-	-	33
Manufacturing	104	-	104	52	52	-	-	-	52
Electricity and water supply	…[36]	…	31	16	15	-	16	-	-
Construction	…	…	362	314	48	-	-	-	314

[32] The following sectors have been omitted from Table 132: Public Administration; Activities of households as employers; Uncoded.
[33] This has been implied from the difference between total Guernsey tax residents and total Guernsey registered companies.
[34] The total number of Guernsey tax resident companies in 2019 has been implied from the number of companies that were expected to provide a tax return in 2020 (20,500 companies). This was provided via email by Director of the Revenue Service on 21/07/2022.
[35] Source document: '*Copy of Cert 1 data July 21.xlsx'*.
[36] Suppressed data.

				Total Guernsey tax residents by type			Certificate 1 companies by headline tax rate		
	Guernsey registered	Foreign incorporated Guernsey residents[33]	Total Guernsey tax residents[34]	Cert 1[35]	Cert 3	Exempt	20%	10%	0%
Wholesale, retail & repairs	480	181	661	381	280	-	-	-	381
Hostelry	…	…	187	151	36	-	-	-	151
Transport and storage	…	…	136	80	56	-	-	-	80
Information & communication	220	-	220	133	87	-	-	-	133
Banking	10	10	20	20	-	-	-	20	-
Fiduciary	2,042	13	2,055	249	1,806	-	-	243	6
Holding companies	9,626	533	10,159	1,742	8,417	-	-	-	1,742
Funds / Investment	1,309	2,903	4,212	96	4,116	525	-	26	70
Insurance	…	…	110	45	65	-	-	6	39
Other finance	44	7	51	51	-	-	-	-	51
Rental property	832	61	893	304	589	-	304	-	-
Professional activities	581	2	583	363	220	-	-	-	363
Administrative & support	515	2	517	201	316	-	-	-	201
Education and health	242	6	248	90	158	-	-	-	90
Gambling and betting activities	158	43	201	66	135	-	-	-	66
Other service activities	…	…	76	60	16	-	-	-	60

Given the above, the following should be noted:

- Of the 20,967 companies that were tax resident in Guernsey in 2019, a substantial proportion consisted of Holding Companies and Funds / Investment. These two sectors accounted for 14,371 companies, or 69% of the total number of tax residents.

- The Finance sector accounted for 77% of Guernsey registered companies and 79% of Guernsey tax resident companies in 2019. A higher proportion of Guernsey tax resident companies reflects that the foreign companies which are managed and controlled (and therefore tax resident) in Guernsey are largely based in the Finance sector.

- Outside of Finance, the sectors with the largest number of companies in 2019 were Rental Property, Wholesale, Retail and Repairs and Professional Activities. These sectors accounted for 4%, 3% and 3% of total companies respectively.

- “Certificate 3” companies are companies that file a simplified tax return (which includes questions on economic substance) on the basis they are taxed at 0% and have no Guernsey shareholders or employees. The Finance sector accounts for 87% of Certificate 3 companies.

- “Certificate 1” companies are companies that file a full tax return on the basis they either have income subject to corporate income tax at 10% or 20% or they have Guernsey owners. As such, many Certificate 1 companies already contribute tax revenue either based on their sources of income, or via tax paid on distributions to Guernsey resident owners. A “simplified Certificate 1” tax return applies where a company would qualify for Certificate 3 except that it has Guernsey employees.

- Dormant companies may file a “Certificate 2” tax return. Based on available data, we have assumed that the number of dormant companies is not material and are included in the figures for “Certificate 3”.

5.4.3 Scenarios

Three distinct scenarios have been considered within this analysis; however, as noted above, multiple variants of these scenarios could be developed. The data provided in Table 13 can be used to estimate the revenue that could be generated under a more refined scenario, e.g.

a levy that varies across different sub-sectors of Certificate 3 companies (for example a lower fee for companies administered by the fiduciary sector).

A behavioural response of companies has not been modelled, as the initial costs of relocation are expected to exceed a £1,000 fixed fee. However, based on consultation with in-house tax specialists, care is needed not only in setting the amount, but also in the way such a levy is implemented. In particular, there is some concern that, if implemented as a "tax", some companies (especially in the funds sector) may view this as a precursor to future tax regime change, leading to nervousness about using Guernsey as a location for future structuring. Consultation with industry experts should be considered prior to the implementation of a levy to further understand potential behavioural responses and to help shape the design of this option.

Scenario 1 – All Guernsey registered companies

Under scenario 1, all companies that are Guernsey registered would be subject to a fixed annual levy.

In total, 17,141 companies fall into this group, meaning that an £1,000 levy would generate revenue of £17.1m. To generate an additional £20m in revenue, this levy would need to be fixed at a rate of £1,167.

This policy could be administered separately from the tax system, potentially with fees paid via the Guernsey Registry, rather than to the Revenue Service.

Scenario 2 – All Guernsey tax resident companies, excluding exempt companies

Under scenario 2, all companies that are Guernsey tax resident (other than those with exempt status) would be subject to an annual levy. Companies with exempt status are already subject to a fixed annual fee of £1,200, and it has been assumed that no additional revenue could be generated from this group using a further levy.

This scenario expands the "tax" base relative to scenario 1, bringing in a number of fund-related vehicles, holding companies and retail companies that are not incorporated in Guernsey, but are managed and controlled (and therefore tax resident) in Guernsey (for example there is a significant volume of British Virgin Islands incorporated companies that became tax resident in Guernsey from 2019 when the rules on tax residence were amended).

Given that 20,442 companies have Guernsey tax residency status and are not exempt, a £1,000 levy would generate £20.4m in revenue. To generate £20m in revenue, this levy would need to be fixed at a rate of £978.

It is possible for this scenario to be differentiated based on the headline corporate income tax rate of each sector. For example, if Certificate 1 companies subject to a headline rate of 20% (i.e. in rental property and utilities) were to pay a discounted levy of £500, then the total revenue generated from this scenario falls to £20.3m.

Another variation of this scenario could involve this levy being creditable against tax on distributions. A rough calculation based on total tax paid by sector reduced the revenue raised by a £1,000 levy from £20.4m to £13.5m. However, this may be an underestimate because some companies within each sector may not distribute profits. A similar effect (without the significant administrative complexity) can be achieved by targeting the levy at Certificate 3 companies that currently pay tax at 0% in Guernsey – see scenario 3 below.

Scenario 3 – All Guernsey tax resident companies which are currently taxable at 0%

Under scenario 3, Guernsey tax resident companies (which would exclude those with exempt status) that are taxable at 0% are subject to an annual levy.

It is possible to estimate the number of companies that do not currently pay tax on the basis of corporate income and tax on distributions receipts. However, given that Certificate 3

companies by definition pay tax at 0% rate, it is recommended that Certificate 3 status is instead used to gauge this number, and in practice this is likely to provide a more stable basis for calculating and estimating the potential revenues[37].

Given that 15,995 companies fit into this group (Certificate 3 companies excluding those with exempt status), an annual levy of £1,000 would generate £16.0m in revenue. To generate £20m in revenue, the levy would need to be fixed at a rate of £1,250.

As with Scenarios 1 and 2, variations of this option are possible. In particular, it may be desirable to set a lower levy in sectors administered by fiduciaries (especially private wealth asset holding companies) which are more likely to be susceptible to outward migration. Similarly, there are options for how the tax could be collected under this option – given that many Certificate 3 companies are administered by fiduciaries and fund administrators, these Corporate Service Providers could potentially collect the levy in bulk to simplify administration and cost of collection.

5.4.4 Collection mechanism

As noted in section 5.4.1, there are alternatives to how the levy could be collected. The design of the collection mechanism will be important in influencing:

- The cost of collection and administration for the Revenue Service or other appropriate authority;
- The cost of administration to business; and
- The likely behavioural response.

As discussed above, Scenario 1 lends itself to collection via the existing mechanism via the Guernsey Registry. This would be relatively straightforward to administer and consistent with a levy charged in Jersey.

From a behavioural response perspective, there is merit in considering a mechanism whereby the levy is viewed by the international business community (such as fund managers or private wealth advisors) as a cost of doing business in Guernsey rather than a tax. One way to achieve this would be for Guernsey Corporate Service Providers to administer the levy in bulk in a single return to the Guernsey Registry or Revenue Service on behalf of its administered entities

5.4.5 Summary

Table 14 contains a summary of the tax revenue generated under an £1,000 levy, and the rate of a levy required to generate £20m in tax revenue in scenarios 1 to 3.

Table 14: Summary of impacts of flat fee scenarios

Source: EY analysis

Scenario	Tax revenue generated	Levy required to generate £20m
Scenario 1 – All Guernsey registered companies	£17.1m	£1,167
Scenario 2 – All non-exempt Guernsey tax resident companies	£20.4m	£978
Scenario 3 – All non-exempt non-taxpaying Guernsey tax resident companies	£16.0m	£1,250

[37] Many Certificate 1 companies are also subject to tax at 0%, and hence might be included, which would increase the number of companies beyond that modelled here.

6. Assessing the options

6.1 Revenue raising capacity

The revenue which could be raised under each option is summarized in the table below.

Table 15: Summary of impacts
Source: EY analysis

Option	Tax impact	GVA impact	
Option 1	£19.2m	(£40.1m)	(1.3%)
Option 2	£18.4m	(£34.3m)	(1.1%)
Option 2a	£9.1m	(£352.7m)	(11.1%)
Option 4	£16 – 20m		

All four options have the capacity to raise additional revenues. However, this is off-set under the tax options by the inevitable reductions in GVA.

6.2 Compliance with the international norms

As noted above, it is important to consider the potential implications of any changes to the Corporate Income Tax regime on the status of Guernsey as a complaint regime under international norms. This section of the report considers the various bodies and how any changes might be perceived.

A key concern is to avoid Guernsey being categorised a non-cooperative under the EU's classification of third countries as non-cooperative tax jurisdictions (and hence added to Annex 1 (the so-called "Black List") or Annex 2 (the so-called "Grey List"). This involves the application of the EU's Code of Conduct on Business Taxation by the EU's Code of Conduct Group.

In practice, this also requires meeting the requirements of international standards, since the requirements of the CoC, which have broadened over time, now include obtaining a satisfactory assessment ("largely compliant") from the OECD's Global Forum on Tax Transparency and Exchange of Information for Tax Matters (the "Global Forum") and being a (compliant) member of Inclusive Framework on Base Erosion and Profit Shifting (the "Inclusive Framework"). This latter requirement (i.e. the Inclusive Framework) includes the requirement to satisfy Action 5 of the Base Erosion and Profit Shifting ("BEPS") Action Plan, which relates to the removal (and non-introduction) of harmful tax practices. Compliance with Action 5 is reviewed by the OECD's Forum on Harmful Tax Practices ("FHTP").

When considering the application to this project, the key concern will be whether the changes to the Corporate Income Tax regime results in preferential measures from the perspective of the CoC or a harmful tax practice from the perspective of the FHTP[38]. In practice, the CoCG and the FHTP works closely together, although with slightly different perspectives: as noted in Appendix B, the EU CoCG is more focused on tax being used as a tool to move investment, whilst the FHTP is more focused on how the tax regime applies to mobile activity, in particular intellectual property.

None of the options examined is likely be in clear breach of the relevant rules and this matter was discussed directly with the Policy and Resources Committee. In any event, should the options presented proceed to become policy proposals under the Strategic Review, such proposals would need to be assessed in detail against the relevant criteria.

[38] It is assumed that there would be no change in the transparency requirements and therefore the changes should not affect the rating under the Global Forum.

6.3 Impact on competitiveness

It has been argued that the ability to operate successfully as an international centre for financial services is based on the following key features:

1. A stable political system
2. An effective but non-burdensome regulatory framework operating under English Common Law
3. Ready access to markets in other key centres (including the City of London)
4. World class expertise in financial services (such as captive insurance)
5. A competitive tax system

Changes to the Corporate Income Tax regime should have no impact on features 1 and 3, as they are enduring characteristics of the Guernsey model. However, changes to tax do have the potential to negatively impact the remaining features and therefore each of the options under examination should be assessed in terms of the extent to which their introduction could reduce Guernsey's attractiveness as a place to do business.

6.3.1 Option 1

Option 1 has been designed to increase revenue without fundamentally changing the nature of the Guernsey tax system. In particular, it has been designed not to change the tax treatment of the highly mobile international services which provide the bedrock of the Guernsey economy. Therefore, these sectors can be expected to see no change in the amount of tax paid or in the levels of administrative burden borne.

While the direct impact of the option on key sectors would be negligible, the fact that related services (such as fund administration and domestic banking and insurance) will face a higher charge may have some indirect impact. At the level of sentiment, any increase in tax, unmatched by similar changes in competitor jurisdictions, is likely to generate some negative impact, even if this is merely to raise sensitivity to the risk of potential future increases. In a direct comparison with other jurisdictions, a key metric is whether Guernsey's actions are matched by direct competitor jurisdictions.

Overall, and judged against the other options, Option 1 might be expected to have the least impact on today's level of competitiveness. Primarily this is because it can be designed to not move away from the existing model (for the core industries) and hence should not directly impact on the sectors which are vital to Guernsey's competitiveness as an international financial centre.

6.3.2 Option 2

In principle, Option 2 represents significant change to the Guernsey model, moving towards a more standard territorial system. However, the exemption of the "red line" financial sectors from the scope of the tax means that, as with Option 1, the direct effect on those sectors should be negligible.

The move to a territorial regime can be expected to trigger a reassessment by the CoCG (and/or the FHTP), which will result in a period of uncertainty whilst the CoCG considers the regime. In practice, the CoCG has shown that it sees itself as a group which reviews legislation (whether proposed or in place) rather than one that provides advice over what it wishes a jurisdiction to adopt. As such, the period of review can extend over a considerable period, during which time potential investors may be more wary of investing in Guernsey.

Whilst a successful outcome, and treatment as a compliant 2.1 jurisdiction, may bring additional competitive advantages, the uncertainty during the period of review might contribute to further competitiveness pressures.

6.3.2.1 Option 2a (i.e. Option 2 without red lines)

As noted above, the "no red line" variant of Option 2 was designed to test the effect of applying a tax to the "red line" sectors. Its direct effect would be to increase the cost of operating on Guernsey, while also to increase administrative and compliance burdens.

Whilst this can be seen as an extreme example (given that there are no restrictions on the application of the territorial regime), the results show a reduction in the tax revenue generated (compared to Option 2) as well as a significant increase in the reduction in GVA. As such, this validates the concern that is addressed by maintaining the "red lines". Whilst various elements of the "red lines" could be considered in more detail, it is clear that the complete removal of the "red lines" would not achieve the desired objectives.

6.3.3 Option 4

Strictly defined, this Option leaves the Guernsey tax system unaltered, and simply raises the cost to business of operating on Guernsey by apply a flat rate charge. The impact of this option on competitiveness would crucially depend on:

- The level at which the charge was set
- The cost and burden entailed in paying the charge
- The certainty provided to companies over the longer term

Provided that the charge is set at a reasonable level, the added burden may be expected not to outweigh the benefits of Guernsey's other features. A key question is therefore the relevant costs in competitor jurisdictions. Table 16 below summarises the Jersey International Service Entities ("ISE") fees for 2021, which appear not to have driven significant flight from Jersey.

Table 16: Summary of Jersey ISE fees for 2021

Source: Government of Jersey[39]

Entity type	Fee (£)
Trust company business affiliation leader + per vehicle	£13,100 £300
Trust company business participating member + per vehicle	£300 £300
Trust company business participating member (fee not paid by affiliation leader) + per vehicle	£13,100 £300
Banking business	£78,300
Collective Investment Fund	£4,700
Managed manager	£4,700
Managed manager (other)	£950
AIF services business	£4,700
Fund services business (non-managed entity)	£4,700
Fund services business (managed entity)	£950
Fund services business and manager	£4,700
Body corporate	£750
Trustee	nil
AIF or Collective Investment Fund (not affiliated)	£300
Anstalt, Stiflung or Foundation	£750

[39] https://www.gov.je/TaxesMoney/GST/InternationalServiceEntities/Pages/Registration.aspx.

The following should be noted in comparing Jersey and Guernsey:

- Company registry – whilst the specifics of the fee vary by type of company, Jersey's base fees are generally lower than the annual validation fee applicable in Guernsey.
- However, Jersey charges an additional Government levy of £220 / £270.
- Regulated entities – the GFSC and JFSC charge regulated businesses specific fees based on the type of entity. The GFSC is proposing increases to these fees, so the levy option needs to take into account the overall cost of doing business for the regulated sector.
- GST – Jersey operates a GST regime, and ISEs pay a fee, which varies by type of company. The fee is applied to companies exporting services where the majority of their activity would be zero rated for GST (i.e. generating minimal net revenue). The fee is optional and allows them to reduce their administration associated with the GST. These fees can be substantial for certain businesses, with lower fees for administered entities (£300 per vehicle).
- Based on feedback from specialists, Jersey's ISE regime rarely features as an issue in jurisdiction comparisons, as this is often viewed as an immaterial cost of doing business. There is therefore an opportunity for Guernsey to collect some form of levy without being seen as non-competitive against Jersey – however, as discussed above, a flat £1,000 may not compare favourably in this regard, and may need to be more nuanced.

Whilst this area will need further evaluation, the experience in Jersey indicates that, prima facie, there may be scope for this option.

7. Conclusion

The foregoing analysis shows that the Corporate Income Tax system can be reformed in ways which would raise a considerable amount of additional tax revenue in the context of Guernsey's Strategic Tax Reform. All of the modelled options therefore successfully fulfil the first success criterion of having the capacity to raise revenues.

Similarly, judged against the criterion of maintaining compliance under the EU's Code of Conduct (and international requirements more widely), none of the options would necessarily or directly place Guernsey in a non-compliant category. The most significant difference between the options on this criterion is that the territorial regime is more likely to trigger a period of reassessment of the Guernsey regime by the Code of Conduct Group.

Only under the competitiveness criterion does a clear ranking of the options emerge. Option 1 offers a clear advantage in that it retains the current tax structure and does not impose a tax charge on the finance sector. For the sectors which contribute most to the economy, this would amount to a "no change" option.

A territorial regime with a "red line" carve out would deliver a similar outcome to Option 1, though with the optics of a reform. The same model but without any "red line" carve outs would have the most significant negative impact on GVA and is not considered to satisfy the requirements expressed by the Policy and Resources Committee.

Viewed in the round, the options can be grouped as those which place a greater tax burden on the finance sector (Option 4) and those which place a greater burden on the non-financial sector (Option 1 and 2). This opens up the possibility that an overall reform process could include elements of different options to balance the increased tax burden across different sectors.

Finally, it may be noted that both Option 1 and Option 2 impose greater tax on profits made within the domestic economy. Whilst this is delivered by means of an increase in direct tax (ie. Corporate Income Tax), the tax base (being the profits made in Guernsey) may not differ significantly from the "value added" by those businesses (directly and through their supply chains), once adjusted for imported added value. As such, in theory, the taxpayers under Options 1 and 2 may be similar to those under a Value Added Tax or GST. In practice, how the additional burden falls will depend critically, in the first instance, on the design of either tax (and in particular the use of exemptions and thresholds in GST).

Appendix A Methodology

This Appendix sets out the methodology used to estimate the impact of tax policy options presented in this study.

Key data inputs

To estimate the static and behavioural impact, economic analysis has been performed using Guernsey national accounts data and other statistics as well as additional parameters obtained from a review of existing literature.

Guernsey's statistics used in this study consist of data on gross domestic product (GDP) and its components, including: gross operating surplus (GOS), compensation of employees and mixed income; the number of companies; net assessable profits (NAP); tax revenue by tax type; share of companies in Guernsey with overseas headquarters; firm level data on Certificate 1 companies.

Additional data sourced from a literature review includes linear and non-linear elasticities, the proportion of companies located in low-tax jurisdictions by sector and the proportion of a reduction in profit in response to tax rate changes. Elasticities are used to model the response of companies to change in the rate of Corporate Income Tax, whilst the other data are used to inform assumptions regarding sectoral mobility.

A summary of client data sources used in this study is provided in Table 17 below.

Table 17: Summary of client data sources

Source: EY analysis

Source	Date received	Brief description of use
'Copy of Cert 1 data July 21.xlsx'	21/07/22	Used to calculate the number of Certificate 1 companies by sector, as well as the proportion of each sector that is incorporated in Guernsey in terms of turnover.
Budget reports – States of Guernsey	25/05/22	Contains data on total receipts by tax type. This has been used to estimate the behavioural impact of a change in tax rate.
'Annual self employed tax.xlsx'	19/05/22	Contains data on individual income tax contributions by self-employed individuals by sector. This has been used to model the flat rate option.
'for ey 20211014Guernsey GVA basic market and GDP 2020 COE and Biz Support OPTION A V1.0 .xlsx'	18/05/22	Provides sector level data on components of GVA and tax revenue. This has been used to model the behavioural impact of a tax reform.
'Summary table - Normal Status Companies by Economic Activity (2).xlsx'	19/05/22	This file contains sector level data on the number of companies. This has been used to model the flat rate option and disaggregate net assessable profit data for Funds.
Client email on non-ETI data	30/05/22	Contains data on individual income tax contributions by sector. This has been used to model the behavioural impact of a tax change.
Client email on distributed profits	30/05/22	Contains a breakdown of contributions to tax on distributions revenue by sector. This has been used to model the behavioural impact of a tax change.
Net assessable profits	13/06/22	Provides data on the size of the corporate income tax base by sector.
Client email on the split of banking profits by banking sub-sector	16/06/22	Used to split national account data for Banking between Domestic Retail Banking and Private and Other Banking.
'Economic Overview Jan 22 final.pdf'	14/06/22	Used to provide a breakdown of national account data by sub-sector for Insurance.

The detail of the approach to elasticities is provided in Section 3 of the study.

Approach – static impact

The static impact is equal to the change in corporation and tax on distributions receipts resulting from a change in the Corporate Income Tax rate while the tax base, in terms of net assessable profits, is assumed to remain unchanged:

- Change in Corporate Income Tax receipts is equal to the percentage point change in the Corporate Income Tax rate multiplied by net assessable profits.

- Change in tax on distributions is driven by the change in the 'top-up' percentage. This top up tax is designed such that any profits distributed to Guernsey residents are effectively taxed at 20%. For example, if the Corporate Income Tax rate increases from 10% to 15%, the top up percentage on any distributed profits will decline from 10% to 5%. The proportionate fall in this top up rate is applied to current tax on distributions receipts to estimate the new tax on distributions receipts.

Approach – behavioural impact

Drivers of behavioural impact

Economic modelling in this study uses two drivers of behavioural impact:

- Reduction in net assessable profits due to relocations. This impact assumes that companies which relocate stop employing people in Guernsey. This results in a decline in employment and the related employment taxes.

- Reduction in net assessable profits due to profit shifting. This impact assumes that the companies stay in Guernsey. While they retain their staff, their activities become relatively less profitable, leading to a reduction in net assessable profits and Corporate Income Tax payments.

In practice, both drivers are expected to co-exist and both feed into the behavioural tax calculation. The distinction between relocations and profits shifting enables a more accurate estimation of impacts on compensation of employees, employee taxes and social security contributions as well as impacts on consumer facing sectors and GVA.

The relative weights of these two drivers of impacts (28% driven by relocations and 72% by profit shifting) have been informed by the study by Heckemeyer and Overesch (2013) who synthesize the evidence from 25 studies on profit-shifting behaviour of multinational firms and consider different channels of the behavioural tax response.[40]

Corporation and tax on distributions impact

Under the behavioural impact, the Corporate Income Tax base, net assessable profits, is modelled to respond to the change in tax rate.

Net assessable profits following a change in Corporate Income Tax rate are estimated on a sectoral level, using the following formula:

$$Net\ assessible\ profits_{T_1} = Net\ assessible\ profits_{T_0} \times (1 + elasticity \times (T_1 - T_0) \times mobility)$$

T_1 – The rate of tax on distributions plus Corporate Income Tax over net assessable profits under the new scenario

T_0 – The current rate of tax on distributions plus Corporate Income Tax over net assessable profits

Net assessable profits - Total profits reported by a sector

Elasticity - Percentage change in pre-tax profits associated with one percentage point change in tax

Mobility - The propensity of a sector to leave Guernsey following an increase in tax rate.

[40] Heckemeyer and Overesch (2013) Multinationals' Profit Response to Tax Differentials: Effect Size and Shifting Channels, ZEW - Centre for European Economic Research Discussion Paper No. 13-045.

Change in Corporate Income Tax receipts is equal to the new Corporate Income Tax rate multiplied by new assessable profits less current Corporate Income Tax. Change in tax on distributions is driven in the same way as under the static impact.

Other tax impacts

Other taxes that are assumed to be affected by a change in the Corporate Income Tax rate include:

- Income tax
- Social security contributions
- Company fees

The tax base for both income tax and social security contributions is assumed to change less than proportionately with the change in net assessable profits. It is assumed that these taxes only decline where a reduction in net assessable profits is driven by complete migration, rather than entities shifting profits overseas. The change in these taxes is driven entirely by a change in the tax base, with tax rates remaining constant.

Company fees are assumed to fall proportionately with the change in net assessable profits.

GDP impact

When estimating the impact of a change in Corporate Income Tax rate on GDP, each component of GDP is treated separately. The five components of GDP are: gross operating surplus; compensation of employees; mixed income; rental income of households; taxes less subsidies on production. Of the five components, it is assumed that only compensation of employees and gross operating surplus change following a change in tax rates.

The percentage change in gross operating surplus is assumed to be directly equivalent to the percentage change in net assessable profits for each sector.

As with income tax and social security contributions, it is assumed that compensation of employees only declines for those companies that migrate and remains the same for those companies that shifts profits overseas. As a result, the change in compensation of employees is less than proportional to the movement in gross operating surplus.

A benchmarking exercise has been performed to ensure that the results in terms of change in GDP are in line with evidence provided in available literature.[41]

[41] See Mertens and Olea (2018) Marginal Tax Rates and Income: New Time Series Evidence, The Quarterly Journal of Economics, Volume 133, Issue 4, November 2018, Pages 1803–1884; and Romer and Romer (2007) The Macroeconomic Effects of Tax Changes: Estimates Based on a New Measure of Fiscal Shocks, NBER Working Paper 13264.

Appendix B EU Code of Conduct – history and background

This Appendix summarises the rules of the European Union Code of Conduct for Business Taxation. The EU operates an EU group Code of Conduct Group on Business Taxation (or "CoCG") that reviews countries that have not joined (and are unable to join) its group. This somewhat extra-territorial approach arises due to the extension of an internal agreement between the European Union Member States. The Code, its application and guidance are dynamic documents and regularly reviewed and updated by Member States. Changes to the Code are currently under discussion.

Development and focus of the EU CoCG

Whilst the original focus of the CoC was on tax systems of EU Member States, Member States also committed to promoting the adoption of its principles by third countries and in territories to which European Union ("EU") treaties do not apply, noting that:

> "*Member States commit themselves to promoting their adoption in third countries*"[42].

In extending the work to third countries, the Council agreed on 25 May 2016[43] to:

> *"the establishment by the Council of an EU list of third country non-cooperative jurisdictions and to explore coordinated defensive measures at EU level without prejudice to Member State competence*."

Under the process set out in the Council conclusions on 8 November 2016[44], third country tax systems are assessed under the same criteria applied to EU countries. The rationale for extending the CoC to third countries is:

> *"… that co-ordinated policy efforts in this area at EU and global level, such as determining the objective criteria to identify non-cooperative jurisdictions for tax purposes, are part of effective measures that will contribute to economic growth and tax certainty."*[45]

Guidelines in overview

The criteria used by the CoCG for screening jurisdictions are based on

1. tax transparency;
2. fair taxation and
3. the implementation of BEPS measures

as set out below[46]:

1. Tax transparency criteria

1.1. With respect to the OECD Automatic Exchange of Information (AEOI) standard (the Common Reporting Standard – CRS): The jurisdiction should possess at least a "Largely Compliant" rating by the Global Forum with respect to the AEOI CRS,

[42] 1 December 1997, "Resolution of the Council and the Representatives of the Governments of the Member states, meeting within the Council on a code of conduct for business taxation" Annex 1, tax measures covered"
[43] 25 May 2016, Council of the EU, "Council conclusions on an external tax strategy and measures against tax treaty abuse"
[44] 8 November 2016, Council of the European Union, "Council conclusions on the criteria for and process leading to the establishment of the EY list of non-co-operative jurisdictions for tax purposes, Annex"
[45] 8 November 2016, Council of the European Union, "Council conclusions on the criteria for and process leading to the establishment of the EY list of non-co-operative jurisdictions for tax purposes, Annex"
[46] 8 November 2016, Council of the European Union, "Council conclusions on the criteria for and process leading to the establishment of the EU list of non-cooperative jurisdictions for tax purposes, Annex"

1.2. The jurisdiction should possess at least a "Largely Compliant" rating by the Global Forum with respect to the OECD Exchange of Information on Request (EOIR) standard, with due regard to the fast track procedure, and

1.3. The jurisdiction should have either:

i. ratified, agreed to ratify, be in the process of ratifying, or committed to the entry into force, within a reasonable time frame, of the OECD Multilateral Convention on Mutual Administrative Assistance (MCMAA) in Tax Matters, as amended, or

ii. a network of exchange arrangements in force which is sufficiently broad to cover all Member States, effectively allowing both EOIR and AEOI;

1.4. Future criterion: in view of the initiative for future global exchange of beneficial ownership information, the aspect of beneficial ownership will be incorporated at a later stage as a fourth transparency criterion for screening.

2. Fair taxation criteria

2.1 The jurisdiction should have no preferential tax measures that could be regarded as harmful according to the criteria set out in the Resolution of the Council and the Representatives of the Governments of the Member States, meeting within the Council of 1 December 1997 on a code of conduct for business taxation, and

2.2 The jurisdiction should not facilitate offshore structures or arrangements aimed at attracting profits which do not reflect real economic activity in the jurisdiction.

3. Implementation of anti-BEPS measures criteria

3.1 Initial criterion that a jurisdiction should fulfil in order to be considered compliant as regards the implementation of anti-BEPS measures: the jurisdiction should receive a positive assessment for the effective implementation of the agreed OECD anti-BEPS minimum standards.

Preferential tax measures

In relation to the above, a key concern is whether a jurisdiction operates preferential tax measures (also known as "harmful tax measures"). The scope and criteria for tax measures to be considered harmful as set out in the CoC[47] are:

A. Without prejudice to the respective spheres of competence of the Member States and the Community, this code of conduct, which covers business taxation, concerns those measures which affect, or may affect, in a significant way the location of business activity in the Community.

Business activity in this respect also includes all activities carried out within a group of companies.

The tax measures covered by the code include both laws or regulations and administrative practices.

B. Tax measures which provide a significantly lower effective level of taxation including zero taxation, than those levels which generally apply in the Member State in question, are to be regarded as potentially harmful and therefore covered by this code.

[47] 1 December 1997, "Resolution of the Council and the Representatives of the Governments of the Member States, meeting within the Council on a code of conduct for business taxation" Annex 1, tax measures covered. Also 27 February 2018 "Agreed guidance by the Code of Conduct Group (business taxation): 1998-2018."

- *Such a level of taxation may operate by virtue of the nominal tax rate, the tax base or any other relevant factor.*

- *When assessing whether such measures are harmful, account should be taken of, inter alia:*

  1. *Whether advantages are accorded only to non-residents or in respect of transactions carried out with non-residents, or*

  2. *Whether advantages are ring-fenced from the domestic market, so they do not affect the national tax base, or*

  3. *Whether advantages are granted even without any real economic activity and substantial economic presence within the Member State offering such tax advantages, or*

  4. *Whether the rules for profit determination in respect of activities within a multinational group of companies departs from internationally accepted principles, notably the rules agreed upon within the OECD, or*

  5. *Whether the tax measures lack transparency, including where legal provisions are relaxed at administrative level in a non-transparent way.*

Applicability to nil or near-nil rate regimes

The CoC considers how this applies to regimes where the is a nil or near nil rate of corporation income tax. In relation to the application of criteria 2.1 and 2.2, the guidance sets out the following[48]:

1. *... absence of a corporate tax or applying a nominal corporate tax rate equal to zero or almost zero by a jurisdiction should be regarded as within the scope of Paragraph A…*

2. *where criterion 2.1 is inapplicable solely due to the fact that the jurisdiction concerned does not meet the gateway criterion under Paragraph B of the Code of Conduct, because of the "absence of a corporate tax system or applying a nominal corporate tax rate equal to zero or almost zero", then the five factors identified in paragraph B of the Code of Conduct should be applied by analogy to assess whether the criterion 2.2 has been met.*

3. *In the context of criterion 2.2, the fact of absence of a corporate tax or applying a nominal corporate tax rate equal to zero or almost zero cannot alone be a reason for concluding that a jurisdiction does not meet the requirements of criterion 2.2.*

Application to this project

The relevance of the CoCG rules to this project relates to whether the changes to the business tax regime would breach one of the above guidelines. Since many of the guidelines are unaffected by the changes, the key areas of focus would be whether Guernsey would fall into:

- criterion 2.1 (being a jurisdiction with a tax regime, in which case the concern relates to “preferential measures”) or

- criterion 2.2 (where the jurisdiction is considered to have a nil/almost nil tax rate and the focus is on ensuring that the jurisdiction does not seek to attract profits that do not reflect real economic activity in the jurisdiction).

[48] 27 February 2018 “Agreed guidance by the Code of Conduct Group (business taxation): 1998-2018.” P112

The impact of these categories is discussed in the context of each option.

Current state

Guernsey is currently considered to be a “2.2 jurisdiction”, such that there is a nil/near nil tax rate, and focus has been given to ensuring that activities in Guernsey reflect real economic activity in the jurisdiction.

Appendix C Evaluation of measures under the CoCG

In the guidance, the CoCG has noted that, *"while each measure should be assessed on its merits …, precedence has in the past and should in the future play a role in the Code of Conduct procedure"*.

In comparing tax measures, the CoCG has provided a table (see below) to specify the comparables. In doing so, it has noted[49] that:

- *"the elements in the table should not be used as a cumulative requirement list since requiring 100% comparability would undermine and erode the principle of precedence and equal treatment;*
- *the left column of the comparability table contains a full list of the elements derived from the Code of Conduct that are relevant in the comparison. The list of comparables, in the right column of the table, sets out factors which may be considered relevant for the Code of Conduct but is in principle non-exhaustive;*
- *'type of income' is a relevant comparable since the Code focuses on measures that affect the location of business activities. The Group could consider that if a measure targets a type of income which is relatively mobile, one could argue that the measure is more likely to affect the location of business activities than a measure that targets a less mobile type of income (determined on the basis of the actions needed and risks run by relocating the underlying asset or activity that generates the income or the possibilities to re-route a flow of income from the companies actually paying the income)."*

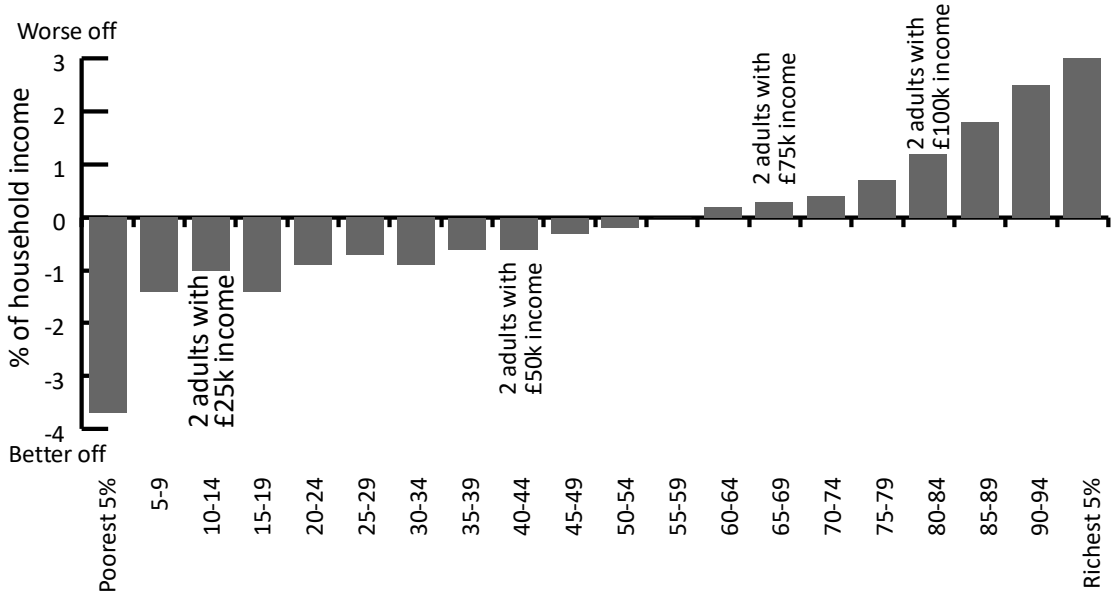
Code of Conduct elements		Comparables
A	Affects business location	• Which type of business or income is covered by the regime? • Does the measure attract genuine economic business or artificially shiftable mobile tax bases? • Attraction of tax bases of other MSs? Can the tax base easily be shifted (mobility)? • Is the measure targeted at MNEs (intra group)?
B	Lower level of taxation	Design of the reduction of the tax base or rate
1a	Benefits accorded to non-residents or transactions with non-residents	To what extent does the measure, de jure, benefit foreign-owned companies?
1b	De facto	To what extent does the measure, de facto, benefit foreign-owned companies? Impact assessment required, economic effects (e.g. number of foreign owned companies benefiting as a percentage of total companies benefiting). Without prejudice to the criteria in the Code, the Group will consider any economic factor and impact data that are brought to its attention. The Group will consider size and openness in order to ensure that there is no discrimination between Member States. Equally, it will not use these factors in a way which discriminates against larger or less open Member States. Together with size and openness the Group will consider other relevant factors, such as the transparency of the tax system and the significance of the economic effect on other Member States, in a similarly full and balanced way.
2a	Protection of the tax base	Does the measure affect the domestic tax base? Is the domestic tax base protected in any way? If yes, in which form? (e.g. no domestic companies allowed or limitation of deductibility of transactions with domestic companies).
2b	De facto	To what extent (budgetary) is the domestic tax base protected? Impact assessment needed, economic effects.

[49] 5 December 2019. General Secretariat of the Council. *Agreed guidance by the Code of Conduct Group (business taxation): 1998 - 2019.*

3	Substance	Which substance requirements are in place? Personnel, investments in fixed assets, other.
4	Profit determination (transfer pricing)	OECD Transfer Pricing Guidelines: • fixed margins vs case by case approach • periodical review of the transfer price • exchange of information
5	Transparency	Procedure for granting of the benefits (discretionary powers?)

Appendix 4. Guide to interpreting the analysis presented

This graph expresses the impact as an average percentage of a households gross income including pensions and benefits but before taxes

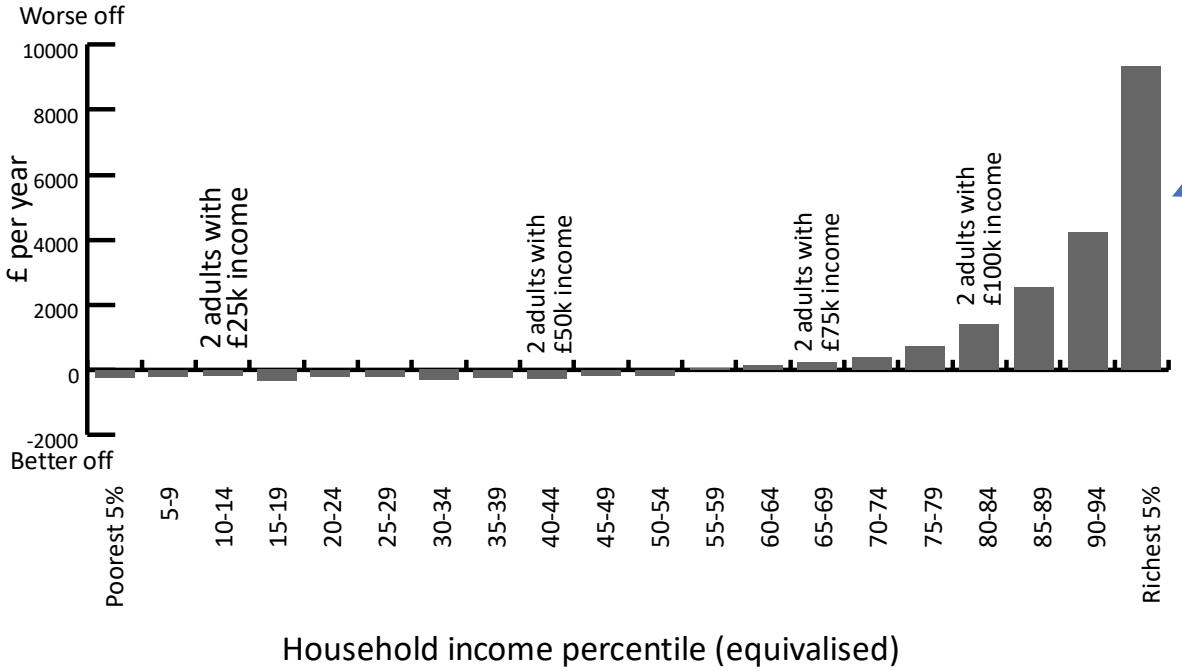


The analysis includes both the change in households tax liability, and any changes in their pension and benefit entitlement. Household groups where the outcome is negative are better off, where the outcome is positive they will pay more.

Households are grouped by equivalised income percentile. Each bar represents 5% of households grouped in order of income from the lowest (left) to highest (right). Figure 34 provides the average income of households in each band.

Equivalisation means that the income of the households undergoes a standard adjustment reflecting how many people live in the household. This is intended to account for the fact that it takes more money to support two people than one, but not twice as much. Figure 34 provides the average income of households in each band.

This graph expresses the impact as a monetary value in £ by which a household group will be better or worse off in £ per year



Higher income households pay much more because their larger income means that even a small percentage change is more in monetary terms than the same change for a household with a smaller income

Figure 34: Average gross household income (including pensions and benefits) of households by equivalized income percentile and household composition

Equivalised Household income percentile	One adult (16-64)	One adult (16-64) with child(ren))	One adult (65 and over)	Two adults (16-64 with child(ren))	Two adults (16-64)	Two adults (65 and over)
0-4	7,394	14,201	10,198	22,804	12,491	14,594
5-9	13,160	20,021	12,958	31,849	20,173	19,136
10-14	15,382	24,290	15,240	36,288	23,747	22,833
15-19	18,349	29,028	17,944	42,520	27,305	27,012
20-24	21,042	32,425	20,643	48,342	31,756	30,880
25-29	23,518	35,702	23,301	53,869	36,039	34,915
30-34	26,707	42,266	26,057	57,183	39,880	38,986
35-39	29,741	45,734	29,040	63,945	44,300	43,392
40-44	33,003	48,062	31,993	71,237	49,525	48,036
45-49	36,304	52,272	35,140	76,799	54,148	53,382
50-54	39,440	56,951	38,738	82,288	58,824	57,498
55-59	42,992	61,774	41,956	89,841	64,321	62,929
60-64	46,576	63,906	45,618	96,515	69,526	67,961
65-69	50,661	68,454	49,174	105,210	75,546	74,149
70-74	54,786	*	53,603	114,775	82,244	80,275
75-79	60,118	*	59,004	125,534	90,157	89,106
80-84	67,055	*	66,609	140,660	100,430	99,193
85-89	77,367	115,354	75,814	163,856	116,627	116,012
90-94	97,890	*	96,093	201,350	143,647	146,647
95-99	213,954	*	281,398	369,066	284,838	309,290

* Represents groups with less than 10 households in the data set

Appendix 5. The Alternative Levers

Corporate Income Tax

A5.1 Corporate taxes make up approximately 10% of Guernsey's current revenues. Despite the headline 0% rate the proportion of government revenues they comprise is similar to the international average (although this varies considerably from country to country). Taxes on company profits tend to be volatile since they are very sensitive to economic conditions. This means few countries choose to rely on these as their primary source of revenue.

A5.2 Guernsey's current regime was introduced in 2008 because the previous regime was deemed non-compliant by the EU Code of Conduct Group, because it offered preferential tax rates to international business which was not available to domestic business.

A5.3 Zero-10 involves the application of three different tiers of tax rates.

A5.4 The Standard rate is 0% - This is the rate of tax applied to the majority of tax resident companies, including most domestic businesses. Any distributions made from a 0% company to a locally resident share holder are taxable under the 20% personal income tax rate.

A5.5 The company intermediate rate (10%) applies to income from:

- banking business,
- domestic insurance business,
- fiduciary business,
- insurance intermediary business,
- insurance manager business,
- administration of controlled investments,
- provision of custody services,
- provision of investment management individual client services,
- operation of an investment exchange,
- compliance and other related activities and,
- income from operating an aviation registry.

A5.6 The company higher rate (20%) applies to income from

- trading activities regulated by CICRA,
- the importation/supply of gas or hydrocarbon oil,

- large retail business carried on in Guernsey (with a taxable profit of more than £500,000), and
- the ownership of Guernsey land and buildings, i.e.
  - Property development and exploitation of land (including income from the sale of extracted materials)
  - Rental income
- income from the business of the cultivation or use of the cannabis plant, and from the prescribed production or prescribed use of controlled drugs

A5.7 Guernsey introduced economic substance requirements for businesses undertaking certain activities from 1 January 2019 to meet international and regional standards. On 12 March 2019, ECOFIN formally confirmed Guernsey's position as a cooperative jurisdiction, reaffirming this in 2020, 2021 and February 2022.

- ***International Tax Reform***

A5.8 The Organisation for Economic Co-operation and Development (OECD) continues to press forward with reforms to the international tax framework, developing proposals to address the challenges of increased globalisation and the digitalisation of the economy, targeted at the world's largest Multinational Enterprises (MNEs).

A5.9 On 8 October 2021, the OECD Inclusive Framework released a statement on a two-pillar solution, in which 136 jurisdictions (including Guernsey) joined the political consensus on the new tax framework. This was an important political stepping-stone and established the building blocks for the tax reform process. Significant further technical work is ongoing, with implementation plans being developed. Guernsey remains actively involved in these discussions through our seat in OECD fora.

A5.10 The proposed elements of these pillars are:

- Pillar One - a minimum standard that creates new profit allocation rules for MNEs with global turnover in excess of €20bn and profitability in excess of 10%. The Pillar One rules will exclude Regulated Financial Services. For the very small number of MNEs globally that are impacted by Pillar One, a proportion of their profits would be re-allocated to market jurisdictions.

- Pillar Two – a common approach that seeks to ensure those MNEs with global revenues of at least €750m would pay a minimum effective tax rate

of 15% on their profits. There is an important carveout for investment entities (such as funds). This Minimum Effective Rate would be calculated in a specific way based on financial statements and on a country-by-country basis.

A5.11 Pillar One is a minimum standard that Guernsey will be required to introduce in legislation, notwithstanding the minimal practical impact. However, Pillar Two is a common approach, giving Guernsey options regarding how to respond.

A5.12 Technical discussions on both pillars continue at an international level in which Guernsey actively participates. Extensive stakeholder engagement and data analysis is being undertaken to understand potential impacts of the various policy options. Whilst it is expected that the proposals will bring in some additional revenues, the level and timing are still uncertain, as these are impacted by MNE behavioural responses and how other jurisdictions implement the proposals.

- ***Corporate Income Tax Analysis***

A5.13 Since the previous debate on the tax review, an exercise has been undertaken to examine what further options might be available to Guernsey to modify its corporate tax regime in a way that contributes to the sustainability of Guernsey's overall tax receipts, whilst remaining internationally acceptable and competitive.

A5.14 EY modelled 4 different options (full report at Appendix 3) which were:

- Expansion of the categories of income taxable at 10 and 20% in the existing corporate tax regime
- A territorial regime with a headline rate of 15%, considering the impact of preferential rates for certain sectors
- A worldwide regime with a headline rate at 9%, which was discounted fairly early, given in the context of the Guernsey economy it would be practically indistinguishable from a territorial regime
- A flat-rate levy

A5.15 The review suggests that there are opportunities in the region of £10-20m, which individually are not sufficient to meet the funding gap. They are also likely to overlap with any additional revenues that may arise from responding to Pillar 2.

A5.16 The Committee are engaging with stakeholders to consider the competitiveness impact and fit of the options with Guernsey's wider tax strategy, which is not something that can be achieved quickly.

A5.17 The Committee therefore intends to in parallel continue engagement with industry and with the other Crown Dependencies with the objective of exploring ways in which the corporate income tax system may be amended or extended to raise additional revenues without unduly negatively impacting Guernsey's competitive position or compliance with international standards.

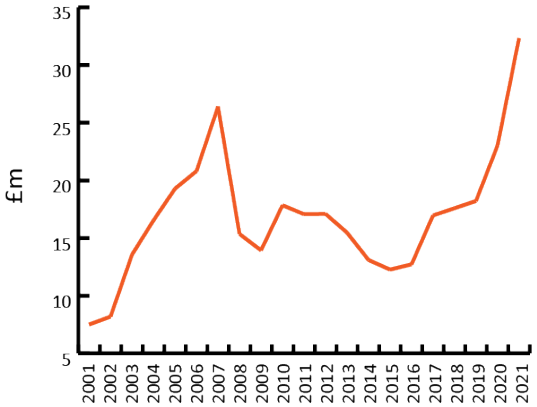
Property taxes

- ***Document duty***

A5.18 Guernsey applies two forms of taxes on property. Document duty, which is an ad velorum tax charged as a percentage of the purchase price of a property; and Tax on Real Property, which is an annual charge based on the size of domestic and commercial properties.

A5.19 Document duty is one of the most volatile taxes in Guernsey's tax base because it is dependent on both the volume and the value of transactions taking place. Revenues over the last 20 years have ranged from £12m to £32m. It is common for the revenues generated to shift by more than 10% in either direction, and this has happened in 11 years out of the last 20. On four occasions receipts have moved by more than 30% from year to year.

Figure 35: Document Duty Receipts



A5.20 While this means that the States can receive a boost to revenues when the housing market is strong it also means that they are very difficult to forecast reliably (in both 2020 and 2021 document duties were a significant source of forecasting error). This makes them a poor choice for long term sustainable revenue raising. **It is, therefore, not recommended document duty be used as a mechanism to raise significant revenues.**

A5.21 However, changes to document duties may be a mechanism which might be considered for behavioural reasons. The 2023 Budget received endorsement for the amendments to document duties to:

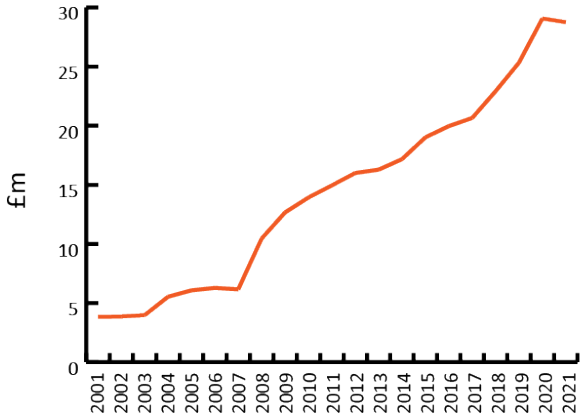
- Introduce a time limited scheme reducing document duty for those downsizing
- Add a supplementary rate of 2% on residential properties which are not to be the purchaser's principle private residence.

A5.22 Such moves are unlikely to be significant revenue raising measures but may influence purchasing decisions.

- ***Domestic TRP***

A5.23 Tax on Real Property, the annual charge levied on the ownership of property is far less volatile, and an area of taxation that (in relative terms) has been increased significantly in the last fifteen years.

Figure 36: TRP Receipts (TRV prior to 2008)



A5.24 Unlike Jersey and the UK, who assess their equivalent charges based on property value, in Guernsey this was restructured in 2008 to be charged based on property size. This significantly simplified the administration of the tax and relieved much of the challenge around assessments. However, it does make comparison between rates charged in Guernsey and other jurisdictions difficult.

A5.25 For the majority of domestic properties TRP rates are still low relative to council tax rates in the UK. The average council tax payable for a band D property (considered of average size) in 2021-22 is about £1,900[23]. An average size property in Guernsey (TRP of 150) would carry a charge of £291 in 2023, with approximately £100 of parish and refuse rates charged in addition to this by the parish. It was for this reason that the 2015 Personal Tax, Pensions and Benefits Review recommended doubling domestic TRP rates over 10 years – a policy that was continued until the 2021 budget. To complete the previous policy of doubling the basic TRP rate in real terms over ten years, would require an increase of a further 40% and would raise about £3m. As this demonstrates, the revenue raising potential of even quite substantial increase in TRP is limited.

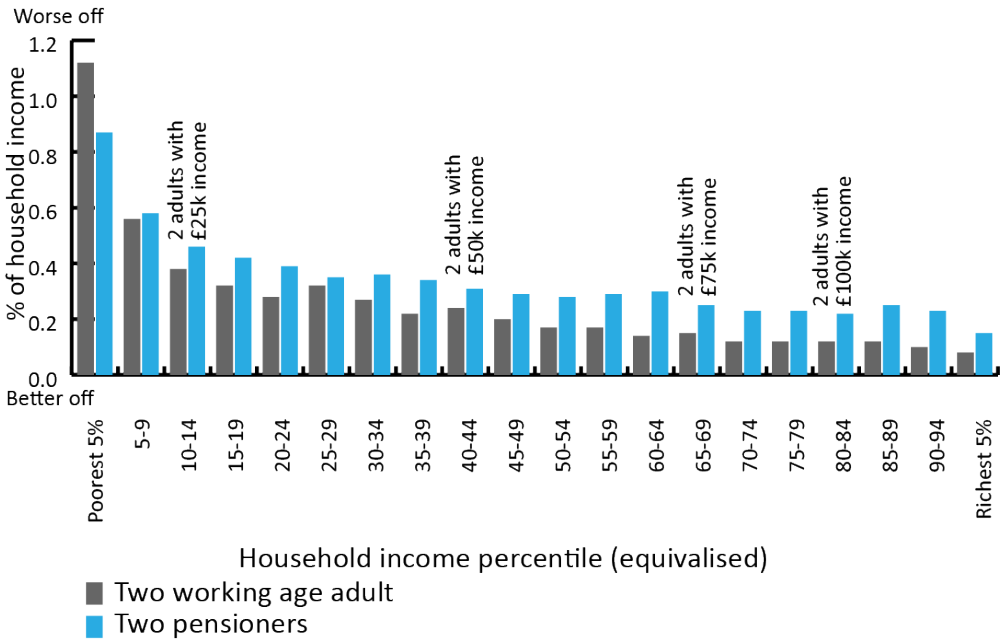
A5.26 The multiplier introduced across the 2019 and 2020 budget means the tax charged on the largest properties (the top 25%) is charged at progressively higher rates with properties with a TRP value of between 200 and 299, 300 and 399, 400 and 499, and 500 or more are now subject to rates significantly higher than the baseline rate. The TRP charged for properties in the highest band (approx. the largest 2.5%) begins at £1,860 a year. The very largest properties (top 0.2%) may carry TRP bills of more than £3,000 which is similar to the council tax charged on band H properties by most UK councils. This means that the TRP

[23] Discounts are available for various household types including single adults and students.

charged for the most prestigious properties is closer to the rates you might expect to face in the UK.

A5.27 Generally (but not universally) TRP values increase with income, but the increase in TRP values is slower than the increase in income. This means that, presented as a percentage of gross household income, increases in TRP tend not to be progressive. Because the distribution of property ownership across the community is uneven the application of significant increases in TRP affects some groups significantly more than others. In particular, because in Guernsey pensioners are more likely to own a home that is large relative to their income than working age households, increases in TRP can be challenging for pensioner households. Figure 37 below compares the impact of a 40% increase in TRP rates (raising just £3m) on working age couples and pensioner couples.

Figure 37: Comparison of the impact of a 40% increase in TRP on working age and pensioner couples (raises £3m)



A5.28 Combined these factors mean that raising very substantial revenue from increases in domestic TRP is not a good option. However, it will continue to form part of the budget considerations each year and may make marginal contributions to revenue raising.

A5.29 Like document duty consideration has been given to using TRP as a means to influence behaviour and the 2023 budget proposed the application of enhanced TRP rates on derelict property and property where development has been approved but not completed.

- ***Commercial TRP***

A5.30 Like domestic TRP, commercial TRP was also restructured in 2008 and it was significantly increased as part of the restructure, with rates in most classes increasing by 100% and Regulated financial services increasing by 400%. In the intervening years the trend has been to increase these rates by at least inflation and in some years considerably more. Since 2007, TRP rates for all financial services, legal and accountancy office space has increased by more than 900% in real terms (see Figure 38). The current policy is to transition the rate for all other office accommodation to the same level raising approximately £2m additional revenues.

A5.31 Office accommodation makes up more than half of commercial TRP revenues. The TRP on a modest size office of approximately 1000sqft would cost approximately £4,200 a year at this rate. Comparison with UK and Jersey is difficult because both jurisdiction base rates on values, not floor areas and the UK apply a range of "multipliers" based on business sectors. Business rate estimates in central London are generally considerably higher than this, but very broadly this is similar to the amount you might expect to pay in business rates for office space outside of London.

A5.32 The rates for most other sectors (excluding utilities) are lower, and in general this reflects the lower level of profit you might expect to generate for these uses from different business types. The largest of the non-office-based categories, are the Retail sector and Hostelry and TRP is a significant fixed cost. A moderate sized retail unit of 3500 sq ft (a typical size for units in Le Pollet) would have a TRP bill of around £4,000 a year. Some real increase may be tolerated, but the high turnover of smaller retail outlets suggests that many of these smaller businesses operate on quite marginal profits and could be very sensitive to significant increases in rates.

A5.33 In 2023 commercial TRP is expected to raise £23m. To raise £10m it would therefore be necessary to increase rates across the board by almost 50%. For office accommodation this would come on top of very considerable increases since 2007 potentially pushing rates to a level where they are uncompetitive. Of the other classes only Utility providers, Hostelry, Retail and Warehousing (which is usually related to retail activity) raise more than £1m a year each. **Overall, this suggests that the capacity for additional revenue raising from commercial TRP is limited.**

Figure 38: Real increases in commercial TRP

	2023 rate	*Real increase since 2007*	*Forecast revenue £m*
Hostelry and food outlets	£7.45	183%	£1.4
Self-catering accommodation	£4.70	189%	£0.2
Motor and Marine Trade	£6.45	189%	£0.4
Retail	£13.05	169%	£2.4
Warehousing	£6.95	190%	£1.3
Industrial and Workshop	£5.55	189%	£0.5
Recreational and Sporting premises	£3.15	183%	£0.1
Garaging & Parking	£6.95	na	£0.6
Utilities providers	£54.30	189%	£3.2
Office and ancillary accommodation (regulated finance industries)	£50.65	926%	£6.0
Office and ancillary accommodation (legal services)	£50.65	926%	£0.8
Office and ancillary accommodation (accountancy services)	£50.65	926%	£0.6
Office and ancillary accommodation (NRFSB)	£50.65	926%	£0.0
Office and ancillary accommodation	£43.90	789%	£5.5
Horticulture (building other than a glasshouse)	5p	-38%	£0.0
Horticulture (glasshouse)	5p	-61%	£0.0
Agriculture	5p	-38%	£0.0
			£23.3

Motoring and environmental taxes

A5.34 Environmental taxes, and motoring taxes in particular were raised multiple times in debate. They have therefore been flagged for further consideration as part of a mosaic approach to revenue raising.

A5.35 Generally, whiles such taxes can be effective in helping meet environmental objectives, such taxes are not ideal mechanisms for raising revenues, for several reasons:

- They change behaviours

A5.36 Quite often such taxes are often specifically designed to drive behavioural change – for example by reducing fuel or energy usage. As a result, they are prone, almost by intent, to be unsustainable as revenue streams. The decline in tax revenues from excise duty on motor fuels is a good example of this. Because the tax is levied on very specific activity or consumption, as consumption patterns change the revenues are eroded. To maintain revenues, the taxes need to be increased in real terms or their scope expanded.

-

- They can be regressive

A5.37 Unless designed carefully environmental taxes are the among the most regressive taxes within the tax base (tobacco duty is the most regressive, followed by excise duties on fuel and alcohol). This is because they tend to fall on items over which people may have limited short term discretion on their spend and their consumption of goods and services subject to such taxes may have limited relationship to their income. For example, a lower income household will have a minimum requirement for things like hot water and heating and are also likely to be living in poorer quality accommodation which are inefficient to heat. As a result, there is little variation in the monetary spend on domestic energy as income rises (Figure 39 and Figure 40). Proportionate to income therefore such taxes tend to rest more heavily on poorer households.

Figure 39: Estimated excise liability for fuel purchases

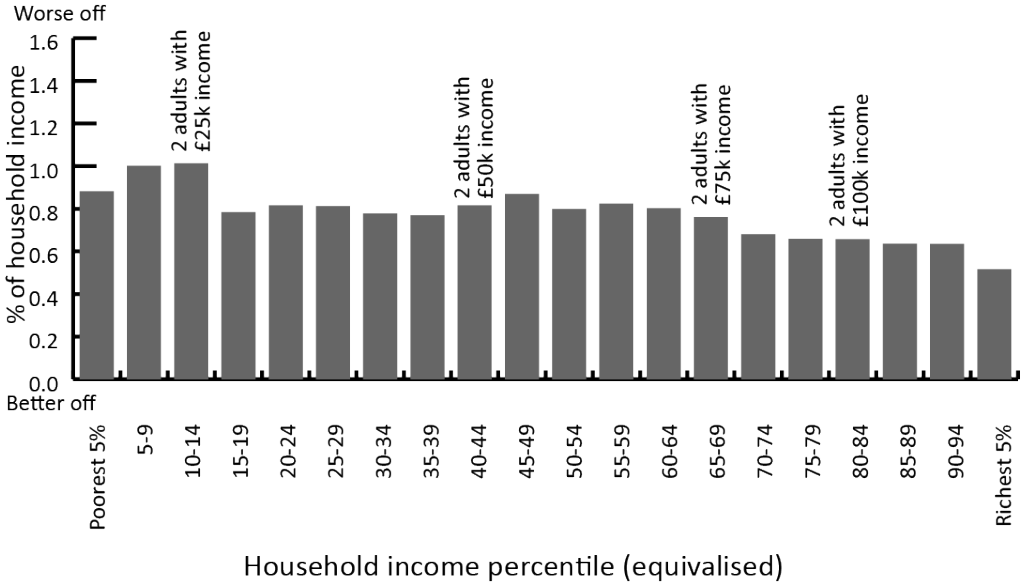


Figure 40: Average expenditure on household energy by income quintile

	Quintile 1 (poorest 20%)	Quintile 2	Quintile 3	Quintile 4	Quintile 5 (richest 20%)
	£s per year	£s per year	£s per year	£s per year	£s per year
Electricity	1,078	980	979	1,094	1,438
Gas	212	237	289	367	276
Other fuels	449	458	548	482	799

A5.38 The cost of these taxes can be mitigated in the medium to long term, but typically this requires a capital investment – for example to insulate a home – which may still be beyond the means of lower income households. Further, for those in rental accommodation the action required may be the responsibility of a landlord with little incentive to invest the money for the benefit of their tenants.

These could be mitigated with means tested grants for lower income households towards capital purchases and legal requirements on landlords, but that implies a mitigation cost which is likely to be high relative to the revenues raised.

- They may apply unevenly across generations

A5.39 Because the taxes may be levied on very specific activities there is a risk that their distribution across the community would be uneven. Motor taxes for example are likely to rest more heavily on working families with children who have the highest need for transport. Environmental taxes which might impact the cost of heating for example, may rest more heavily on older people, who spend more time at home and are more likely to be living in older, poorly insulated homes. Table 2 shows that on average a single pensioner spends £183 a year more of domestic energy than a single working age adult and a pensioner couple will spend £246 more on average than a working age couple.

Figure 41: Average expenditure on household energy by household type

	One Adult (16-64) £s per year	One Adult (65+) £s per year	Two adults (16-64) £s per year	Two Adults (65+) £s per year
Electricity	834	785	1,103	1,047
Gas	230	267	294	261
Other fuels	213	408	443	778
Total	1,277	1,461	1,840	2,086

A5.40 However, while they are not suitable to make up the bulk of the required revenue raising, given the current focus on climate change there is clearly an appetite to look at expanding the amount of revenue Guernsey raises from such taxes. Such measures require careful design if they are to meet environmental objectives without significant negative social impacts. This requires specialist expertise and is not something that can be achieved in full within the timescale of this project.

A5.41 To give an indication of an appropriate scale:

- Duty on fuels (which incorporates revenue previously raised via annual charges) raises approximately £20m in a normal year (less in 2020 because of COVID-19 restrictions) but this has been eroded by falling volumes because of increased fuel efficiency of cars and more recently an increase uptake of EVs and this trend appears to be accelerating. This is subject to on ongoing workstream to look at the future of motor taxes in Guernsey and there is now direction to consider increased revenues through this workstream.

- Revenues for Guernsey Waste from domestic charges total £3.9m (not including parish charges). A further £4m is gained from commercial operations, gate fees at various sites and other operational revenues. When discussed in the assembly Members voted against increases in waste charges sufficient to cover the full cost of disposal (Billet d'État XXIII, 2022).

- Paid parking in Jersey raises approximately £8m a year. Pro-rata this suggests a limit of around £5m for Guernsey.

A5.42 This suggests that the scope of what is realistically achievable in terms of revenue raising is highly unlikely to be a very significant proportion of the existing funding gap. Previous experience also suggests they are likely to meet significant public resistance prior to implementation. A £5m envelope may be achievable, £10m may be ambitious particularly if this is in addition to further revenue raising from taxes on motoring.

Capital taxes and inheritance taxes

A5.43 **Capital gains taxes** are paid when an asset is sold or transferred. Many jurisdictions have them but how they are applied varies widely. However, they are relatively unusual in offshore finance centres – neither of the other Crown Dependencies apply these, nor does Singapore or Gibraltar. This is because these jurisdictions typically wish to attract high net worth individuals who tend to specifically seek jurisdictions where such taxes are not applied. They can also impact elements of wealth management industries that are detrimental to their economies.

A5.44 In Luxembourg they are only charged for investments held for less than 6 months (2 years for real estate) for individuals. For companies gains are treated as ordinary income but certain shareholdings are exempt and there is a complex "recapture" system to neutralise the impact of deductible expenses in relation to exempt gains.

A5.45 The only tax of this nature Guernsey has ever applied was a specific tax on the rapid resale of property to prevent speculation. This was applied following a period where this became a specific issue at a time when property prices were rising quickly. The tax applied was set at 100% of gains for a primary residence sold within a year or a rental property sold within 5 years. The tax was specifically designed to discourage speculation and raised little or no money in most years, costing more than it raised to administer. It was suspended in 2009 because:

- it caused some odd behaviour, for example people notionally moving into rental or investment properties they wished to sell; and

- caused issues for people who had genuine reasons for a quick resale – for example following a relationship breakdown, or for contractors genuinely seeking to refurbish and resell properties in need of renovation.

A5.46 There is little evidence that this type of speculation has become a significant issue again and tackling such a problem would be better considered as a budget matter.

A5.47 UK capital gains tax is charged at 28% on residential property gains (with a private residence relief effectively exempting capital gains on sale of your home) and 20% on other assets (or 18% and 10% for basic rate taxpayers). It raised £10bn in 2019-2020 financial year which (adjusted pro rata for the size of the population) suggests an outer limit of revenue from a capital gains tax in Guernsey of £10m. Given that an upper rate of 28% would be out of step with Guernsey's income tax rates, in reality the scope is significantly smaller. **An estimate of £5m may be more realistic for a capital gains tax at a more modest 10%.** Revenues are likely to be volatile and the more restrictions are placed on the application (for example if applied only to the sale of residential property which is not a primary residence) the smaller this will become.

A5.48 **Inheritance tax** is similar to capital gains in that it relates to the value of assets when they transfer ownership, but it is applied specifically to the estate of the deceased before ownership is passed to the heirs. Like capital gains taxes they are relatively unusual in offshore finance centres – neither of the other Crown Dependencies apply these, nor does Singapore or Gibraltar. Inheritance tax is charged in Luxembourg, but their rules around inheritance are complex.

A5.49 In the UK inheritance tax is charged at 40% for the value of the estate above the threshold value (£325,000) and it raised £5bn in 2019/2020. This high rate of inheritance tax is well beyond what Guernsey is likely to consider, using the same pro-rata approach, **estimates for what might be raised in Guernsey at a more moderate rate would be no more than £1-2m.**

A5.50 As described above the potential revenue generation from capital gains or inheritance taxes are likely to be far smaller than some might suppose.

A5.51 They also pose a very high level of risk to the Guernsey economy. Feedback from Locate Guernsey suggests that, while there are many reasons for HNWI selecting Guernsey as a place to live, the absence of capital gains and/or inheritance taxes is usually a pre-cursor to considering a jurisdiction as an appropriate location. The application of such taxes in Guernsey would not only pose a significant barrier to attracting such people to Guernsey but would risk losing many of those already living here. Given the extent of the contribution such households make to the economy and to the tax system this risk alone may place such taxes beyond consideration.

A5.52 There is also potential risk that some elements of the financial service sector might be impinged, most notably fiduciaries and family trust activities, unless steps were taken to protect these. This is because typically a capital gains tax charge arises when assets are put into a trust or transferred out. Similarly, a charge to corporate tax arises when capital assets are disposed of by a company, noting that any discrimination between resident and non-resident owned companies would likely breach international tax principles.

A5.53 Further, the collection of taxes on capital gains for individuals or inheritance tends to be administratively intense relative to the amount collected when compared to other taxes, involving the valuation of assets and a high rate of appeal and significant measures to prevent avoidance (such as rules on divestment of assets).

A5.54 The overall conclusion of the steering group is that such taxes may ultimately risk more revenue than they gain and should not be considered further.

- ***Online Taxes and packaging taxes***

A5.55 While superficially attractive the application of a tax which applied specifically and solely to online purchases by Guernsey consumers would have very significant implications for Guernsey's domestic and international relations.

A5.56 Guernsey entered into a Customs agreement with the UK in November 2018. Paragraph 4 of this agreement specifically prohibits Guernsey from imposing import duties (or charges or levies of equivalent effect) on the movement of goods from the UK to Guernsey[24]. The Customs arrangement achieves the effect of ensuring that Guernsey, along with the Isle of Man and Jersey are in effect one Customs territory for the purposes of the movement of goods and applying a unified UK tariff. Without being in a Customs Territory or Customs Union, the Island would not be able to participate easily either within other International trade organisations or agreements, which rely on the firm basis of being within a Customs Union.

A5.57 To lose this agreement would be of significant detriment to Guernsey and is not a position in which Guernsey would wish to place itself. The consequences of doing so, could be significant and wide reaching.

A5.58 Further Guernsey participates in the UK's membership of the World Trade Organisation (WTO) and UK-Rest of World Free Trade agreements (FTA). Membership of the World Trade Organisation ensures that in a post-Brexit world, the Islands are afforded international trade protection from unfair and

[24]A GST, which is applied equally to both imported and domestic goods is permissible under this arrangement and in place in Jersey who hold a similar agreement with the UK

discriminatory trade practices on a reciprocal basis, which can be applied to non-Members.

A5.59 Being part of the WTO also means that Guernsey in return must adhere to globally recognised international trade rules and equally not apply unfair or discriminatory trade rules. It is important to note also that the scrutiny we are under is continual - the WTO, and other countries require routine and regular demonstration that Guernsey is adhering to the trade rules such as those in relation to the movement of goods. The key principles of WTO Membership which are referred to as Most-Favoured-Nation (MFN) specify that countries cannot apply regulations that discriminate between trading partners and National Treatment (NT) which means that Guernsey must treat foreign and imported goods equally. For example, applying a duty only on small packet freight, such as those ordered online, and not larger consignments or items shipped in bulk destined for domestic retail would be considered as discriminatory and not compliant with the core WTO principles as it has the effect and aim of offering favourable treatment to local suppliers over those who import small packet goods into the Islands.

A5.60 These considerations essentially preclude an “online” or packaging tax (which would risk being considered as having “equivalent effect”) applied to personal import. This is even before consideration that this would require a significant proportion of the administration by the Guernsey Border Agency that would be required to administer a GST but would raise only a small fraction of the revenues. For these reasons an online tax has been ruled out from further consideration.

A5.61 The UK conducted a consultation around the possibility of introducing an Online Sales Tax as part of their review of business rates. The outcome of that exercise was that the UK has decided not to introduce one. Their decision reflects concerns raised around the complexity and risk of creating unintended distortion or unfair outcomes between different business models.

Appendix 6. Alternative packages

A6.1 Through the course of this project the Steering Group and the Committee have examined large numbers of possible structures. This includes structures with both higher and lower rates of GST and models which apply no GST but raise revenue from income-based taxes only.

A6.2 It would be unfeasible to present all these options in full detail, however, the Committee have opted to present high level analysis of a small number of alternative structures so that members can see the impact of different approaches.

A6.3 Each of the models presented raises approximately the same amount of revenues and includes a restructure of the social security contributions system. Each is designed to be generally progressive, with the largest additional burden falling on those households with the largest income. However, they do vary with regards their impact on households, business and the economy.

A6.4 The four alternative models presented are:

- Adaptations of the lead model with a 5% GST with approximately £19m of revenue raising via the Social Security system but which:

    a) Reduce the headline rate of income tax to 19% and apply an increase in tax allowances by £1,100

    b) Retain the 20% headline rate and increase the tax allowance by £2,400

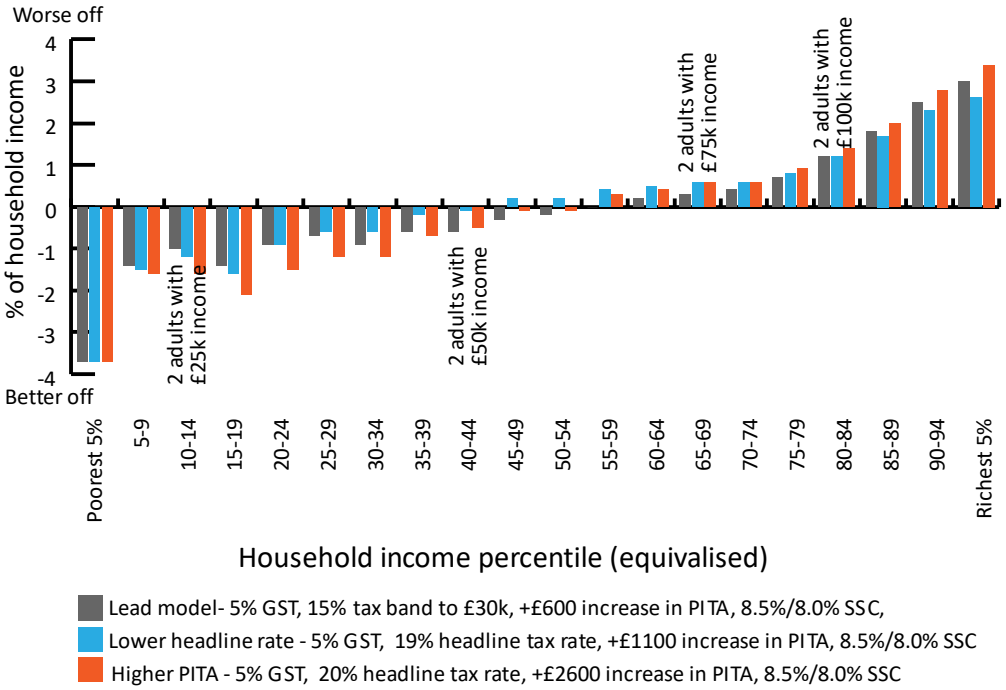
- Income based approaches with approximately £19m of revenue raising via the Social Security system but which:

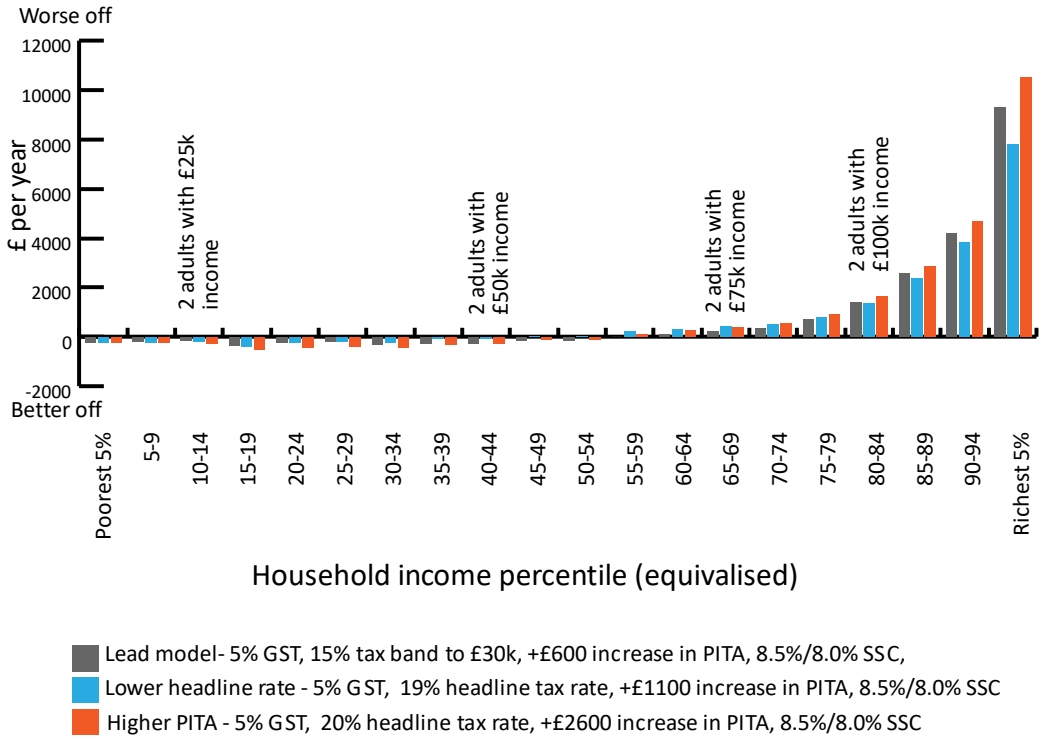
    a) Apply a 3% increase in the headline rate of income tax (or a health tax)

    b) Apply banded rates of income tax with a 15% rate on income between the personal and other tax allowances (including pension contributions) an individual is entitled to and £30,000 and a 25% headline rate beyond that

GST Based options

A6.5 The two options below look at different mechanisms for redistributing the tax burden through the income tax system, in models where the bulk of the revenue raising is applied via a GST (with c£19m raised via the contributions system).





- ***GST with a 19% headline rate***

A6.6 This model combines a slight reduction in the headline rate with a further increase in the personal income tax allowance. This model is still progressive, and low-income households would still be expected to pay less. However, it is less beneficial to low- and middle-income households than either the lead model with the 15% tax band or the alternative presented which retains the headline rate at 20% but applies a larger increase in the personal allowance.

A6.7 This model does provide a lower increase in the overall tax increase incurred by the highest income households than the other alternatives presented and arguably has a competitive advantage in attracting high income individuals.

- ***GST with a flat 20% rate and larger personal income tax allowance***

A6.8 The lead model already includes a £600 increase in the personal income tax allowance alongside the 15% lower rate tax band, but this model retains the 20% headline rate and pushes this further, increasing the personal income tax allowance by £2,600.

A6.9 This approach is of most benefit to low-income households, particularly since the assumption is that the allowance to be applied to Social Security Contributions will be aligned with that applied to income tax. Higher tax allowances have little benefit for high income households because the tax allowance is withdrawn above £90,000. As a result, higher income households would be expected to pay more under this approach than the lead model, low-income households would pay less. Middle income households would pay a similar amount.

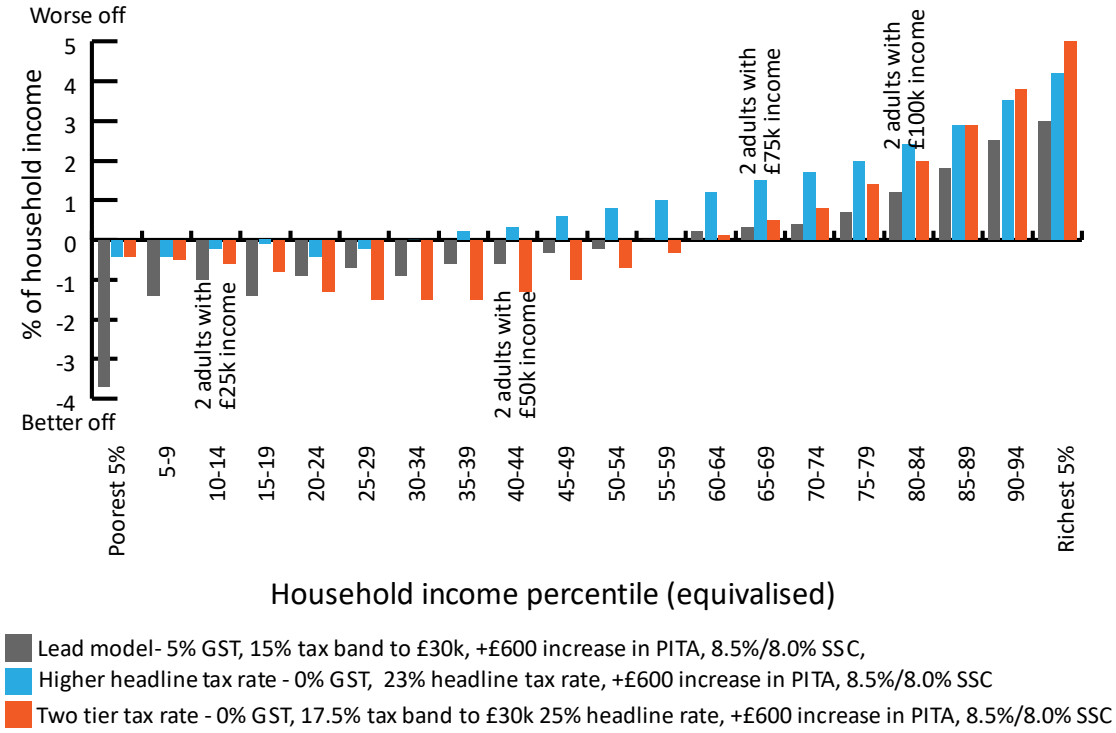
Income based options

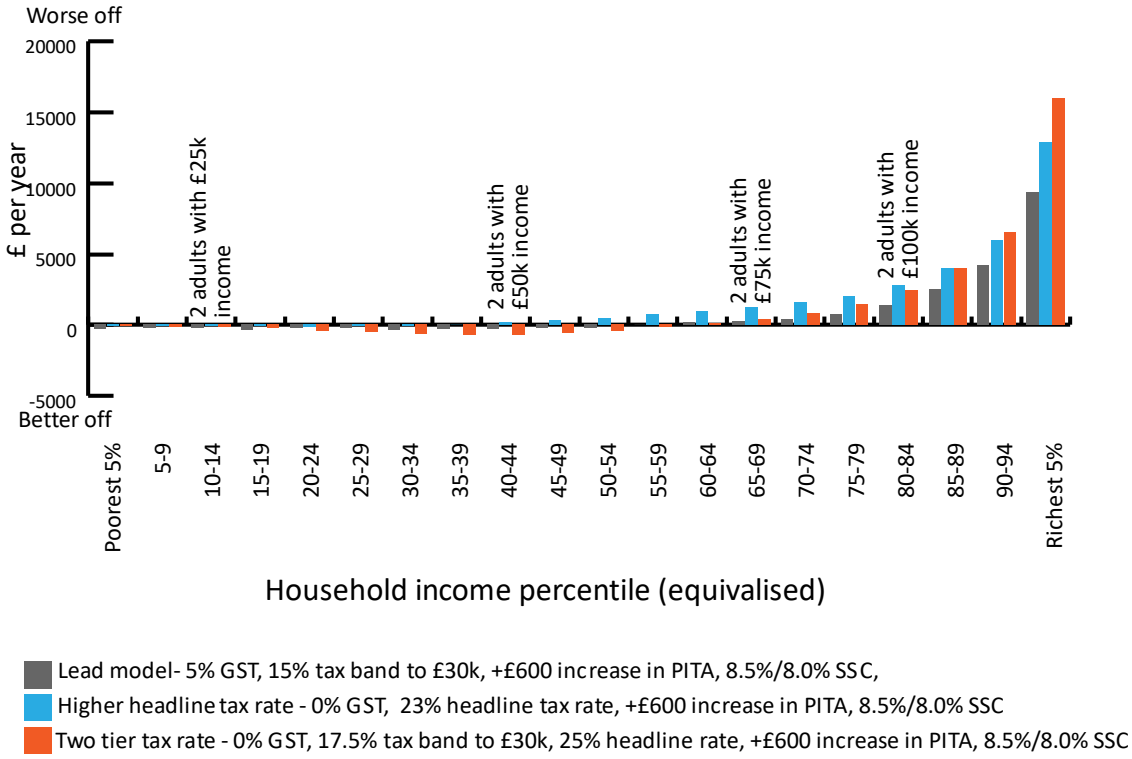
A6.10 With the loss of the revenue from ISE and non-residents incorporated within the GST, the options based on direct taxes only must derive a much higher proportion of revenues from households. These models raise around £38m from households compared to around £26m in the lead model.

A6.11 These models also do not address the issues of Guernsey's very narrow tax base – in fact they increase the focus on direct taxes and the level of exposure to labour market shocks and the ageing of the population.

A6.12 Economically this focus on income-based taxes for revenue raising is not ideal. As demonstrated in the analysis conducted for the first phase of this project, while income-based taxes may have less impact on inflation they are more likely than consumption taxes to result in a fall in GDP.

Figure 42: Comparison of alternative structures based on income tax increases





- ***An increase in the headline rate of personal income tax to 23%***

A6.13 An increase in the headline personal tax rate is perhaps the simplest solution to raising revenues. However, it is less progressive than the models presented with a GST included. These models include a restructure of the Social Security contributions, including the application of an allowance, as well as the same modest increase in the personal tax allowance included in the lead model. That does allow a small reduction in the overall liability of low-income households, but it is far less beneficial than the lead model.

A6.14 Middle income households could expect to pay more overall under this model than under the lead model, and high-income households would expect to pay significantly more. Households in the top 5% could expect an increase in their liability averaging £1,000 a month.

- ***With a 17.5% lower tier rate to £30k and a 25% headline rate***

A6.15 This model is provided as an illustration of how a more progressive tax-based structure might be applied without a GST. In this case a lower tier tax rate of 17.5% is applied on all income up to £30,000, but in order to balance the revenues, it is necessary to increase the headline rate to 25%.

A6.16 Like the GST structure with a lower tier rate this is most beneficial for middle income households, but the benefit for lower income households is limited because they may not have sufficient income to benefit from the lower tax band in full. The increase in the headline rate places further pressure on the highest income households, pushing the average additional liability for the top 5% over £1,250 a month or £15,000 a year.

P.2022/109

THE STATES OF DELIBERATION
of the
ISLAND OF GUERNSEY

REQUÊTE

REVOCATION OF ALL EXISTING APPROVALS OF PLANT PROTECTION PRODUCTS (PESTICIDES) CONTAINING THE ACTIVE SUBSTANCE GLYPHOSATE

The States are asked to decide:-

Whether, after consideration of the Requête entitled "Revocation of all existing approvals of plant protection products (pesticides) containing the active substance Glyphosate" dated 16th November, 2022, they are of the opinion:-

1. To agree that action should be taken in Guernsey to eradicate the threat to its inhabitants and its eco-structure posed by the continued use of Glyphosate on the island.

2. To direct the Committee *for* Employment & Social Security, by the end of the year 2023, in exercise of its powers under Regulation 11(8) of the Control of Poisonous Substances (Guernsey) Regulations, 2014, as amended, to revoke all existing approvals of plant protection products (pesticides) containing the active substance Glyphosate (CAS No.1071-83-6, EU No. 213-997-4), including those authorising the use, importation and sale to professional users.

Rule 4(1) Information

a) The propositions contribute to the States' objectives and policy plans by seeking to ensure that plant protection products containing Glyphosate will (by the end of 2023) no longer be approved under the Poisonous Substances (Guernsey) Law, 1994, thus prohibiting their use, importation and sale, which will help keep the island safe and secure, support healthy living and maximise the sustainable social and economic use of the island and marine environment.

b) In preparing the propositions, consultation has been undertaken with the Committee *for* Employment & Social Security (ESS), the Health and Safety Executive, Guernsey Water and the Committee *for* Health & Social Care (CfHSC).

c) The propositions have been submitted to His Majesty's Procureur for advice on any legal or constitutional implications.

d) There are no apparent financial implications to the States of carrying the proposal into effect.

THE STATES OF DELIBERATION
of the
ISLAND OF GUERNSEY

REQUÊTE

REVOCATION OF ALL EXISTING APPROVALS OF PLANT PROTECTION PRODUCTS (PESTICIDES) CONTAINING THE ACTIVE SUBSTANCE GLYPHOSATE

THE HUMBLE PETITION of the undersigned Members of the States of Deliberation SHEWETH THAT:

1. The chemical Glyphosate (commonly known as Roundup) is being used extensively as a weed killer in Guernsey.

2. Glyphosate is the most utilised herbicide in agriculture, although its widespread use is generating controversy in the scientific world because of its probable carcinogenic effect on human cells. Your petitioners are aware that in 2015, the World Health Organization warned about the potential negative health effects of glyphosate, including the risk of cancer development based on experimental research results, and reclassified glyphosate as probably carcinogenic to humans. Glyphosate has been identified as a Group 2A carcinogen (probably carcinogenic in humans) by the World Health Organisation (WHO) international agency for research on cancer. It has been found to be bio-accumulative in human bodies over time.

3. There have been hundreds of scientific peer reviewed articles published in scientific and medical journals on the link between glyphosate and autoimmune and neurological conditions and diseases (including Alzheimer's, Dementia, Parkinson's, Gastrointestinal disorders, Obesity, Diabetes, Heart Disease, Multiple Sclerosis, Autism and Cancer).

4. Your petitioners note that Glyphosate has been linked to pollution of water and land sources, with residues in food supplies, and remains in the soil for long after it has been applied. Scientific research has revealed that glyphosate cause structural changes in the microbial population of soils and ecosystems. The herbicide not only destroys the plant cells of plants but also destroys the microbiomes in the soil and human gut microbes influencing adverse health outcomes.

5. Due to the public health risks around glyphosate several countries (including Austria, Belgium, Netherlands, and Germany) and more than 40 councils in the UK have banned or partially banned its use.

6. Glyphosate has now been officially linked to cancer in court decisions in the USA. A recent case ended with $2 billion being awarded in damages to individuals who claimed they were diagnosed with cancer after years of using Roundup. Several thousands of other lawsuits are understood by your petitioners currently to be pending against the manufacturers of Roundup regarding the product and its side effects, including a cohort of more than 300 farmers, alleging that working with the chemical has given them cancer.

7. This has led to the manufacturer of glyphosate, Bayer (formerly Monsanto), setting aside billions of dollars for settlements and litigation claims. Among measures to contain the legal damage as of June 2020 Bayer set aside $11.6 billion for settlements and litigation claims linked to glyphosate. In 2021 Bayer placed an additional litigation provision of $4.5 billion to brace for further unfavourable rulings by the U.S. Supreme Court.

8. Further, Bayer plans to replace glyphosate in weed killers by January 2023 for the United States residential market with other active ingredients in order to help manage litigation risk from unresolved cancer and public health lawsuits. Your petitioners believe this is already being instigated in Guernsey.

9. As part of the Biodiversity strategy the States of Guernsey are working to reduce the use of Pesticides and Herbicides to a minimum.

10. States Works have reassessed the situation recently and took the decision to withdraw the use of Glyphosate at the end of 2020 due to the effect that it was having on the environment and biodiversity and the increase of the chemical in raw water. States Works have switched over to manual control, use of acetic acid on paths and using electricity to kill noxious weeds. However, private contractors and farmers are still applying glyphosate not just for weed control but to accelerate crop dieback.

11. Amongst alternatives to glyphosate, Rootwave uses electricity to kill weeds without using chemical herbicides. Rootwave is becoming increasingly popular for treating invasive weed species such as Japanese Knotweed. It

effectively tackles Japanese knotweed and clears it by attacking the root and foliage allowing nature, plants and wildlife to thrive. Once treatment is finished, the public and local wildlife can enjoy the area immediately without the presence of chemical herbicide residues.

12. Guernsey Water reported in their Glyphosate Herbicide Risk Report 2020 that 'Amongst the many compounds that are regularly tested it is glyphosate that is now found in greatest concentration in our stored water reservoirs' and 'Although nearly ubiquitous the presence of Glyphosate concentrations is of most concern in the northern (largely urbanised) catchments, as it is in these areas that Glyphosate presently dominates'.

13. The Vale Pond stream transfer station was switched off due to an excessive concentration of Glyphosate following stream sample results in June 2019 of 3.01 ug/l (30 x MAC) and again in October 2021 of 3.66 ug/l. The Marais Stream exhibited similar raised concentrations of 2.54 ug/l (25 x MAC). The UK maximum admissible concentration (MAC) for individual herbicides of 0.1 ug/l (micrograms/litre) in treated water. Combined these two sources represent critical water resources for the north of the island. These waters are transferred to Juas and Longue Hougue reservoirs. The flushing of Glyphosate residues into stream systems following rainfall has become a concern island wide.

14. Guernsey Water indicates 'the potential consequences of further increases in glyphosate levels in streams are:

- The potential loss of an additional three catchment resources in the north and west of Guernsey due to glyphosate pollution, these together with the Vale Pond and Marais streams contribute the largest portion of supply to northern reservoirs.
- The increased risk of glyphosate exceedances in the treated drinking water supply.
- The requirement to invest in glyphosate treatment resulting in significant cost to Guernsey Water customers and increased carbon emissions'.

15 The States of Guernsey Health and Safety Executive have recognised Glyphosate as a poisonous substance and withdrawn all 152 products containing Glyphosate for use in the garden or as an amateur product. This is regarded by the petitioners as a half measure. Glyphosate will still be available to professional users. The islands hundred or so farmers, growers,

landscape gardeners and the States itself will be able to continue using it for weed control provided they hold the NPTC certificate of competence.

16 Given:

The increasing number of legal claims world-wide concerning Glyphosate;

The number of jurisdictions acting to ban altogether or reduce the use and sale of Glyphosate;

The concerns and action being taken by States bodies to stop the use of Glyphosate;

The serious health implications and the damaging environmental and biodiversity effects of the chemical Glyphosate;

The need for public responsibility for safe practice;

The fact that there are alternatives to its use;

The rising levels of contamination of Glyphosate in Guernsey's water supply; and

The dependency of the island on its streams and stored open waters and

The historical precedence in requesting control of chemicals considered a risk to treated water supplies with restrictions placed on the use of several compounds (including Atrazine, Simazine, Chlorthal and Metaldehyde) in the past.

Your Petitioners are of the view that action should be taken in Guernsey to eradicate the threat to its inhabitants and its eco-structure posed by the continued use of Glyphosate on the island.

THESE PREMISES CONSIDERED, YOUR PETITIONERS humbly pray that the States may be pleased to resolve:

1. To agree that action should be taken in Guernsey to eradicate the threat to its inhabitants and its eco-structure posed by the continued use of Glyphosate on the island.

2. To direct the Committee *for* Employment & Social Security, by the end of the year 2023, in exercise of its powers under Regulation 11(8) of the Control of Poisonous Substances (Guernsey) Regulations, 2014, as amended, to revoke all existing approvals of plant protection products (pesticides) containing the active substance Glyphosate (CAS No.1071-83-6, EU No. 213-997-4), including those authorising the use, importation and sale to professional users.

AND YOUR PETITIONERS WILL EVER PRAY

GUERNSEY

This 16th day of November 2022

Deputy D.de Garis De Lisle

Deputy R G Prow

Deputy M A J Helyar

Deputy A C Dudley Owen

Deputy D J Mahoney

Deputy S E Aldwell

Deputy L C Queripel

The original signed Requete is held by the States' Greffier

STATUTORY INSTRUMENTS LAID BEFORE THE STATES

The States of Deliberation have the power to annul the Statutory Instruments detailed below.

No. 66 of 2022

THE COMPANIES (ANNUAL VALIDATION) (AMENDMENT) REGULATIONS, 2022

In pursuance of section 537 of the Companies (Guernsey) Law, 2008, "The Companies (Annual Validation) (Amendment) Regulations, 2022", made by the Committee for Economic Development on 4th October 2022, are laid before the States.

EXPLANATORY NOTE

These Regulations make amendments to, and widen the category of, information that must be provided by companies when submitting an annual validation. These amendments, and the additional information, are required in order to assist the Registrar of Companies in discharging his or her functions on the basis of risk.

These Regulations came into force on 4th October 2022.

No. 67 of 2022

THE LIMITED PARTNERSHIPS (ANNUAL VALIDATION) (STRIKING OFF) REGULATIONS, 2022

In pursuance of section 44 (3) of The Limited Partnerships (Guernsey) Law, 1995, "The Limited Partnerships (Annual Validation) (Striking Off) Regulations, 2022, were made by the Committee for Economic Development on 4th October 2022, are laid before the States.

EXPLANATORY NOTE

These Regulations amend the Limited Partnerships (Guernsey) Law, 1995 so as to provide that the Greffier may strike a limited partnership of the Register of Limited Partnerships for failing to submit an annual validation or declaration of compliance in accordance with the requirements of the Limited Partnerships (Fees, Annual Validations and Miscellaneous Provisions) Regulations, 2016.

These Regulations came into force on 4th October 2022.

No. 82 of 2022

THE MOTOR TAXATION (FIRST REGISTRATON DUTY) ORDINANCE (AMENDMENT) REGULATIONS, 2022

In pursuance of sections 2A and 2B of the Motor Taxation and Licensing (Guernsey) Law, 1987 and of all other powers enabling it in that behalf, "The Motor Taxation (First Registration Duty) Ordinance (Amendment) Regulations, 2022" made by the Committee for the Environment and Infrastructure on 11th November 2022 are laid before the States.

EXPLANATORY NOTE

These Regulations amend the Motor Taxation (First Registration Duty) (Guernsey) Ordinance, 2016. In particular, they effectively change the rates and bands of First Registration Duty payable under that Ordinance.

These Regulations came into force on 1st January 2023.

No. 84 of 2022

THE INCOME SUPPORT (GUERNSEY) (AMENDMENT) REGULATIONS, 2022

In pursuance of sections 6A and 15B of the Income Support (Guernsey) Law, 1971, "The Income Support (Guernsey) (Amendment) Regulations, 2022", made by the Committee *for* Employment & Social Security on 21st November, 2022, are laid before the States.

EXPLANATORY NOTE

These Regulations amend the Income Support (Guernsey) Regulations, 2014.

These Regulations increase the maximum amount by which a person's weekly household income may exceed their weekly requirements for the person to receive financial support for reasonable medical expenses. Save for regulation 3, these Regulations came into force on 22nd November 2022.

Regulation 3 replaces Schedule 2 to the Income Support (Guernsey) Regulations, 2014 and will come into force on the 6th January, 2023.

No. 85 of 2022

THE ENVIRONMENTAL POLLUTION (PRESCRIBED OPERATIONS) (FEES) (AMENDMENT) REGULATIONS, 2022

In pursuance of section 8 of the Environmental Pollution (Guernsey) Law, 2004, "The Environmental Pollution (Prescribed Operations) (Fees) (Amendment) Regulations, 2022", as amended, made by the Director of Environmental Health and Pollution Regulation on 28th November, 2022, are laid before the States.

EXPLANATORY NOTE

These Regulations make amendments to the Environmental Pollution (Prescribed Operations) (Fees) Regulations, 2019 ("the 2019 Regulations") in consequence of the coming into force of the Environmental Pollution (Water Pollution) Ordinance, 2022 ("the Water Pollution Ordinance").

The amendments add a new Part IIA to provide for the fees payable for specified applications in relation to licences for discharges into water for the carrying on of which a licence is required under the Environmental Pollution (Guernsey) Law, 2004 ("the Law") and the Water Pollution Ordinance ("prescribed water pollution operations").

The new inserted regulation 5A sets out the fees to accompany specified applications in relation to a licence for a prescribed water pollution operation and regulation 5B sets out the annual licence fee for such an operation.

Consequential amendments are made to regulations 6 to 8 of the 2019 Regulations which adjust the application and annual licence fees payable where a person carries on more than one type of prescribed operation. Consequential amendments are also made to regulation 11 (interpretation) of the 2019 Regulations to amend certain definitions and add new definitions relating to prescribed water pollution operations.

These Regulations came into force on 28th November, 2022.

No. 86 of 2022

THE ENVIRONMENTAL POLLUTION (PRESCRIBED OPERATIONS) (EXEMPTIONS) (AMENDMENT) REGULATIONS, 2022

In pursuance of section 13 (3) of the Environmental Pollution (Guernsey) Law, 2004, "The Environmental Pollution (Prescribed Operations) (Exemptions) (Amendment) Regulations, 2022", as amended, made by the Director of Environmental Health and Pollution Regulation on 28th November, 2022, are laid before the States.

EXPLANATORY NOTE

These Regulations amend regulation 2 of the Environmental Pollution (Prescribed Operations) (Exemptions) Regulations, 2019 which provides an exemption from the requirement, under the Environmental Pollution (Guernsey) Law, 2004, to hold a licence for certain operations already required to be licensed or which are exempt from licensing under the Food and Environment Protection Act 1985 as extended to the Bailiwick of Guernsey.

Regulation 1 extends the current exemption to discharges into water required to be licensed under section 1 of the Environmental Pollution (Water Pollution) Ordinance, 2022 which are also licensed under the Food and Environment Protection Act 1985 ("FEPA") as extended to Guernsey. The current exemption also already excludes operations which are exempt from the licensing requirement under FEPA. This is to avoid the need for regulation under two regimes.

These Regulations came into force on 28th November, 2022.

No. 87 of 2022

HUMAN TISSUE AND TRANSPLANTATION (BAILIWICK OF GUERNSEY) REGULATIONS, 2022

In pursuance of sections 7, 9(5)(e) and 23 of the Human Tissue and Transplantation (Bailiwick of Guernsey) Law, 2020 and all other powers enabling it in that behalf the "Human Tissue and Transplantation (Bailiwick of Guernsey) Regulations, 2022" made by the Committee *for* Health & Social Care on 29th November 2022, are laid before the States.

EXPLANATORY MEMORANDUM

These Regulations authorise certain nurses and medical practitioners to act as authorised persons under the Human Tissue and Transplantation (Bailiwick of Guernsey) Law, 2020 ("the Law") and recognise a decision to give express consent or not to consent, and a decision to appoint a person to deal with the issue of express consent, where recorded on the NHS Organ Donation Register.

These Regulations also regulate the determination and certification of express or deemed consent, and make associated provisions.

These Regulations come into force on 1st January 2023, which is the date on which the Law will be brought into force by the Human Tissue and Transplantation (Bailiwick of Guernsey) Law, 2020 (Commencement) Ordinance, 2022.

No. 88 of 2022

THE FISHING (CONTROL OF FIRST SALE AND PURCHASE) (GUERNSEY) ORDER, 2022

In pursuance of Sections 1(4) and 26 of the Fishing Ordinance, 1997, "The Fishing (Control of First Sale and Purchase) (Guernsey) Order, 2022", made by the Committee *for* Economic Development on 8th December, 2022, is laid before the States.

EXPLANATORY NOTE

This Order prohibits the sale and purchase of prescribed first sale fish in the Islands of Guernsey, Herm and Jethou, except where the fish in question was landed by a licensed fishing vessel or sold by a person authorised by the Committee under article 3 of the Order.

It is an offence under section 30 of the Fishing Ordinance, 1997 for a person to contravene any provision of the Order. The Order provides a defence in any proceedings for a contravention of article 2 (prohibition of purchase of prescribed first sale fish) for a person to show that they did not know, and that it was not reasonable for them to suspect, that the prescribed first sale fish had not been landed by a licensed fishing vessel or sold by an authorised fish seller.

The Schedule to the Order specifies the species of fish which are prescribed first sale fish for the purposes of the Order.

This Order comes into force on the 30th January 2023.

No. 89 of 2022

THE COMPANIES (GUERNSEY) LAW, 2008 (INSOLVENCY) (AMENDMENT) ORDINANCE, 2020 (COMMENCEMENT AND APPLICATION) REGULATIONS, 2022

In pursuance of section 537 of the Companies (Guernsey) Law, 2008, the "Companies (Guernsey) Law, 2008 (Insolvency) (Amendment) Ordinance, 2020 (Commencement and Application) Regulations, 2022", made by the Committee *for* Economic Development on 8th December, 2022, are laid before the States.

EXPLANATORY NOTE

These Regulations commence the Companies (Guernsey) Law, 2008 (Insolvency) (Amendment) Ordinance, 2020 and determine that the provisions of that Ordinance shall not apply to relevant appointments made prior to commencement of these Regulations.

These Regulations come into force on 1st January 2023.

The Companies (Guernsey) Law, 2008 (Insolvency) (Amendment) Ordinance, 2021 will also come into force on that date.

No. 90 of 2022

THE COMPANIES (GUERNSEY) INSOLVENCY RULES REGULATIONS, 2022

In pursuance of section 537 of the Companies (Guernsey) Law, 2008, "The Companies (Guernsey) Insolvency Rules Regulations, 2022", made by the Committee *for* Economic Development on 8th December, 2022, are laid before the States.

EXPLANATORY NOTE

These Regulations, made by the Committee for Economic Development under sections 386A(4) and 426B of the Companies (Guernsey) Law, 2008 after consultation with the Insolvency Rules Committee established pursuant to section 426C of that Law, set out certain technical and procedural rules for the purposes of insolvency proceedings under that Law. The matters covered include the holding of creditors meetings, the format of reports of delinquent company officers and declarations of solvency, and the disclaimer by liquidators of onerous property.

These Regulations further provide that the Company Insolvency Rules made hereunder shall not apply to relevant appointments made prior to the date these Regulations come into force.

These Regulations come into force on the 1st January 2023.

No. 92 of 2022

THE FINANCIAL SERVICES COMMISSION (FEE) REGULATIONS, 2022

In pursuance of section 25(3) of the Financial Services Commission (Bailiwick of Guernsey) Law, 1987, as amended, section 72(c) of the Protection of Investors (Bailiwick of Guernsey) Law, 2020, as amended, section 61(c) of the Banking Supervision (Bailiwick of Guernsey) Law, 2020, as amended, section 54(c) of the Regulation of Fiduciaries, Administration Businesses and Company Directors, etc. (Bailiwick of Guernsey) Law, 2020, as amended, section 86(c) of the Insurance Business (Bailiwick of Guernsey) Law, 2002, as amended, section 63(c) of the Insurance Managers and Insurance Intermediaries (Bailiwick of Guernsey) Law, 2002, as amended, and section 85(c) of the Lending, Credit and Finance (Bailiwick of Guernsey) Law, 2022, "The Financial Services Commission (Fees) Regulation, 2022", made by the Policy and Resources Committee on 6th December, 2022, are laid before the States.

EXPLANATORY NOTE

These Regulations prescribe for the purposes of the Protection of Investors (Bailiwick of Guernsey) Law, 2020, the Banking Supervision (Bailiwick of Guernsey) Law, 2020, the Regulation of Fiduciaries, Administration Businesses and Company Directors, etc. (Bailiwick of Guernsey) Law, 2020, the Insurance Business (Bailiwick of Guernsey) Law, 2002, the Insurance Managers and Insurance Intermediaries (Bailiwick of Guernsey) Law, 2002 and the Lending, Credit and Finance (Bailiwick of Guernsey) Law, 2022, the fees payable in respect of the licensing of controlled investment business and the authorisation and registration of collective investment schemes, a designated territory investment business notification, the licensing of a bank, the licensing of fiduciaries, the licensing of an insurer, the service of notice of an application to the Royal Court for an order sanctioning a transfer of long term insurance business, the licensing of an insurance manager, the licensing of an insurance intermediary, the licensing of a credit business, the licensing of a financial firm business, the licensing of a virtual asset service provider, the licensing of financial platforms, the licensing of financial intermediation businesses, and the fees payable annually thereafter.

These Regulations came into force on 1st January, 2023.

No. 95 of 2022

THE SOCIAL INSURANCE (BENEFITS) (AMENDMENT) REGULATIONS, 2022

In pursuance of sections 15, 20, 31 and 116 of the Social Insurance (Guernsey) Law, 1978, "The Social Insurance (Benefits) (Amendment) Regulations, 2022", made by the Committee *for* Employment & Social Security on 8th December, 2022, are laid before the States.

EXPLANATORY NOTE

These Regulations replace the schedules to the Social Insurance (Benefits) Regulations, 2003 and prescribe the reduced rates of benefit payable from 2nd January, 2023 to claimants who do not satisfy the conditions for entitlement to payment of the maximum rate of benefit. These Regulations came into force on the 2nd January, 2023.

No. 96 of 2022

THE STATES HOUSING (STATUTORY TENANCIES) (AMENDMENT) REGULATIONS, 2022

In pursuance of sections 2, 3 and 5 of the States Housing (Tenancies, Rent and Rebate Scheme) (Guernsey) Law, 2004, "The States Housing (Statutory Tenancies) (Amendment) Regulations, 2022", made by the Committee *for* Employment & Social Security on 8th December, 2022, are laid before the States.

EXPLANATORY NOTE

These Regulations amend the States Housing (Statutory Tenancies) (Guernsey) Regulations, 2005 ('the Statutory Tenancies Regulations') to update the rates used in the determination of standard weekly rent.

These Regulations came into force on the 1st January, 2023.

No. 97 of 2022

THE REGISTRATION OF NON-REGULATED FINANCIAL SERVICES BUSINESSES (BAILIWICK OF GUERNSEY) (FEES) REGULATIONS, 2022

In pursuance of section 31(c) of the Registration of Non-Regulated Financial Services Businesses (Bailiwick of Guernsey) Law, 2008, "The Registration of Non-Regulated Financial Services Businesses (Bailiwick of Guernsey) (Fees) Regulations, 2022", made by the Policy and Resources Committee on 6th December, 2022, are laid before the States.

EXPLANATORY NOTE

These Regulations make provision in respect of the payment of an application fee and an annual fee for the purposes of the Registration of Non-Regulated Financial Services Businesses (Bailiwick of Guernsey) Law, 2008.

These Regulations came into force on 1st January, 2023.

No. 98 of 2022

THE PROTECTED CELL COMPANIES AND INCORPORATED CELL COMPANIES (FEES FOR INSURERS) REGULATIONS, 2022

In pursuance of section 25(3) of the Financial Services Commission (Bailiwick of Guernsey) Law, 1987, as amended, and section 86(c) of the Insurance Business (Bailiwick of Guernsey) Law, 2002, as amended, "The Protected Cell Companies and Incorporated Cell Companies (Fees for Insurers) Regulations, 2022", as made by the Policy and Resources Committee on 6th December, 2022, are laid before the States.

EXPLANATORY NOTE

These Regulations prescribe the fees payable to the Guernsey Financial Services Commission by any company which is a protected cell company or an incorporated cell company, and by an incorporated cell, and which applies to be licensed to conduct insurance business under the Insurance Business (Bailiwick of Guernsey) Law, 2002, and the fees payable periodically thereafter by such a company or cell when licensed and also for the creation of a new cell or the reactivation of a dormant cell by a licensed protected cell company.

These Regulations came into force on 1st January, 2023.

No. 100 of 2022

THE HEALTH SERVICE (PAYMENT OF AUTHORISED SUPPLIERS) (AMENDMENT) REGULATIONS, 2022

In pursuance of the powers conferred on it by sections 14 and 35 of the Health Service (Benefit) (Guernsey) Law, 1990, and all other powers enabling it in that behalf, "The Health Service (Payment of Authorised Suppliers) (Amendment) Regulations, 2022" made by the Committee *for* Health & Social Care on 13th December 2022, are laid before the States.

EXPLANATORY MEMORANDUM

These Regulations set out the payments which may be made to pharmacists out of the Guernsey Health Reserve, for the supply of pharmaceutical items.

These Regulations came into force on 1st January, 2023.

No. 101 of 2022

THE HEALTH SERVICE (PAYMENT OF AUTHORISED APPLIANCE SUPPLIERS) (AMENDMENT) REGULATIONS, 2022

In pursuance of the powers conferred on it by sections 19 and 35 of the Health Service (Benefit) (Guernsey) Law, 1990, and all other powers enabling it in that behalf, "The Health Service (Payment of Authorised Appliance Suppliers) (Amendment) Regulations, 2022" made by the Committee *for* Health & Social Care on 13th December 2022, are laid before the States.

EXPLANATORY MEMORANDUM

These Regulations set out the payments which may be made out of the Guernsey Health Reserve for the supply of medical appliances.

These Regulations came into force on the 1st January, 2023.

No. 102 of 2022

THE HEALTH SERVICE (PHARMACEUTICAL BENEFIT AND MEDICAL APPLIANCES) (AMENDMENT) REGULATIONS, 2022

In pursuance of sections 13, 18 and 35 of the Health Service (Benefit) (Guernsey) Law, 1990 and all other powers enabling it in that behalf "The Health Service (Pharmaceutical Benefit and Medical Appliances) (Amendment) Regulations, 2022" made by the Committee *for* Health & Social Care on 13th December 2022, are laid before the States.

EXPLANATORY MEMORANDUM

These Regulations amend the Health Service (Benefit) Ordinance, 1990 in relation to prescription charges for items of pharmaceutical benefit (drugs and medicines) and Health Service (Medical Appliances) Regulations, 1990 in relation to charges payable to authorised appliance suppliers in Guernsey and Alderney by persons supplied with Part I, II or III medical appliances, who are not exempt from such charges. These amendments have effect from 1st January 2023 and from that date charges will increase from £4.30 to £4.60 per item or appliance.

These Regulations shall come into force on the 1st January, 2023.

No. 103 of 2022

THE FORFEITURE OF MONEY IN CIVIL PROCEEDINGS (BAILIWICK OF GUERNSEY) (AMENDMENT) ORDINANCE, 2022 (COMMENCEMENT ETC.) REGULATIONS, 2022

In pursuance of section 5 of the Forfeiture of Money, etc. in Civil Proceedings (Bailiwick of Guernsey) (Amendment) Ordinance, 2022, section 20 of the Interpretation and Standard Provisions (Bailiwick of Guernsey) Law, 2016, the Forfeiture of Money in Civil Proceedings (Bailiwick of Guernsey) (Amendment) Ordinance, 2022 (Commencement etc.) Regulations, 2022 made by the Committee *for* Home Affairs on 20 December 2022, is laid before the States.

EXPLANATORY NOTE

These Regulations prescribe fees and charges for equipment and services provided by agreement with the Committee *for* Home Affairs (acting through the Guernsey Fire & Rescue Service) ("the Committee"), fees for notification of controlled premises, and charges in respect of mandatory consultation with the Committee.

These Regulations will come into force on the 1st January, 2023.

No. 104 of 2022

THE DISCLOSURE (BAILIWICK OF GUERNSEY) (AMENDMENT) REGULATIONS, 2022

In pursuance of sections 11, 11A and 16 of the Disclosure (Bailiwick of Guernsey) Law, 2007, section 20 of the Interpretation and Standard Provisions (Bailiwick of Guernsey) Law, 2016, the Disclosure (Bailiwick of Guernsey) (Amendment) Regulations, 2022 made by the Committee *for* Home Affairs on 20 December 2022, is laid before the States.

EXPLANATORY NOTE

These Regulations amend the Disclosure (Bailiwick of Guernsey) Regulations,2007 the Disclosure (Bailiwick of Guernsey) (Information) Regulations, 2019, which govern the powers of the Financial Intelligence Unit to obtain information. The effect of the amendments is to enable these powers to be exercised by members of the Financial Intelligence Unit who are not police officers or customs officers, to enable members of the Economic and Financial Crime Bureau to have access to additional information in certain circumstances and to make some minor revisions to reflect the change of name from the Financial Intelligence Service to the Financial Intelligence Unit. The amendments also make provision for information in relation to the proliferation of weapons of mass destruction or the financing of the proliferation of weapons of mass destruction. In addition, these Regulations make some consequential amendments to the Terrorism and Crime (Bailiwick of Guernsey) Law, 2002, to enable reports of suspicion to be made to members of the Financial Intelligence Unit who are not police officers or customs officers, and to update the interpretation provisions.

These Regulations come into force on 21st December, 2022.

No. 105 of 2022

THE FIRE SERVICES (FEES AND CHARGES) (GUERNSEY) REGULATIONS, 2022

In pursuance of sections 1A(1), 12(4AB), 24(2A) and 26A of the Fire Services (Guernsey) Law, 1989, the Fire Services (Fees and Charges) (Guernsey) Regulations, 2022 made by the Committee *for* Home Affairs on 20 December 2022, is laid before the States.

EXPLANATORY NOTE

These Regulations prescribe fees and charges for equipment and services provided by agreement with the Committee for Home Affairs (acting through the Guernsey Fire & Rescue Service) ("the Committee"), fees for notification of controlled premises, and charges in respect of mandatory consultation with the Committee.

These Regulations will come into force on the 1st January, 2023.

No. 106 of 2022

THE CRIMINAL JUSTICE (MISCELLANEOUS AMENDMENTS) (BAILIWICK OF GUERNSEY) (COMMENCEMENT) REGULATIONS, 2022

In pursuance of section 14 of the Criminal Justice (Miscellaneous Amendments) (Bailiwick of Guernsey) Ordinance, 2022, the Criminal Justice (Miscellaneous Amendments) (Bailiwick of Guernsey) (Commencement) Regulations, 2022 made by the Committee *for* Home Affairs on 20 December 2022, is laid before the States.

EXPLANATORY NOTE

These Regulations bring into force the Criminal Justice (Miscellaneous Amendments) (Bailiwick of Guernsey) Ordinance, 2022 on 21st December, 2022.

No. 107 of 2022

THE TERRORISM AND CRIME (BAILIWICK OF GUERNSEY) (AMENDMENT) REGULATIONS, 2022

In pursuance of sections 15C, 15D and 82 of the Terrorism and Crime (Bailiwick of Guernsey) Law, 2002, section 20 of the Interpretation and Standard Provisions (Bailiwick of Guernsey) Law, 2016, the Terrorism and Crime (Bailiwick of Guernsey) (Amendment) Regulations, 2022 made by the Committee *for* Home Affairs on 20 December 2022, is laid before the States.

EXPLANATORY NOTE

These Regulations amend the Terrorism and Crime (Bailiwick of Guernsey) Regulations, 2007 and the Terrorism and Crime (Bailiwick of Guernsey) (Information) Regulations, 2019, which govern the powers of the Financial Intelligence Unit to obtain information. The effect of the amendments is to enable these powers to be exercised by members of the Financial Intelligence Unit who are not police officers or customs officers, to enable members of the Economic and Financial Crime Bureau to have access to additional information in certain circumstances and to make some minor revisions to reflect the change of name from the Financial Intelligence Service to the Financial Intelligence Unit. These Regulations also make some consequential amendments to the Terrorism and Crime (Bailiwick of Guernsey) Law, 2002, to enable reports of suspicion to be made to members of the Financial Intelligence Unit who are not police officers or customs officers, and to update the interpretation provisions.

These Regulations come into force on 21st December, 2022.

No. 110 of 2022

THE CHARITIES ETC. (AMENDMENT) (GUERNSEY AND ALDERNEY) REGULATIONS, 2022

In pursuance of section 50 (1) of the Charities etc. (Guernsey and Alderney) Ordinance, 2021, as amended, "The Charities etc. (Amendment) (Guernsey and Alderney) Regulations, 2022", made by the Policy and Resources Committee on 20th December, 2022, are laid before the States.

EXPLANATORY NOTE

These Regulations amend the Charities etc. (Guernsey and Alderney) Ordinance, 2021 and the Charities etc. (Amendments, Exemptions, Governance and Specified Amount) (Guernsey and Alderney) Regulations, 2022. The amendments introduce a notification requirement in respect of regulatory or administrative sanctions that have been imposed on the owners, directors or controllers of registered organisations, clarify the meaning of government bodies that are exempt from registration, exclude activity in Jersey from the definition of international activity for the purposes of certain obligations, and remove the possibility for registered organisations to rely on a relationship with a corporate services provider licensed by the Guernsey Financial Services Commission where that corporate services provider does not direct or control the activities of the registered organisation. The amendments also modify provisions relating to the requirement to provide copies of anti-financial crime policies to the Registrar in the case of registered organisations that are directed or controlled by a corporate services provider licensed by the Guernsey Financial Services Commission. In addition, the amendments correct a small number of formatting and typographical errors.

These Regulations came into force on 20th December, 2022.

No. 111 of 2022

THE CRIMINAL JUSTICE (PROCEEDS OF CRIME) (BAILIWICK OF GUERNSEY) (FEES) (AMENDMENT) REGULATIONS, 2022

In pursuance of section 54 (c) of the Criminal Justice (Proceeds of Crime) (Bailiwick of Guernsey) Law, 1999, as amended, "The Criminal Justice (Proceeds of Crime) (Bailiwick of Guernsey) (Fees) (Amendment) Regulations, 2022", made by the Policy and Resources Committee on 20th December, 2022, are laid before the States.

EXPLANATORY NOTE

These Regulations update the fees payable by prescribed businesses under the Criminal Justice (Proceeds of Crime) (Bailiwick of Guernsey) Law, 1999.

These Regulations came into force on 1st January, 2023.

No. 112 of 2022

THE CRIMINAL JUSTICE (PROCEEDS OF CRIME) (BAILIWICK OF GUERNSEY) (AMENDMENT) ORDINANCE, 2022 (COMMENCEMENT) REGULATIONS, 2022

In pursuance of section 54 (c) of the Criminal Justice (Proceeds of Crime) (Bailiwick of Guernsey) Law, 1999, as amended, "The Criminal Justice (Proceeds of Crime) (Bailiwick of Guernsey) (Amendment) Ordinance, 2022 (Commencement) Regulations, 2022", made by the Policy and Resources Committee on 20th December, 2022, are laid before the States.

EXPLANATORY NOTE

These Regulations bring into force the Criminal Justice (Proceeds of Crime) (Bailiwick of Guernsey) (Amendment) Ordinance, 2022 on 3rd January, 2023.

No. 113 of 2022

THE SANCTIONS (IMPLEMENTATION OF UK REGIMES) (BAILIWICK OF GUERNSEY) (AMENDMENT – HAITI) REGULATIONS, 2022

In pursuance of section 27 (5) of the Sanctions (Guernsey) Law, 2018, as amended, "The Sanctions (Implementation of UK Regimes) (Bailiwick of Guernsey) (Amendment – Haiti) Regulations, 2022", made by the Policy and Resources Committee on 20th December, 2022, are laid before the States.

EXPLANATORY NOTE

These Regulations amend the Sanctions (Implementation of UK Regimes) (Bailiwick of Guernsey) (Brexit) Regulations, 2020, in order to give effect within the Bailiwick to a change to the sanctions regime in the United Kingdom. The change comprises the introduction by the United Kingdom of the Haiti (Sanctions) Regulations 2022.

These Regulations came into force on 28th December, 2022.

No. 114 of 2022

THE HEALTH SERVICE (PHARMACEUTICAL BENEFIT) (SERIOUS SHORTAGE PROTOCOL) REGULATIONS, 2022

In pursuance of section 11, 13(3) and (4) and 35 of the Health Service Benefit (Guernsey) Law, 1990 and all other powers enabling it in that behalf "The Health Service (Pharmaceutical Benefit) (Serious Shortage Protocol) Regulations, 2022" made by the Committee *for* Health & Social Care on 22nd December 2022, are laid before the States.

EXPLANATORY MEMORANDUM

These Regulations provide for prescription only medicines sold or supplied in accordance with a serious shortage protocol issued under the Medicines (Human and Veterinary) (Bailiwick of Guernsey) Law, 2008 to be supplied as pharmaceutical benefits under the Health Service (Benefit) (Guernsey) Law, 1990. They are made for the removal of any doubt.

The Regulations came into force on the 23rd December, 2022

The full text of the legislation can be found at: http://www.guernseylegalresources.gg

P.2023/3

THE STATES OF DELIBERATION
of the
ISLAND OF GUERNSEY

COMMITTEE FOR THE ENVIRONMENT & INFRASTRUCTURE

THE STATES STRATEGIC HOUSING INDICATOR, 2023-2027

The States are asked to decide:-

Whether, after consideration of the Policy Letter entitled 'The States Strategic Housing Indicator, 2023-2027' dated 05 January 2023, they are of the opinion:-

1. To agree the States Strategic Housing Indicator be set at creating 1,565 new units of accommodation between 2023 and 2027, with a plus or minus variance of 157 new units (10%) to give the flexibility to react to market changes, equating to an annual average of 313 additional units of accommodation; the total SSHI being made up of:

    a. a Private Market Housing Indicator set at creating 844 units of private market accommodation over the next 5 years, with a plus or minus variance of 84 new units, equating to an annual average of 169 additional units of accommodation; and

    b. an Affordable Housing Indicator set at creating 721 units of Affordable Housing over the next 5 years, comprising 473 in the Social Rental Housing tenure and 248 in the Partial Ownership Housing tenure, with a plus or minus variance of 72 new units, equating to an annual average of 144 units;

2. To agree that the indicators for property size within the Private Market Indicator be established based on a percentage split of bedroom requirements of 85% current profile, 10% maximum profile and 5% intermediate profile;

3. To agree that the property size indicators within the Social Rental Housing tenure be based on a percentage split of bedroom requirements of 90% minimum profile and 10% maximum profile;

4. To agree that the property size indicators within the Partial Ownership Housing tenure be established based on a percentage split of bedroom requirements of 70% intermediate profile and 30% maximum profile;

5. To agree that the housing needs model be run every year for monitoring

purposes, unless required sooner, and that these findings be published;

6. To agree that, should the Island's modelled housing needs change to such an extent that they go beyond the tolerances set out in Proposition 1, they will be returned to the States of Deliberation for endorsement of a revised States Strategic Housing Indicator;

7. To agree that, unless a reason is identified for reporting sooner by either the States of Deliberation or the Committee *for the* Environment & Infrastructure, the next formal States Strategic Housing Indicator update to the States of Deliberation will be during 2027 to set an Indicator for the period 2028-2032;

8. To direct that all Committees of the States of Deliberation when laying policy letters before the Assembly, if relevant, should consult with the relevant housing or analysis teams to assess therein any consequential impact on the Island's housing need together with, where appropriate, proposing adaptation and mitigation actions;

9. To direct the Development & Planning Authority to take into account the indicators in Proposition 1 in the review of the housing land supply and to give consideration to how planning policies will be used to actively encourage housing developments to use land as efficiently as possible; and

10. To direct the Committee *for* Employment & Social Security, in its planning of the Affordable Housing Development Programme, to take account of the projected unit profile required for both the Social Rental and Partial Ownership tenures.

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.

THE STATES OF DELIBERATION
of the
ISLAND OF GUERNSEY

COMMITTEE *FOR THE* ENVIRONMENT & INFRASTRUCTURE

THE STATES STRATEGIC HOUSING INDICATOR, 2023-2027

The Presiding Officer
States of Guernsey
Royal Court House
St Peter Port

05 January 2023

Dear Sir

1 Executive Summary

1.1 The States Strategic Housing Indicator ("SSHI") is a States-agreed figure which sets out the total number of additional accommodation units that should be created each year if Guernsey is to meet its housing need. It describes the accommodation units required to appropriately house newly forming households and meet the needs of already established households currently without appropriate housing[1]. The SSHI and other key terms are defined in a Glossary of Terms in Appendix I.

1.2 The SSHI informs fundamental elements of the States of Guernsey's infrastructure, housing and planning policies, particularly policies relating to land supply for domestic property and the development of additional Affordable Housing units. The current SSHI was agreed by the States of Deliberation in July 2018, as part of the debate on the Local Market Housing Review and the development of a future housing strategy[2]. The SSHI was set at an annual average of only 127 new units a year.

1.3 To ensure the SSHI remains an effective foundation for States policy, it needs to be updated to reflect the latest population and household data. The Committee *for the* Environment & Infrastructure has led an evidence-based assessment of the Island's housing need to inform the proposal of a new SSHI. For the first time, the assessment has used an in-house housing needs model developed for use in the Guernsey context. The model has been used to project accommodation

[1] Appropriate housing is accommodation that is affordable, secure, and adequate for the residing household.
[2] Billet d'État XIX of 2018 and Resolutions.

requirements by tenure (private market or Affordable Housing) and by property size (in terms of the number of bedrooms needed) based on the proposed bedroom allocation policies for each tenure.

1.4 The model was designed to focus on 'housing need' rather than 'housing demand'. In the context of this Policy Letter, 'housing need' refers to the overall accommodation shortfall generated by households currently without appropriate housing or which are projected to be without appropriate housing in the future. 'Housing demand', however, represents a measure of market activity alone. It is the type and size of housing wanted by, and affordable to, households seeking new accommodation. It does not necessarily reflect all the need in the population or correlate with households' requirements to be considered appropriately housed.

1.5 The limited land and building resources in Guernsey necessitate efficient use of space and existing housing. Housing need, therefore, forms the foundation of the proposed SSHI, helping to ensure that there is capacity to meet the basic housing needs of all households. The Committee *for the* Environment & Infrastructure, however, recognises that housing demand is an important market force and, should a degree of demand not be met, Guernsey may not be a desirable place to live. Demand is incorporated into the SSHI by using current housing behaviours to inform the distribution of property sizes in the Indicator and reflected in the flexible approach to the SSHI application. The total SSHI and the property size distribution will be used to inform rather than dictate development, to allow developers to respond to market conditions and enable development to support households which have more complex or exceptional needs.

1.6 The housing needs model projects that 1,565 additional accommodation units will be required between now and the end of 2027, based on a fertility rate of 1.5 and a net annual migration rate of +300. This equates to an annual housing need of 313 units each year over the next five years. When a range of plus and minus 10% is included to support the flexibility needed to react to market changes, the recommended SSHI is 1,409-1,722 new housing units between 2023 and 2027.

1.7 The proposed SSHI is 186 units per year higher than the current SSHI. By setting the SSHI at this level, it will support efforts to increase housing supply and help to address the housing issues being experienced across the housing market.

1.8 Increasing housing supply also provides an opportunity to deliver the size of property needed to encourage right-sizing and open up currently underoccupied houses (houses with more bedrooms than the household requires) for new or

growing families. It also provides the opportunity to increase the supply of houses at a size required for first time buyers.

1.9 Within this headline SSHI of 1,565 additional units, the recommended Private Market Indicator is 844 units of private market accommodation over the next five years, with a plus or minus variance of 84 new units, equating to an annual average of 169 additional units.

1.10 Property size in the SSHI has been estimated based on the number of bedrooms. When calculating bedroom numbers needed in the private market, the model has applied a mixed bedroom allocation policy. 85% of households have had bedrooms allocated based on the current behaviour profile (this profile is based on the population's current housing behaviours, incorporating the present demand patterns for homes with greater numbers of bedrooms), 10% of households have had bedrooms allocated based on the maximum profile (households are allocated a bedroom per person/couple and a spare bedroom) and 5% was based on the intermediate profile (households are allocated a bedroom per person/couple but no spare bedroom).

1.11 This has resulted in a projected requirement for 62 one-bedroom properties, 716 two-bedroom properties, 53 three-bedroom properties and 13 four-bedroom properties.

1.12 The selection of the profile mix to apply for the Private Market Indicator has required detailed consideration due to the sensitivity needed to balance the free market behaviours of private market owners and renters (represented in the current profile), the viability of developments for developers, and the efficiency of land use for housing development on the Island.

1.13 The housing market assessment that has been undertaken as part of this modelling process has highlighted the mismatch of property sizes in the private market compared to the actual household sizes living in them. The private market shows a significant degree of underoccupancy, particularly in larger properties and amongst pensioner households. In many cases this will reflect the demand of the residents; however, it has a knock-on impact on the rest of the private housing market by preventing some households in need of three/four-bed properties from being able to access suitable accommodation because it is already occupied by current under-occupying residents.

1.14 The mismatch issue has to be balanced against people's demands and personal choice. For a variety of reasons, households in the private market want to live, or continue to live, in properties that are larger than their assessed housing need. This is not, however, the case for all and a lack of suitably sized properties

prevents market movement which would more efficiently utilise the Island's private market housing stock.

1.15 If 100% of the current profile was to be applied for the Private Market Indicator, it would maintain the current pattern of significant underoccupancy and would continue to restrict the ability of some Islanders to meet their housing need. This is likely to lead to further strategic housing problems in the future, with land supply depleted because, in general terms, underoccupied homes require much more land to house a given population, and the Island's private housing stock would continue to be dissociated from its housing need requirements.

1.16 To make a small step towards a more efficient use of land and encouraging the development of properties that more closely match private households' housing need in the private market, the Committee is not recommending adopting a 100% current profile bedroom allocation policy within the private housing market. Instead, it is seeking to encourage the start of a shift in behaviour by recommending a small percentage of private housing provision be based on 10% maximum profile (households are allocated a bedroom per person/couple and a spare bedroom) and 5% intermediate profile (households are allocated a bedroom per person/couple but no spare bedroom). This is designed to enable and encourage households to right-size where desired, encouraging more efficient use of the Island's housing stock, without pushing for an unrealistic degree of behavioural change.

1.17 In setting this move away from 100% current profile, the Committee acknowledges that any shift to right-size is reliant on a change in behaviour and also on developers deciding that these unit sizes are viable enough to develop. So, while this profile split for the private housing market seeks to encourage some change, the Committee acknowledges that market forces and developers' decision-making continue to play a significant role.

1.18 Affordable Housing exists outside of the private market and is reserved for people who cannot meet their accommodation needs without a form of subsidy. The Affordable Housing Indicator, currently consisting of the accommodation needed in the Social Rental Housing and Partial Ownership Housing tenures, is recommended to be set at 721 units between 2023 and 2027, with a plus or minus variance of 72 new units. This equates to an annual average of 144 units over the 5 year period. The Indicator comprises 473 in the Social Rental Housing tenure and 248 in the Partial Ownership Housing tenure.

1.19 The property size distribution for Social Rental Housing, which is housing rented below market rates to households on low incomes or with other needs defined by the Committee *for* Employment & Social Security, has been established based on a bedroom allocation policy where 90% of households are allocated

bedrooms based on the minimum bedroom profile (which includes shared bedrooms for children of certain ages/gender and no spare bedrooms) and 10% at the maximum profile. This profile split supports the efficient housing use required by the Affordable Housing Eligibility and Allocations Policy[3] whilst providing the flexibility to cater for households with more complex living arrangements which require a spare bedroom, such as those in need of sleep-in carers or with shared custody arrangements. The split was based on an assessment of current Social Rental applicants with additional accommodation needs.

1.20 The proposed property sizes for Partial Ownership Housing, (housing sold on a part-ownership basis to households which would not be able to afford the full cost of home ownership in the private market), have been established based on a percentage split of 70% of households having bedrooms allocated under the intermediate profile and 30% under the maximum profile. By using a combination of intermediate and maximum profiles, the property size distribution reflects the more aspirational nature of Partial Ownership Housing whilst still representing a more efficient use of housing stock than seen in the private market.

1.21 At this stage, the model's output does not include the specific requirements for Key Worker Housing (housing reserved for off-island recruited essential public workers) or Specialised Housing (housing where a degree of support or care is provided to allow residents to live as independently as possible). Detailed modelling will take place for these tenures at a later date, informed by the States' decisions on key worker, market intervention and elderly tenure strategies and policies[4]. Without a confirmed policy position, a specific indicator for these areas would risk ill-informed and unsuitable development in what are relatively small tenures.

1.22 It is important to emphasise that the SSHI figures proposed for each tenure are not a government 'target'. Government can strongly influence the delivery of the Affordable Housing Indicator through allocating funding for the Affordable Housing Development Programme and the management of the delivery of these units through its work with the Guernsey Housing Association. However, delivery of the required number of units in the private market is influenced by factors outside of government's control: the States cannot control the implementation of planning permissions in the private market or control what planning applications are made. Developers' decisions, and the viability of individual proposals, are generally influenced by specific site conditions and external matters such as finance availability and conditions, the capacity of the construction industry, site specifics and personal choice. The application of the

[3] Social Housing - Allocations and Eligibility Policy

[4] Prioritised as part of the Government Work Plan 2022, Billet d'État X, 2022

SSHI, therefore, has to be flexible to allow developers to respond to the opportunities available.

1.23 Should circumstances change significantly, the SSHI itself will need to respond. The housing needs model has been designed to enable a consistent and replicable assessment of housing need. It can be easily amended in-house to reflect different development timelines or assumptions and can be used to monitor the SSHI and test its ongoing relevance. Given the current pressures on local housing, the model will continue to have a role beyond setting the SSHI. It will enable the States to assess the impact of different policy options on the Island's housing needs and plan appropriate adaptation and mitigation options.

1.24 It is proposed that the housing needs model be used as the basis for the next five-year SSHI review and to inform a light-touch review of the SSHI figures each year. This will ensure the States has an ongoing understanding of housing need. The operation of the model will require the involvement of appropriately skilled resource; however, it is anticipated that this can be delivered using current staff and budgets and this Policy Letter does not seek any additional funding.

2 Introduction – What is the States Strategic Housing Indicator?

2.1 Land is a scarce and finite resource in Guernsey. If the Island is to develop in a sustainable way, housing development must be targeted towards the population's housing need.

2.2 The SSHI is a tool through which the States understands and defines the Island's housing need. It is a States-agreed figure that sets out the total number of additional accommodation units that should be created each year if Guernsey's residents are all to be appropriately housed.

Housing Need vs Housing Demand

2.3 At this point, it is important to distinguish the difference between 'housing need' and 'housing demand'[5], and how this relates to the SSHI.

2.4 In this context, 'housing need' is based on the cumulative housing requirement of all the households which are currently without appropriate accommodation (housing which is affordable, adequate, and secure) or which will be without appropriate accommodation in the future (i.e. newly arising households such as those created through population increase, newly forming couples and the

[5] Whilst there is no set definition of housing need and housing demand, the description adopted in this Policy Letter is consistent with that used by the UK Government.

division of existing family groups). Housing need is therefore the shortfall in housing units required for all households to live in accommodation that meets their essential needs.

2.5 'Housing demand' is critically different to housing need and represents the type and size of housing being sought in the market. It describes what households will choose to occupy based on preference and ability to pay and does not necessarily correlate with households' essential requirements. It places a greater emphasis on preference (and ability to buy) than necessity. Many households will take up more housing space than they 'need', if they can afford to, for example, by living in a house with multiple spare bedrooms or buying a second home.

2.6 The States establishes an SSHI to inform housing, land and planning policy. It has to reflect the requirements of all Guernsey's households and support efficient and sustainable land use. As such, the SSHI focuses on housing need.

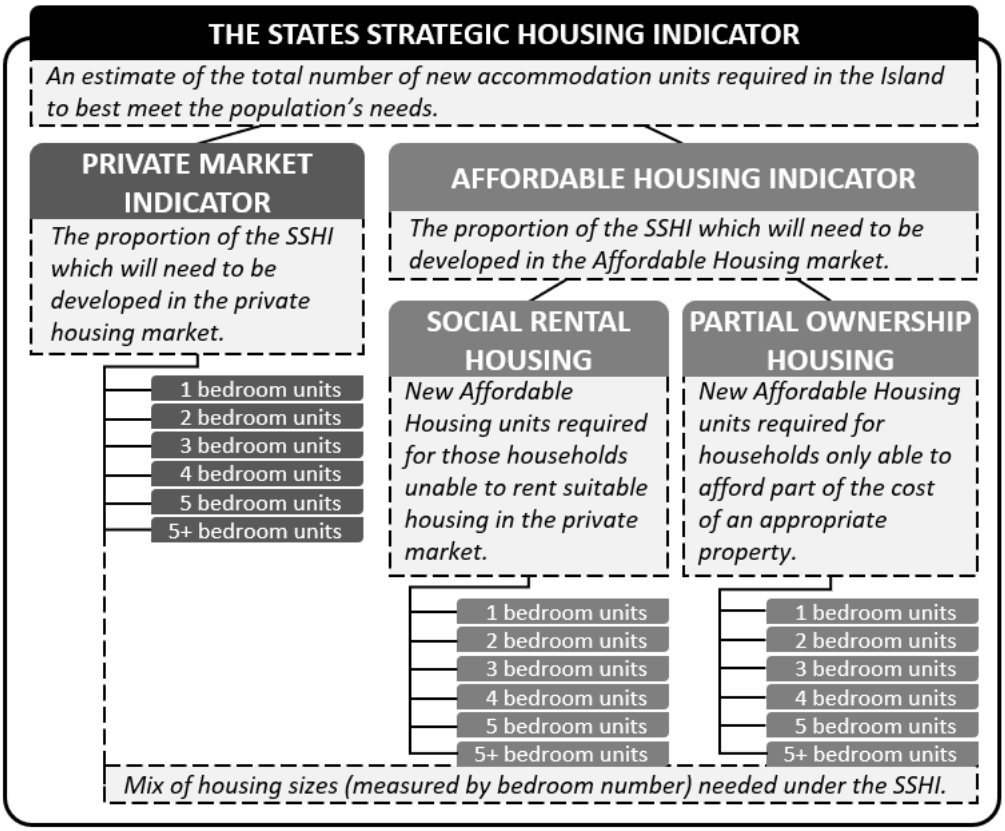
2.7 The Committee *for the* Environment & Infrastructure, however, recognises that housing demand is an important market force and, should demand not be considered, Guernsey may not be a desirable place to live. Demand is incorporated into the SSHI through the use of current housing behaviours to inform the required distribution of property sizes. Demand also informs the application of the SSHI, which will be flexible enough to allow developers to respond to market conditions.

The Components of the SSHI

2.8 As demonstrated in Figure 2.1, the SSHI can be broken down by tenure and by property size. The headline SSHI figure is subdivided into a Private Market Indicator and an Affordable Housing Indicator, with the Affordable Housing Indicator further categorised into Social Rental Housing and Partial Ownership Housing[6]. Each tenure can also be split by the projected number of bedrooms needed per unit of accommodation.

[6] The separation of the SSHI into two sub-components was first done in 2018 - Local Market Housing Review and Development of Future Housing Strategy, Billet d'État XIX, 2018

2.9 Figure 2.1: SSHI Components



2.10 The private market comprises owner-occupied and private rented accommodation. The Private Market Indicator includes the number of units needed for both accommodation types.

2.11 The legal definition of 'Affordable Housing'[7] defines it as specific accommodation owned and/or managed by the States of Guernsey or the Guernsey Housing Association ("GHA") reserved for people who cannot meet their needs in the private market. The proposed Affordable Housing Indicator comprises 'Social Rental Housing' which is allocated to households on low incomes (or with other needs identified by the Committee *for* Employment & Social Security) and 'Partial Ownership Housing' which is offered on a part-ownership basis to buyers who are able to contribute some of the funding required to purchase a property but would not be able to afford the cost of purchasing an appropriate house outright on the private market without such subsidy.

2.12 Affordable Housing also includes 'Key Worker Housing', which is reserved for essential public sector staff recruited from off-island, and 'Specialised Housing', which is housing where support and/or care services are provided to help residents to live as independently as possible. The housing needs for Key Worker

[7] Guernsey's Land Planning and Development (Planning Covenants) Ordinance, 2011

Housing and Specialised Housing were not included in the 2018 Affordable Housing Indicator and have not yet been developed sufficiently to be included as an individual category in the breakdown of the Affordable Housing Indicator presented in this report. The modelling of the SSHI has excluded households that have been identified as residing in units of Key Worker accommodation[8] and Specialised Housing properties. Once these dedicated tenures are included in the model, there is the potential for the overall SSHI to increase, which will be represented through an increase to the Affordable Housing Indicator component of the SSHI. Although this is expected to be minimal due to the number of households involved, they will each form an important sub-category tenure of the Affordable Housing Indicator alongside the individualised social rental and partial ownership tenure requirements.

The Use of the SSHI

2.13 The States uses the SSHI and its component indicators as a guide to the volume and type of housing development needed in the Island, not as a performance target.

2.14 Under current legislation and policy, Government cannot compel private market development proposals to come forward or, once planning permission is granted, specify which sites developers choose to progress and when. The SSHI is designed to inform developers, not constrain them. Developers will still have freedom to determine when a site is to be developed and, crucially, will only do that when they determine the site to be suitably viable.

2.15 In contrast, Government has more control over the delivery of the projected Affordable Housing units needed. It has control over funding allocations to support the site acquisition and development costs of the Affordable Housing Development Programme currently delivered by the Guernsey Housing Association. As a result, Government is significantly more accountable for the delivery of this component of the overall SSHI.

2.16 Various States bodies draw on the SSHI to understand housing need, to inform spatial planning and population policy and to help determine housing land supply requirements. It is an evidence-based information tool on the Island's projected housing needs and helps establish an environment for housing development to be aligned with the population's housing need, but with the flexibility to respond to changes in market conditions.

[8] This is a mix of States of Guernsey owned staff accommodation, GHA owned dedicated key worker accommodation and some private rental units used by the Key Worker Accommodation Team to house off-island recruited key workers.

2.17 Presently, the SSHI is set at creating 635 new units of accommodation between 2017 and 2021, plus or minus 149 units. This equates to an annual average of 127 new units a year (+/- 30 units). As part of the current SSHI, the Private Market Indicator is set at requiring 91 units of accommodation per year and the Affordable Housing Indicator at 36 units per year.

2.18 The current SSHI is based on data from a housing needs study finalised in 2017. If the SSHI is to continue to provide an effective foundation for States policy, it needs to be updated to reflect the latest population data, more recent decisions of the States Assembly, and the position of today's housing market and housing needs.

2.19 To update the SSHI, the Committee *for the* Environment & Infrastructure established the 'States Strategic Housing Indicator Project' ("the SSHI Project"), which was subsequently prioritised for completion in 2022 as part of the Government Work Plan[9]. The SSHI Project was launched with three key aims:

1) Design a robust modelling process for projecting housing need in Guernsey,
2) Model the Island's housing need for the period 2022-2026[10], and
3) Use the projected housing need estimates to recommend a realistic SSHI for the Island.

2.20 The remainder of this Policy Letter presents the results of the SSHI Project and the next steps needed. It seeks the States' endorsement for the recommended headline SSHI and SSHI components, as well as for the resources necessary to monitor the Indicator going forward to ensure it can respond to changes in population need or circumstance.

3 Design of the Modelling Process – How has housing need been identified?

Past Studies of Housing Need

3.1 The first States Strategic Housing Target (the predecessor to the SSHI) was established in 2002. Since then, the States has been under Resolution[11] to undertake a form of housing needs study at least every 5 years. This comprehensive assessment of housing need has been used to inform and make recommendations to the States of Deliberation on the SSHI. Figure 3.1 sets out the results of previous housing needs studies and the respective indicators agreed by the States.

[9] Government Work Plan 2022, Billet d'État X, 2022
[10] This has since been adjusted to 2023 – 2027, so the most up to date data can be modelled.
[11] States Housing Authority *"Survey of Guernsey's Housing Needs"*, Billet d'État IX, 2002

3.2 Figure 3.1: States Strategic Housing Indicators Set Since 2002

		States Decision:
2000	*The States agreed to conduct the first study of housing need*	
2001 2002	An external consultant assessed housing need using a survey issued to all Guernsey households. The survey explored each household's current housing situation and the requirements of anyone planning to change their housing. **The assessment estimated a requirement of 179 units a year.** The States were **recommended to adopt an indicator of 300 units a year** to address existing mismatches.	300 units a year
2006 2007	Housing need was again assessed by an external consultant, this time based on interviews conducted with a sample of the population. **The assessment estimated a requirement of 340 units a year.** The States were **recommended to maintain the existing 300 units a year indicator.**	300 units a year
2011	Housing need was assessed via a 'Housing Market Model' which compared the number of homes available to the number of households looking for somewhere to live. **The assessment estimated a requirement of 451 units a year.**	
2015	**The States were recommended to maintain the 300 units a year indicator** based on the 2011 assessment. **The States rejected the recommendation** and the Housing Department were directed to undertake a further objective assessment.	Rejected
2016	KPMG was commissioned to model housing requirements. They took the number of local market homes in 2014 from the 2014 census data and considered the impact of population change, demographics and migration. The SSHI was split into a private market housing requirement and an Affordable Housing requirement. It was **recommended that the SSHI be set at 139-199 units a year.**	
2018	It was agreed that the SSHI be based on the recommendations of KPMG but expressed as a median requirement with a plus or minus variance to allow the SSHI to react to market changes. An Affordable Housing Indicator and Private Market Indicator were also agreed.	127 (+/- 30) units a year.

3.3 As can be seen in Figure 3.1, a range of different processes have been used to help assess Guernsey's housing need, from whole-population surveys to census-based modelling. As a result, the approach to date has lacked consistency. Furthermore, each past study has been designed as a one-off evaluation, with no plans for monitoring or replicating the assessment to ensure that the SSHI remains relevant throughout the five-year timeframe or to inform a future SSHI.

3.4 Without the capacity for ongoing review, previous indicators have risked becoming misaligned from population needs over the five-year period in which they apply. The indicators have not been able to incorporate any policy changes introduced by the States, nor have they had the capacity to be updated to reflect

the most recent population data outside of the usual five-year review cycle.

3.5 The one-off approach to the SSHI has primarily come about as a consequence of relying on external consultants to produce each housing need assessment. As well as preventing rolling review and update, this approach has limited how thoroughly the States has been able to explore and interrogate the results and has come at a relatively high cost to the organisation.

3.6 The use of external consultants also divorced the modelling process from the development of the SSHI recommendation, for which there is no particular methodology. The responsible States Committee (presently the Committee *for the* Environment & Infrastructure, previously the Housing Department) considered broader elements, such as the availability of finance, capacity of the building trade and the Island's economy, following the housing needs study to convert the modelled housing requirements into a realistic recommendation. This has often resulted in differences between the assessment results and the final SSHI agreed by the States, based on no set adjustment methodology.

3.7 Some previous housing assessments have also struggled to differentiate between housing need and housing demand, particularly where the study has incorporated public surveys or interviews as part of its methodology. If not considered carefully, the inclusion of wider housing demand can have the effect of unduly increasing the estimated housing requirement, furthering the risk of unnecessary over-development and inefficient use of the Island's housing stock and finite land supply in the long-term.

3.8 Acknowledging the issues encountered when setting previous indicators, the SSHI Project sought to develop a new approach going forward. It explored the possibility of developing an in-house, Guernsey specific, housing needs model for assessing local housing need. It was recognised that, by managing the methodology and operation in-house, housing need studies would become more consistent, could be carried out more frequently, and would have the ability to be adapted to account for evolving policy (such as the Population and Immigration Policy Review).

Best Practice for a Housing Needs Model

3.9 To establish an in-house model required a cross-service team with access to expertise in housing policy and land planning, as well as data use and analysis. Rather than dedicate time and resource to developing a bespoke model, the Project Team first explored housing needs models used successfully in other jurisdictions.

3.10 The Team identified a comprehensive UK modelling process which had been proven to be effective in, and transferable between, various jurisdictions. The

model was first established in Scotland, where it had formed the basis of Scotland's 'Housing Need and Demand Assessment' and the country's 'Housing Supply Target'. The same model was subsequently adopted in Wales to produce estimates of housing need at a national and regional level for a twenty-year period[12], and is also being introduced in Northern Ireland.

3.11 To gain greater insight into the components of the model, members of the Project Team visited officials in Wales to view the model first-hand and ask in depth questions on its structure, set up, data requirements and outputs. The Team was able to confirm that the Welsh model could be tailored and expanded to generate the outputs needed by the States. It also established that the States had the skills available in-house to build the model for Guernsey and collected a greater granularity of data than was available in Wales, meaning that the local model would have the potential to deliver more detailed outputs.

3.12 As well as being technically feasible, the open and flexible nature of the model was considered to provide substantial advantage to the States. The States would gain the ability to continually maintain and update the model, no longer requiring the commissioning of external input or necessitating significant costs for ad-hoc revisions. Ongoing access to the model would also allow it to be adapted to explore different policy options, assumptions and time periods, thereby better informing policy decisions on the Island's housing needs.

3.13 Given the proven functionality of the model and the potential advantages of working in-house, it was agreed that a housing needs model for Guernsey would be built using the Welsh methodology as a foundation.

Overview of Guernsey's Housing Needs Model

3.14 To ensure the final SSHI provided sufficient direction for States' housing and planning policies, the model needed to deliver two key outputs[13]:

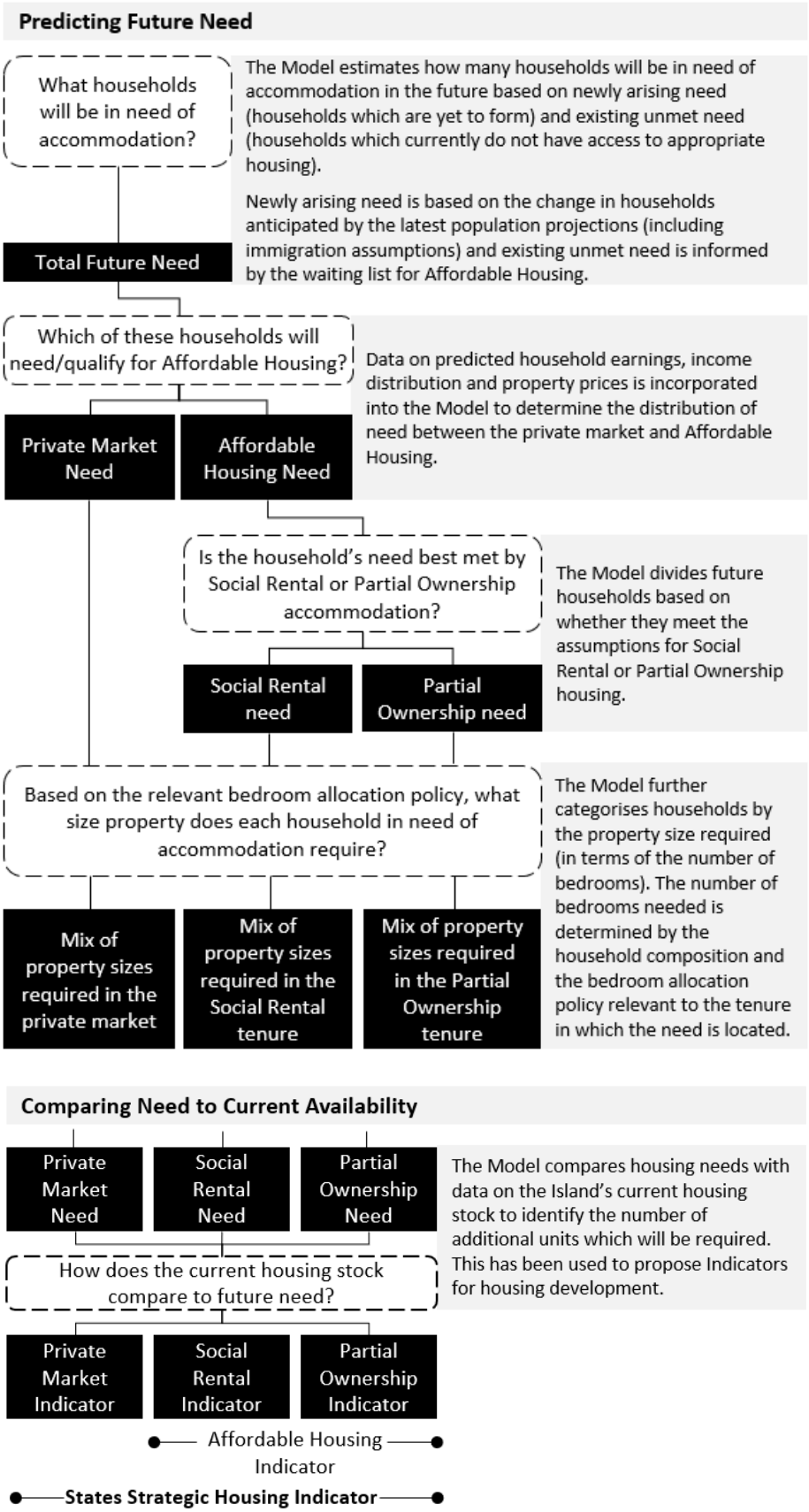
1) Total projected housing need broken down by property tenure (to at least private market/Affordable Housing level).
2) The distribution of property sizes required in each housing tenure.

3.15 In order to deliver these outputs, the model has been designed to use existing population and housing data to compare projected accommodation requirements with the current housing stock. An overview of the model is provided in Figure 3.2 and further detail is available in sections 3.17-3.29 and in Appendix 2.

[12] Local Housing Strategy - gov.scot (www.gov.scot), Estimates of housing need: 2019-based | GOV.WALES

[13] Initial discussions also considered whether housing need could be modelled to specific locations in Guernsey. It was agreed not to pursue this criterion, however, as there was insufficient data on which to meaningfully base analysis and the size and development of the Island generally negates the value of the results.

3.16 Figure 3.2: An Overview of the Housing Needs Model and Key Data Inputs



Model Development: Total Units and Tenure Breakdown

3.17 Guernsey's housing needs model uses evidence from multiple local data sources to identify the number of units needed overall and by tenure including the Rolling Electronic Census data (which includes information on population, employment, and earnings), data on the housing stock owned by the States and the GHA, bedroom data for Guernsey's current housing stock, the current Social Rental Housing waiting list, and the latest population projections.

3.18 Set assumptions are applied to the data to create a picture of the Island's households at a future point in time (based on the household composition and demographic trends observed in recent years), including newly forming households and households immigrating to the Island. Using information on each household's structure, income, etc., the housing needs of the future population can be identified and compared to the housing stock and the predicted rental and purchase costs for accommodation. This enables the overall units of accommodation needed to be split into the tenures required.

3.19 Housing need can be identified for any future date, however the modelling undertaken has focused on 2027, to reflect the life cycle of the SSHI. Figures have also been provided for 2040 to allow the States to consider the SSHI in the context of the long-term picture of housing need in the Island. This is important to help ensure that development decisions do not run counter to what is expected further into the future.

3.20 As explained previously, whilst the Affordable Housing legal definition includes Key Worker Housing and Specialised Housing, these tenures are not currently categorised in the Affordable Housing Indicator. It is the view of the Committee that the generation of the figures for these tenures will be better informed once the Key Worker Housing Project, Elderly Tenures Project and Market Intervention Project[14] have been completed so that the most relevant policy position can be incorporated. This is the benefit of having the model built in-house. The modelling of the SSHI has excluded households that have been identified as residing in units of key worker accommodation and Specialised Housing properties. Under the model, households which might be in need of Key Worker or Specialised Housing in the future have not been identified and are treated the same as other households in the model. The internal modelling will be adapted to the new context once key policy decisions on these housing tenures are confirmed. Once these tenures are added to the model, there is the potential for the overall SSHI to slightly increase, which will be represented through an increase to the Affordable Housing Indicator component of the SSHI. Although this is expected to be minimal due to the number of households

[14] These three projects are prioritised for commencement in 2023 in the Government Work Plan 2022, Billet d'État X, 2022

involved, they will each form an important sub-category tenure of the Affordable Housing Indicator alongside the individualised social rental and partial ownership tenure requirements.

Model Development: Property Sizes

3.21 In this context, property size requirements are determined by the number of bedrooms needed in a property for a household to be considered appropriately housed. In terms of bedroom number, whether housing is appropriate is decided by the bedroom allocation policy applied. For example, a household composed of a couple and two sons aged 4 and 6 may be considered appropriately housed in a two-bedroom property if the bedroom allocation policy allows for children of the same gender to share a room. If the bedroom policy requires all couples, single adults, and children to be allocated their own bedroom however, the same property would not be considered appropriate for this household.

3.22 The model can project the distribution of the property sizes required based on any mix of the following four profiles for bedroom allocation. The profiles illustrate a range of land and housing use efficiency, from the least efficient 'current profile' (which is based on current behaviours) to the most efficient 'minimum profile' (which is a strict application of the Social Rental Allocation and Eligibility Policy used for housing social rental tenants).

Least efficient	1) **Current Profile:** This profile assumes all households are suitably housed and will remain in their current sized property unless they are on a waiting list for a tenure of Affordable Housing. It projects the housing stock required based on current profile and behaviour trends, i.e. that where there is a pattern of under or over-occupancy of properties this behaviour will continue. This is the approach taken in previous housing need studies and does not attempt to directly match housing property size with actual housing needs. Instead, it represents the current behaviours of demand for certain property sizes in the marketplace and is most akin to free market behaviours. Under this profile, for example, a pensioner household currently occupying a four-bedroom property will be assumed to require a four-bedroom property going forward.
	2) **Maximum Profile:** Under this profile, each household is allocated a spare bedroom above the intermediate requirements of the projected household members. One bedroom is allocated to the following: a) A co-habiting couple, b) Each child, c) Each single adult over 18 years, and d) A spare bedroom.

	3) **Intermediate Profile:** This profile is similar to the minimum profile; however, it ensures that each child and single adult has their own bedroom. One bedroom is allocated to the following: a) A co-habiting couple, b) Each child, and c) Any single adult over 18 years.
Most efficient	4) **Minimum Profile:** Under this profile, one bedroom is allocated to each of the following in a household: a) A co-habiting couple, b) Up to two children under 11 years, c) Up to two children of the same gender between aged 11 to 18 years, and d) Any single adult over 18 years. This profile represents a strict application of the Social Rental Allocation and Eligibility Policy used for housing social rental tenants.

The Island's Current Housing Profile

3.23 The current profile is based on existing housing behaviours in the market. It is the profile with the highest average number of bedrooms per person and therefore represents the least efficient use of housing and land overall; under-occupancy is prevalent.

3.24 When comparing the present utilisation of housing stock across the Island with the intermediate profile (a bedroom per person/co-habiting couple), 55% of current households are under-occupying their property. This increases to 80% amongst households with at least one pensioner and no children. Compared with the maximum profile (a bedroom per person/co-habiting couple and a spare bedroom), 38% of households are presently under-occupying their property.

3.25 Current housing behaviours in the Island also include a level of over-occupancy relative to the intermediate (17%) and maximum profiles (38%). In these cases, households are not occupying properties with a sufficient number of bedrooms to meet their need as defined under each profile.

Testing and Validating the Model

3.26 A Technical Sub-Group consisting of peers from the industry[15] was established to help develop and test the model. The Group helped to devise and stress-test the assumptions applied within the model and to review the preliminary findings to assess their validity.

[15] Including local mortgage providers, mortgage broker, estate agent, independent economist and a representative from the private rental market.

3.27 Detailed consultation with the Committee *for* Employment & Social Security took place regarding the modelled assumptions for the Affordable Housing projections and, in particular, for decision-making on the profile split to be applied for the Social Rental Housing and Partial Ownership Housing tenures.

3.28 The Policy and Resources Committee and the Development & Planning Authority were presented with the structure of the model and its initial findings so that feedback could be used to refine decision-making on the recommended mix of bedroom profiles for modelling future private housing needs.

3.29 Every effort has been made to use the latest available data in the model, however the databases involved have different reporting cycles and reporting needs. Due to the intensive resource requirements and the time constraints for an updated SSHI, the 2021-2022 modelling process did not seek to carry out further data collection or updates. It has used the most up to date data collected and collated in the Island and has used evidence-based adjustments to this data where necessary and possible. The model can be enhanced in the future as improved data becomes available.

The Population and Immigration Policy Review

3.30 The underlying assumptions for the model such as the fertility rate and immigration rate can be amended based on any changes to States of Guernsey policy and to reflect any future changes in household behaviour. These changes can be applied using in-house resources and can be used to test different policy options to understand their impact on the Island's housing need.

3.31 The first policy development to be informed by the housing needs model was the Population and Immigration Policy Review ("the Review")[16]. The Review sought to understand whether the Island's population management regime had the capacity to respond to Guernsey's changing economic, social and environmental demands and support recovery from the COVID pandemic.

3.32 The Review identified that, in light of the ageing demographic, Guernsey would need to attract an average annual net inward migration level of +300 over the next thirty years to keep the workforce at its 2020 level. The housing needs model was used to understand the housing need that such a migration level would stimulate, providing the States with the information necessary to aid strategic decision making and set the scene for the States to consider what mechanisms might be required to support an increase the working population.

[16] Population and Immigration Policy Review, Billet d'État XVIII, 2022

3.33 In October 2022, the States Assembly resolved that "*The States of Guernsey will assume for the purpose of planning future infrastructure and service provision, that net migration will average up to +300 per year over the next thirty years. This assumption will support the capacity of the Island's workforce so that it remains a desirable and competitive jurisdiction, and will ensure that the Island can meet the needs of the economy with the necessary housing and infrastructure"*.

3.34 In line with this Resolution, the SSHI recommended by this Policy Letter has been developed based on the assumed net migration rate of +300 a year. This will ensure that the policies surrounding the development of residential property, including future housing land supply, will support the States' strategic population objectives rather than acting as a barrier to the realisation of the States' aims.

4 Model Outputs - What is the recommended 2023-2027 SSHI?

4.1 The housing needs model projects that 1,565 additional accommodation units will be needed between now and the end of 2027, based on a fertility rate of 1.5 and a net annual immigration rate of +300. This equates to an annual housing need of 313 units each year over the next five years, 186 units per year higher than the current SSHI.

4.2 When a range of plus and minus 10% is included, the recommended SSHI is 1,409–1,722 new housing units over the four years (2023-2027), or 282–344 units a year. By setting the SSHI at this level, it will support efforts to increase housing supply and help to address the housing issues currently being experienced across the community.

4.3 As acknowledged when the last SSHI was set in 2018[17], a 10% range is recommended to balance flexibility in the SSHI's implementation with the certainty needed for a stable development industry. Whilst the housing needs model has the capacity to project housing need at any time and over any interval, it would not be realistic to constantly update the SSHI whenever the Island's housing need slightly varies. By including a range, developers are provided with the flexibility to react to market conditions whilst retaining the certainty needed for forward planning over the long time periods required for development.

4.4 The same percentage range applies to each component part of the SSHI. The figures for the Private Market Indicator and Affordable Housing Indicator are explored in more detail in sections 4.5 to 4.44.

[17] Local Market Housing Review and Development of Future Housing Strategy, Billet d'État XIX, 2018

Private Market Indicator

4.5 Between 2023 and 2027, it is projected that 844 (+/-84) additional units of accommodation will be needed in the private market. This equates to an average annual requirement of 169 units (+/-17).

4.6 The private market property size requirements have been projected based on a hybrid bedroom allocation policy comprising 85% allocation at current bedroom profile (reflecting the population's existing bedroom distribution, where more than half of households have at least one spare bedroom per household), 10% at maximum bedroom profile (which includes one spare bedroom per household) and 5% at the intermediate bedroom profile (which does not include any spare bedrooms).

4.7 As shown in Table 4.1, broken down by required property size, the Private Market Indicator for 2023-2027 includes 62 one-bedroom properties, 716 two-bedroom properties, 53 three-bedroom properties and 13 four-bedroom properties. There are already sufficient 5-bed and over 5-bed properties in the private market to meet the projected need of the population.

4.8 These private market projections do not account for premium properties which may be required for high-net-worth individuals. Due to the low numbers involved, and the specific requirements of each, an insufficient volume exists for them to be effectively modelled. Therefore, any need, or demand, in this respect is not included in these projections.

4.9 In determining the property size distribution set out, it has been assumed that any surplus housing of a larger sized property category (compared to the size required) will be occupied by households requiring smaller properties (this is explained in more detail in Appendix 2).

4.10 Table 4.1: Property Sizes within the Private Market Indicator

	Private Market Indicator		
	Bedroom Standards Applied: 85% Current Bedroom Profile, 10% Maximum Bedroom Profile, 5% Intermediate Bedroom Profile		
No. of Bedrooms	Number of Additional Units Required by 2027		Number of Additional Units Required by 2040 - Indicatory[18]
	Projection	10% Range	
1	**62**	*(56-68)*	125
2	**716**	*(644-788)*	1068
3	**53**	*(48-58)*	457
4	**13**	*(12-14)*	221
5	**0**	*0*	0
5+	**0**	*0*	0
TOTAL	**844**	*(760-929)*	1,871

4.11 Consideration of the profile mix to apply for the Private Market Indicator has required detailed consideration due to the sensitivity to balance the free market behaviours of private market owners and renters, the viability of developments for developers, and the efficiency of land use for housing development on the Island.

4.12 If the housing requirements of the private market were allowed to solely follow the current housing behaviours of those living in the private market (both in private home ownership and private rental), 100% of the current profile would be applied. The current profile permits the housing behaviours observed in the market today, in terms of property sizes demanded, to continue into the future and projects household property size requirements based on properties they demand and can afford.

4.13 The modelled projections of following 100% current profile, along with some alternative profile mix scenarios, are set out in Appendix 3.

4.14 While pursuing 100% current profile may seem attractive, leaving the market to distribute resources and provide property sizes following the current prevalent trends, the immense pressures in the Island's housing market at present highlight that this alone has not met enough of the Island's housing need. Further, it comes with a heavy cost to the efficient use of Guernsey's land and has resulted in an under provision to some sectors of society.

4.15 Understandably, developers build units that they consider the market wants and the unit sizes that they consider will sell; this is the nature of their business. However, as evidenced from the current structural housing market issues (such

[18] A range has not been included for the 2040 projections as these are indicatory numbers to provide context, rather than part of the proposed SSHI.

as a lack of affordability for first time buyers, the unsustainable affordability ratios across the income spectrum of both private market purchase and rented prices to earnings, the supply issues and the mis-match of housing stock to housing requirements) the market system has not distributed resource appropriately and is not performing optimally at meeting the needs of the private housing market.

4.16 Measures need to be considered to target these structural issues. While these issues are being fully scoped, with options considered, as part of the GWP category 1 prioritised Market Intervention Project, there is a role that the SSHI can play in this now.

4.17 The profile split within the Private Market Indicator can be based away from a 100% current profile bedroom allocation policy. There is currently a prevalence of under-occupancy in the private housing market. If the current profile alone is used to project this market's housing property size requirements, these levels of underoccupancy will continue without restriction. This could lead to further strategic housing problems in the future with land supply depleted through an Island's private housing stock that is completely dissociated from the housing need requirements within it.

4.18 In understanding the current profile trends, the SSHI Project identified that approximately 55% of households have at least one 'spare' bedroom and 38% would appear to have at least two 'spare' bedrooms.

4.19 The analysis of pensioner households (one or two pensioners with no children living in the household) demonstrates a particular underoccupancy issue. Over 50% of such households live in properties with bedrooms above the maximum profile and therefore more than one spare bedroom; this number rises to nearly 80% when compared to the intermediate profile (i.e., 80% of households have at least one spare bedroom).

4.20 The current level of underoccupancy prevents households in need of three/four-bed properties from being able to access suitable accommodation already developed in the Island. Whilst there are sufficient larger properties available to meet these housing need requirements (if mapped against the maximum bedroom profile alone, no houses larger than two bedrooms would need to be built in the private market), these houses are currently under-occupied by households with lower bedroom requirements. The risk of developing more properties of this size is that Guernsey is fuelling the demand for under-occupancy, rather than an efficient use of its housing stock, as well as making no adjustment for the demographic shift that will occur as the population ages. The expectations of the SSHI have to be balanced against people's current behaviours, expectations and demands as well as the future provision requirements.

4.21 Whilst measures can be introduced to encourage right-sizing, there are a wide range of factors that discourage and prevent households from relocating and it is unrealistic to suddenly expect 100% of under-occupying households to right-size. If right-sizing is to be encouraged, it can only be achieved if there are suitable and attractive properties for people to move to that meet their housing needs to age well in their home. A key step in this is demonstrating to developers why it is important to encourage right-sizing in the market and, in particular, how targeting housing for older people to right-size into is just as important as targeting housing for first-time-buyers and family accommodation.

4.22 This has to be a starting point and in delivering against the proposed private market profile mix set within the SSHI, this provides the first step towards incentivising this objective trend while further work is done on the motivations and requirements of older people seeking to right-size.

4.23 Any move to change housing behaviour also needs to consider the current status of Guernsey's housing market. The levels of housing demand and the shortage of supply in all sectors of the market are unprecedented and any movement away from the current profile needs to be treated carefully so as to not exacerbate the current pressures. It is accepted that a transition out of the current housing position is needed before more efficient housing use can be realised. The current focus must be on addressing the stark housing market pressures being experienced and in increasing the supply within all sectors to help alleviate the current position.

4.24 Therefore, in order to make a move towards right-sizing, whilst balancing the sensitivity of the current housing market, the Committee is recommending the profile split of 85% current profile, 10% of bedroom allocations at the maximum profile and 5% at the intermediate profile to encourage an element of gradual behavioural change.

4.25 In reaching this profile split, the Committee has considered more stringent options to right-sizing such as applying 75% of the current profile, or even 50% of the current profile[19], however it felt that, at this stage, severe changes in behaviour of this type cannot happen in one step and with the current housing supply pressures.

4.26 It may well be that if, and when, incentives and intervention for right-sizing are introduced, together with plans for a wider availability of suitable properties to right-size into, a more stringent move away from the current profile could be applied. This will be continually reviewed by the Committee and will be informed through the Market Intervention Project that will seek to better define the

[19] Appendix 3 sets out the modelled results for these private market profile mixes.

issues, incentives, motivations and advantages that exist for both older people and developers to enable units of this type to be developed so this behavioural movement can occur.

Affordable Housing Indicator

4.27 It is estimated that 721 (+/-72) additional units of accommodation will be needed in the Social Rental and Partial Ownership tenures between 2023 and 2027. This equates to an average annual requirement of 144 units (+/-14). This figure is representative of the current Affordable Housing waiting lists and the increasing need trend that has been experienced over recent years.

4.28 At present, 10.3%[20] of Guernsey's residential units are within the Affordable Housing tenure. This includes Social Rental (9.5%) and Partial Ownership (0.9%). If Guernsey was to successfully deliver against both the proposed Private Market Indicator (844 units) and the proposed Affordable Housing Indicator (721 units), it would adjust this proportion to approximately 12% of Guernsey's total residential units. While this is an increased proportion, it is still a significantly lower proportion than, for example, Jersey (14.4% - Social Rental tenure only) and England (17.6% - Social Rental (16.6%) and Shared Ownership (1%) tenures).

4.29 In considering the housing needs and profile mix of this component of the SSHI, the Committee *for* Employment & Social Security has been consulted and its advice and input has been adopted in the Committee *for the* Environment & Infrastructure's proposals.

4.30 Within the Affordable Housing Indicator, 473 properties are projected to be needed in the Social Rental Housing tenure, where States of Guernsey owned or GHA owned housing units are rented below market value to households on low incomes, or with other needs identified by the Committee *for* Employment & Social Security. These properties are distributed by size as shown in Table 4.2.

[20] Guernsey Facts & Figures 2022 - Facts and Figures Booklet - States of Guernsey (gov.gg).

4.31 Table 4.2: Social Rental Property Sizes

	Social Rental Requirements		
	Bedroom Standards Applied: 90% Minimum Bedroom Profile, 10% Maximum Bedroom Profile		
No. of Bedrooms	Number of Additional Units Required by 2027		Number of Additional Units Required by 2040
	Projection	10% Range	
1	**350**	*(315-385)*	571
2	**224**	*(202-246)*	272
3	**-356**	*(-320- -392)*	-357
4	**154**	*(139-169)*	151
5	**69**	*(62-76)*	68
5+	**32**	*(29-35)*	31
TOTAL	**473**	*(426-520)*	736

4.32 In order to ensure consistency with current policy, the bedroom standards applied within the Social Rental tenure were determined by the Social Housing Allocations and Eligibility Policy[21]. The policy is aligned to the minimum bedroom profile, which allocates one bedroom to a co-habiting couple, one bedroom to up to two children under 11 years or up to two children of the same gender between aged 11 to 18 years, and to any single adult over 18 years. This is a pure need-based assessment.

4.33 To support the Allocations and Eligibility Policy, 90% minimum profile was applied to the Social Rental tenure. The remaining 10%, has been projected based on the maximum profile to reflect the proportion of Social Rental households with more complex needs that cannot be met through the application of the minimum profile.

4.34 The maximum profile allocates each child and single adult their own bedroom and provides the household with a spare bedroom. By projecting 10% of needs in line with the maximum profile, the accommodation developed in the tenure should provide the flexibility to cater for households with shared custody agreements or in need of a room for a carer. The level of 10% for the maximum profile component was based on analysis of the current waiting list needs as a quantifiable sample of overall housing need of this nature.

4.35 Unlike in the private market, the modelling for the Social Rental tenure does not include any adjustments to account for excess properties in a housing size category. In the private market projections, it has been assumed that 'spare' housing in larger categories will default to be occupied by households requiring smaller properties. Whilst the occupation of larger properties by smaller

[21] Social Housing - Allocations and Eligibility Policy

households is very common behaviour driven by private market forces, the assumption is less applicable to the more heavily controlled Social Rental tenure.

4.36 Landlord rights in place for the GHA and the States owned social rental housing allow Social Rental households to be transferred between housing stock to limit under-occupancy and ensure a greater efficiency in the use of accommodation. In addition, there is a pool of Social Rental applicants and occupiers with specific accessibility, medical and mobility needs that mean it is not possible for them to under-occupy a standard three-bed property, further reducing the suitability of an automatic adjustment into this less needed property size.

4.37 Without an automatic adjustment, the Social Rental tenure figures include a negative requirement of -356 three-bedroom units, as shown in Table 4.2. In reality, at present, there are no three-bedroom properties left vacant due to tenants either:

a) temporarily under-occupying the larger properties, primarily due to the property previously being used to accommodate the family, but where the children have now moved out to form their own household leaving the parent(s) under-occupying. While there is a lengthy new applicant waiting list for smaller properties, a policy decision has been made to pause the transfer of these under-occupying tenants; or

b) dining rooms in three-bedroom units being used as an additional bedroom (i.e. they are being used as four-bedroom properties), meaning such houses now provide less communal space than their original design. This, however, is not a long-term solution and is not a suitable solution for all tenants or applicants.

4.38 This mismatch of stock, while utilised, highlights the change in approach in the eligibility for Social Rental housing over recent decades away from purely family accommodation to a provision for the full cross section of society. If the Social Rental tenure's housing needs are to be met, it clearly demonstrates the urgent need for not only smaller properties but also larger properties to accommodate Social Rental tenure households' needs.

4.39 It is essential that small properties continue to be developed to meet this need and these very specific housing requirements are not displaced.

4.40 Unlike in the private market where larger properties have been built and, as such, have met the projected needs for larger properties, in the Social Rental tenure there is a requirement for additional 5-bed and 5+ bed properties. This reflects the mis-match of existing housing stock property sizes to the current household needs that have evolved over time within this tenure. When States-owned Social Housing was originally built, the focus was on providing 3-bed family homes.

However, through careful management of this stock and detailed knowledge of household requirements in this tenure/on the waiting list, it is clearly evidenced that larger properties are required to house the larger families eligible for social rental housing. The Affordable Housing build programme has to now factor in this rectification.

4.41 The second component of the Affordable Housing Indicator is made up of Partial Ownership Housing, currently managed by the GHA. It is projected that 248 additional units of Partial Ownership Housing will be required by 2027, as shown in Table 4.3.

4.42 Table 4.3: Partial Ownership Housing Property Sizes

	Partial Ownership Housing Requirements		
	70% Intermediate Profile and 30% Maximum Profile		
No. of Bedrooms	Number of Additional Units Required by 2027		Number of Additional Units Required by 2040
	Projection	10% Range	
1	**115**	*(104-127)*	232
2	**75**	*(68-83)*	143
3	**23**	*(21-25)*	42
4	**25**	*(22-28)*	34
5	**7**	*(6-8)*	10
5+	**3**	*(2-4)*	3
TOTAL	**248**	*(223-273)*	**464**

4.43 Part-purchasers will be able to adopt different aspirations than the minimum profile applied to Social Rental. This is reflected in existing policy which allows part purchasers to buy a property with a spare bedroom above their current housing need allowing younger families to provide for the future. This means that some households will purchase in line with their maximum profile.

4.44 As supported by the Committee *for* Employment & Security, Partial Ownership Housing needs have been projected on the basis of a 70%:30% split between the intermediate profile for bedroom allocation and the maximum profile. This enables the desire for more aspirational housing to be met through the new housing stock for this tenure.

4.45 It is important to note that, should a new form of Partial Ownership Housing be adopted in Guernsey, such as a scheme based on 75% market value home ownership[22], further modelling would be required to understand the housing need resulting from the implementation of such a scheme and this would have to be considered as part of any scheme proposals.

[22] This is required for investigation as a result of the successful Amendment to the Government Work Plan in June 2022, Billet d'État X, 2022

Land Supply for the SSHI

4.46 Focus must be given to the land supply required to meet the headline projected housing need of an additional 1,565 units of accommodation by 2027, as well as the long-term accommodation requirements identified by the housing needs model. It is essential that the Development & Planning Authority takes into account the projected housing need when considering the options for housing land supply if the housing needs of residents are to be fulfilled and the population is to be able to grow as required to sustain the Island's economy and public services, while also balancing this with the protection of its environment[23].

4.47 The Strategic Land Use Plan sets a spatial strategy for the distribution of development which concentrates development in the two main urban centres with more limited development in identified local centres where this would enable community growth. This spatial distribution of development is longstanding and instrumental in achieving sustainable development by directing the majority of development to areas well served by shops and services. The boundaries of the Main and Local Centres are designated in the Island Development Plan. Other than in exceptional circumstances, the land supply for new residential development, and therefore capacity for new build housing units, is limited to housing land supply within these centres. Although a range of mechanisms can be considered to increase housing capacity within these Centres, such as increased density and taller buildings and more housing allocations, a significant increase in the requirement for housing land may require the States to revisit the Main and Local Centre boundaries and/or create new Local Centres through a review of the housing land supply.

4.48 The Island Development Plan and the housing land supply are informed by a Strategic Housing Land Availability Assessment ("SHLAA"). This is effectively a 'stock check' of the supply of potential development sites for housing in Guernsey in the Main Centres. Most recently, the SHLAA was updated to inform the 2021 IDP Annual Monitoring Report ('AMR'). The remaining undeveloped sites identified in the 2014 SHLAA and sites in Main Centres with a Development Framework that are without an extant planning consent, and the Regeneration Areas designated in the IDP, have been assessed for their development potential (i.e. developability, deliverability and the number of dwellings that could be achieved on the site). The total estimated yield from the 26 sites is 968 to 1,954 dwellings (however it is important to note that not all eligible sites, which are privately owned, can be guaranteed to come forward for development). This means that the capacity in the existing Main Centres is sufficient only to meet, roughly, the requirement to 2027, if developed to the current design specifications/expectations. By 2040, however, the requirement for housing will

[23] Population & Immigration Policy Review, Billet d'État XVIII, 2022

exceed the maximum assessed capacity of the land supply currently identified in the SHLAA.

4.49 The SHLAA uses a range of housing density assumptions, depending on the size and nature of the sites identified, of between 40 and 110 dwellings per hectare. Applying these densities to the forecasts suggests that, to accommodate the SSHI to 2040, using current design specifications/expectations, a total of between 31 and 84 hectares (in other words, between 41 and 114 football fields, or between 25% and 75% of L'Ancresse Common) would need to be made available for housing development.

4.50 If the current model of building in terms of building heights, density, and off-street parking is continued, it is therefore likely that there will be a substantial requirement to develop land, including green field sites. This may mean that there is a requirement to refocus in terms of building form and density in order to minimise the impacts of substantial levels of new residential development.

4.51 Whilst acknowledging that the scope is within the mandate of the Development & Planning Authority to determine, the Committee *for the* Environment & Infrastructure would like to ensure that the imminent review of the Island's housing land supply gives due consideration to policy provisions to ensure the density of a development, in particular within the Main Centres, is maximised wherever possible to limit over development on the rest of the Island. In particular, the Committee would like to ensure that due consideration is given to how planning policies might be adjusted to require that, where appropriate and feasible, the height of a development is maximised wherever possible.

SSHI Summary

4.52 Based on the outputs of the housing needs model, and the bedroom allocation policies proposed by the Committee *for the* Environment & Infrastructure, the States are recommended to endorse the SSHI as summarised in Figure 4.1.

4.53 Figure 4.1: Summary of the recommended 2023-2027 SSHI

THE STATES STRATEGIC HOUSING INDICATOR

1,565 units (+/-156 units)

PRIVATE MARKET INDICATOR

844 units (+/-84 units)

1 bed	62
2 bed	716
3 bed	53
4 bed	13
5 bed	0
5+ bed	0

AFFORDABLE HOUSING INDICATOR

721 units (+/-72 units)

SOCIAL RENTAL HOUSING

473 units (+/-47 units)

1 bed	350
2 bed	224
3 bed	-356
4 bed	154
5 bed	69
5+ bed	32

PARTIAL OWNERSHIP HOUSING

248 units (+/-25 units)

1 bed	232
2 bed	143
3 bed	42
4 bed	34
5 bed	10
5+ bed	3

4.54 The updated SSHI will have no effect unless it is incorporated into the States' policies and operations. Section 5 examines how the SSHI will be used to inform policy development and how flexibility will be built into its implementation to ensure it can react to changes in market conditions and to more complex household or developer circumstances.

5 Use of the SSHI – How will the States Strategic Housing Indicator be applied?

5.1 To exert an influence on the development environment and to support the delivery of States objectives, the SSHI is used to inform States housing, infrastructure, population and spatial planning policy. It is a key contributor to the development of planning policy and setting the requirement for the ongoing pipeline supply of housing planning permissions, as well as supporting the States' funding decisions in relation to the Affordable Housing Development Programme.

5.2 The SSHI is not, however, a target to be delivered by the States. Within the private market, the States cannot control what sites come forward for development or the implementation of planning permissions, nor force developers to construct particular types of housing units in all cases. Developers' decisions are influenced by specific site conditions and external matters outside of the control of the States at this time, such as finance availability and conditions, the capacity of the construction industry, profit margins, site specifics and personal choice. The application of the SSHI, therefore, has to be flexible to

allow developers to respond to changes in market conditions and enable development to take place where households have more complex or exceptional needs.

5.3 An appropriate mix, type and size of housing is required to ensure that all the community's housing needs can be met. This is reflected in the Strategic Land Use Plan which seeks to ensure that provision is made not only to meet the requirement for the number of new homes, but that they are also of an appropriate mix of tenures, sizes and types to meet the Island's housing needs. Therefore, where a site can accommodate a variety of dwellings, relevant planning policies generally expect for it to be developed with a mix of type and unit sizes aligned to those identified as being most needed by the Island at any given time. The SSHI is used to inform that need.

5.4 However, not all sites will be able to accommodate a variety of dwellings and it is acknowledged in the Island Development Plan that there will be important economic or social reasons, in some cases, to provide a particular housing type or size. The SSHI is a guide to housing need and will not in itself preclude the development of unit sizes that are different to those specified as needed by the Island, for example five-bedroom properties, if the specific circumstances of a site were to make this appropriate or necessary. It is important to also clarify that planning policies allow for the creation of residential units outside of the centres but only through conversion of redundant buildings and subdivisions and also for the demolition and rebuilding of existing dwellings on a one-for-one basis. The spatial policy does not give scope for these sites to provide additional new build housing units so they would not be considered capable of accommodating a mix of unit sizes to which the SSHI property size indicator would apply.

Supporting Policy Priorities

5.5 By understanding the number and mix of property tenures and sizes needed in the Island, the States is better able to identify issues for the policy agenda, inform decisions about policy content and direction, and evaluate the impact of potential policy decisions.

5.6 Given the current pressures on housing availability and the increase in housing purchase and rental costs, a thorough understanding of housing need is vital to support the analysis and implementation of any measures to alleviate the market strain. This includes support for actions within the wider 'housing' workstreams of the Government Work Plan[24].

[24] Government Work Plan 2022, Billet d'État X, 2022

5.7 A targeted review of some land use policies, which will include the Island's housing land supply, has also been prioritised as part of the Government Work Plan commencing in Q1 2023. There is a statutory requirement for the Development & Planning Authority 'from time to time' to consider whether any alterations to the Island Development Plan are necessary and, if they are, to then amend the Plan and also to review the housing land supply within five years of the adoption of the Plan in 2016. Although this was paused by the States due to the Covid pandemic, it will form part of the targeted review of certain policies commencing January 2023. The SSHI will inform the housing land supply review and the potential designation of land for housing within the Island Development Plan. This is of the utmost importance to ensure that land use planning is relevant and continues to be an enabler for government objectives and priorities.

5.8 The Island Development Plan also requires the Development & Planning Authority to ensure that sufficient planning permissions are in place to maintain a two-year 'pipeline' supply of housing. The quantity of housing units which constitutes a two-year supply is determined by the SSHI.

Application of the Affordable Housing Indicator

5.9 Relative to the private market, the States has more power to influence the alignment of Affordable Housing supply to Affordable Housing need.

5.10 The Affordable Housing Indicator in the SSHI forms the foundation for the Affordable Housing Development Programme. This programme is delivered by the Guernsey Housing Association under the direction of the Committee *for* Employment & Social Security, with supportive funding made available through a capital allocation agreed by the States in 2021.

5.11 The Affordable Housing Indicator sets the additional Social Rental and Partial Ownership housing units needed between 2023 and 2027 and thereby helps inform future land purchase decisions, the number, tenure and size of units to be built and any change of tenure within the existing Affordable Housing stock. It also helps plan the funding support required to deliver this programme if the Island's Social Rental and Partial Ownership housing needs are to be met.

5.12 Over the next four years, the development programme will need to take particular account of the mismatch between current Social Rental stock and the projected Social Rental housing needs. The projected need is for the majority of developed units to be smaller properties, with also a significant requirement for four-bedroom units, but the Social Rental stock comprises a high proportion of three-bedroom properties due to the historic build programme and prioritisation of Social Rental housing for smaller families over single people and couples. The data in Table 4.2 shows that if the Affordable Housing Development Programme delivers against each of the unit sizes alone, without regard to the bigger picture,

it risks a surplus in 3-bedroom properties in the future – a situation that must be avoided.

5.13 The Committee *for* Employment & Social Security will need to give this area detailed consideration as part of its wider development programme and stock management to ensure housing needs are met through an efficient use of housing stock but also balanced through its management of budget and consequential void costs if the number of transfers within its stock are increased.

5.14 Consideration will need to be given to whether some three-bedroom units from the Social Rental tenure can be converted to Partial Ownership or Key Worker housing in the long run perhaps; whether some three-bed properties can be subdivided or extended to better meet the needs of future households; there is potential for predominantly three-bedroom estates to be redeveloped so that unit sizes more closely align to the identified housing needs for this tenure; and how under-occupying tenants in three-bedroom properties should continue to be treated in the long term so they are not unfairly disadvantaged in terms of rent or Income Support assessments.

5.15 Reviewing the options for Social Rental properties is an extensive, but essential, piece of work which will need to be informed (at the very least) by the robust and up to date evidence about supply needs provided by the SSHI alongside the financial considerations that they present.

6 Monitoring and Review – When will the SSHI be refreshed?

6.1 The States is under Resolution to produce a housing needs study at intervals no greater than five years[25]. As with the latest housing needs study, the results are used to update the SSHI. The SSHI cycle is in place to balance the risk of any changes to population need with the planning horizons and certainty required by housing developers. The Committee recommends that formal updates to the SSHI through the States of Deliberation continue to be made every five years or more frequently if the States, or the Committee, identifies a particular requirement. The in-house operation of the housing needs model, however, now provides the opportunity to monitor any changes to housing need more closely and more frequently than just once every five years.

6.2 It is proposed that the housing needs model be run every year, with the findings reported to both the Committee *for the* Environment & Infrastructure and the Committee *for* Employment & Social Security for review. This provides both Committees with the opportunity to review housing need more regularly and to consider if policies and initiatives continue to provide adequate supply or whether amendments are required.

[25] 'Survey of Guernsey's Housing Needs,' Article 9, Billet d'État IX of 2002

6.3 It is also proposed that these findings be published for complete transparency on the Island's housing needs.

6.4 Each time the model is run with more up-to-date data, it will pick up any trends in housing behaviour which will then be reflected in the results. In the event that the results of the annual modelling process vary from the 10% tolerance for the SSHI, then the results would be presented to the States of Deliberation with a proposed revision to the indicator. This allows the SSHI to take account of more extreme market changes and reduces the risk of the SSHI becoming misaligned from population need over the five-year period.

6.5 Regular updates on the SSHI will also be provided through the Development & Planning Authority's Monitoring Reports, which will provide clear performance data on how the Island is meeting the SSHI and its components.

6.6 In line with Rule 4(1)(a) of the Rules of Procedure of the States of Deliberation and their Committees, it is recommended that, should any policy changes presented to the States have an impact on the Island's housing need requirement, a section should be included within the relevant Policy Letter to inform the States of the impact of each policy proposal on the Island's housing need. This reporting will be supported by the in-house operation of the housing needs model, which can be adjusted to test policy options.

6.7 The annual 'running' of the housing needs model, and any ad hoc modelling as part of the policy development process, will have a staff resource requirement. It is acknowledged that while the ownership of the model sits with the Committee *for the* Environment & Infrastructure, the data input and operation of the model requires support from appropriately skilled centralised resource.

6.8 It is estimated that about three weeks of officer time would be required to deliver the annual update. This is expected to be managed within existing budgets and resources.

6.9 If the propositions in this Policy Letter are agreed and unless the States of Deliberation, the Committee *for the* Environment & Infrastructure or the Committee *for* Employment & Social Security identify a reason to do so sooner, the next formal SSHI update to the States of Deliberation is expected to be in 2027 to set an SSHI for 2028–2032.

7 Compliance with Rule 4

7.1 Rule 4 of the Rules of Procedure of the States of Deliberation and their Committees sets out the information which must be included in, or appended to, motions laid before the States.

7.2 In accordance with Rule 4(1):

a) The Propositions contribute to the States' objectives and policy plans and deliver the action titled 'Progress proposals to the States on the States Strategic Housing Indicator' prioritised within the Government Work Plan.

b) In accordance with Rule 4(1)(b), the Committee can advise that in preparing the Propositions, consultation has been undertaken with the Committee *for* Employment & Social Security in relation to the Affordable Housing Indicator, the delivery of which falls within that committee's mandate.

c) In accordance with Rule 4(1)(c), the Propositions have been submitted to Her Majesty's Procureur for advice on any legal or constitutional implications.

d) There are no direct financial implications to the States of carrying the proposals contained within this report.

7.3 In accordance with Rule 4(2):

a) In accordance with Rule 4(2)(a), the Propositions relate to the duties of the Committee for the Environment & Infrastructure in respect of "general housing policy in relation to land use, spatial planning and infrastructure".

b) To comply with Rule 4(2)(b) of the Rules of Procedure of the States of Deliberation and their Committees, it is confirmed that the Propositions attached to this Policy Letter have the unanimous support of the Committee *for the* Environment & Infrastructure.

Yours faithfully

Committee *for the* Environment & Infrastructure

H L de Sausmarez
President

S P Haskins
Vice President

A Cameron
S Fairclough
A Gabriel

J Niles
Non-States Member

M Palfrey
Non-States Member

APPENDIX 1

GLOSSARY OF TERMS

Affordable Housing	Specific accommodation units owned and/or managed by the States of Guernsey or a registered housing association reserved for people who cannot meet their needs in the private market without assistance. Comprises 'social housing' and 'intermediate housing'. 'Social Housing' is reserved for households on low incomes or with other needs identified by the Committee *for* Employment & Social Security. It includes Social Rental Housing, Specialised Housing and Key Worker Housing. 'Intermediate Housing' is offered on a part ownership basis. It includes Partial Ownership Housing, shared equity or low-cost ownership or similar schemes. It is mainly aimed at households that are ineligible for Social Housing but cannot meet the full cost of renting or buying appropriate housing on the private market without support. The only 'intermediate housing' scheme in operation in Guernsey at present is the GHA's Partial Ownership Scheme.
Affordable Housing Indicator	A component of the States Strategic Housing Indicator and the number of additional units of accommodation that need to be made available for Affordable Housing to meet the Island's projected Affordable Housing needs.
Bedroom Allocation Policy	The policy under which bedrooms are allocated to households in the housing needs model based on a household's composition and tenure.
Bedroom Allocation Profile - Current Profile	This profile assumes all households are suitably housed and will remain in their current sized unit of accommodation unless they are on a waiting list for a tenure of Affordable Housing. It projects the housing stock required based on current profile and behaviour trends, i.e. that where there is a pattern of under or over-occupancy of properties this behaviour will continue.

Bedroom Allocation Profile - Minimum Profile	Under this profile, one bedroom is allocated to each of the following in a household: • A co-habiting couple, • Up to two children under 11 years, • Up to two children of the same gender between aged 11 to 18 years, and • Any single adult over 18 years. This profile represents a strict application of the Social Rental Allocation and Eligibility Policy used for the social rental housing tenure.
Bedroom Allocation Profile - Intermediate Profile	This profile is similar to the minimum profile however it ensures that each child and single adult has their own bedroom. One bedroom is allocated to the following: • A co-habiting couple, • Each child, and • Any single adult over 18 years.
Bedroom Allocation Profile - Maximum Profile	Under this profile, each household is allocated a spare bedroom above the intermediate requirements of the projected household members. One bedroom is allocated to the following: • A co-habiting couple, • Each child, • Each single adult over 18 years, and • A spare bedroom.
Guernsey Housing Association (GHA)	An independent not-for-profit company limited by guarantee. The GHA is a registered housing association owning and managing Social Rental, Partial Ownership, Specialised Housing and Key Worker Housing units.
Housing Demand	The type and number of housing units that a household will choose to occupy or own, given their preference and ability to pay. It does not necessarily match their housing need.
Housing Need	The size and tenure of unit required for a household to live in accommodation that is affordable, adequate and secure. Collectively 'housing need' is the shortfall in housing units required for all households to live in accommodation that meets their essential needs.
Housing Need - Adequate Housing	Housing which meets the necessary standards (e.g. safety, condition) and meets the requirements of its occupants (e.g. accessibility, privacy, size).

Housing Need - Affordable Housing	Housing which is affordable to the residing household based on housing costs as a proportion of available income.
Housing Need - Secure Housing	Housing which is at low risk of being lost to the residing household.
Housing Tenure	The legal status under which people have the right to occupy accommodation. Different types of tenure are used to categorise accommodation.
Key Worker Housing	There is no States agreed definition of 'Key Worker' at present but 'Key Worker Housing' in this context refers to States-owned, GHA-owned and private rental housing units reserved for, and occupied by, off-island recruited health (and some teaching) essential staff. A tenure of Social Housing.
Overoccupancy	The occupancy of a unit of accommodation by more people than it is assessed should be accommodated by that unit.
Partial Ownership Housing	Housing where a portion of the property is purchased by the resident and rent is paid on the remainder of the property. A tenure of Intermediate Housing operated by the GHA.
Private Market	Owner-occupied and private rental units. Owned or rented outright at private market rates.
Private Market Indicator	A component of the States Strategic Housing Indicator and the number of additional units of accommodation that need to be made available in the private market to meet the private housing market's projected needs.
Property Size	The number of bedrooms in a unit of accommodation.
Right-sizing	Moving from a property that does not exactly meet a household's current housing needs to one that does. This would include moving from a larger property to a smaller property that directly meets the household's profile requirements.
Social Rental Housing	Housing rented below market rates to households on low incomes or with other needs defined by the Committee *for* Employment & Social Security. A tenure of Social Housing.

Specialised Housing	Housing where a degree of support or care is provided to allow residents to live as independently as possible. A tenure of Social Housing.
States Strategic Housing Indicator (SSHI)	A States-agreed figure which sets out the total number of additional accommodation units that should be created each year if Guernsey is to meet its housing need. The SSHI can be further split into the Affordable Housing Indicator and the Private Market Indicator.
Underoccupancy	An under-occupied dwelling is a dwelling deemed to have too many bedrooms for the needs of the household living in it.

APPENDIX 2

METHODOLOGY OF THE HOUSING NEEDS MODEL

Guernsey's housing needs model has been developed to provide a tool for estimating the Island's future accommodation need. It is intended to support the development and continued review of the SSHI and will itself be subject to improvement efforts as the SSHI is reviewed.

This appendix provides further information on the structure and workings of the model based on a series of Frequently Asked Questions ("FAQs").

1. What is the purpose of the Housing Needs Model?

The model has been designed to estimate housing need by tenure and property size. It has been used to generate the estimates of housing need required to inform:

- **A States Strategic Housing Indicator** – an estimate of the total number of additional housing units required to meet the Island's housing needs. The proposed SSHI estimates housing need between 2023 and 2027, including an average annual need.
    - **A Private Market Indicator** – the proportion of the SSHI which needs to be made available in the private market.
    - **An Affordable Housing Indicator** – the proportion of the SSHI which will need to be available as Affordable Housing, i.e. housing which is owned and managed by the States or the GHA and which is reserved for people who cannot meet their needs in the private market.
        - **Social Rental** – within the Affordable Housing Indicator, comprises the proportion of units which need to be made available, at a subsidised rent, to qualifying households.
        - **Partial Ownership** – the housing need for the Partial Ownership scheme (a scheme through which people may a portion of a property and pay a discounted rent on the remaining portion).
- **Property Size Indicators** – based on the number of bedrooms, these indicators represent the mix of property sizes required in each tenure.

2. Why have indicators for Key Worker and Specialised Housing not been provided?

At this stage, the model has not been used to itemise accommodation requirements in the Key Worker Housing and Specialised Housing tenures. Existing housing, and the households residing in this housing, have been excluded.

Whilst the model can break the SSHI down to this level, specific indicators for these individual tenures will not be proposed until work on the Key Worker Housing Project, Elderly Tenures Project and Market Intervention Project[26] have been completed. These

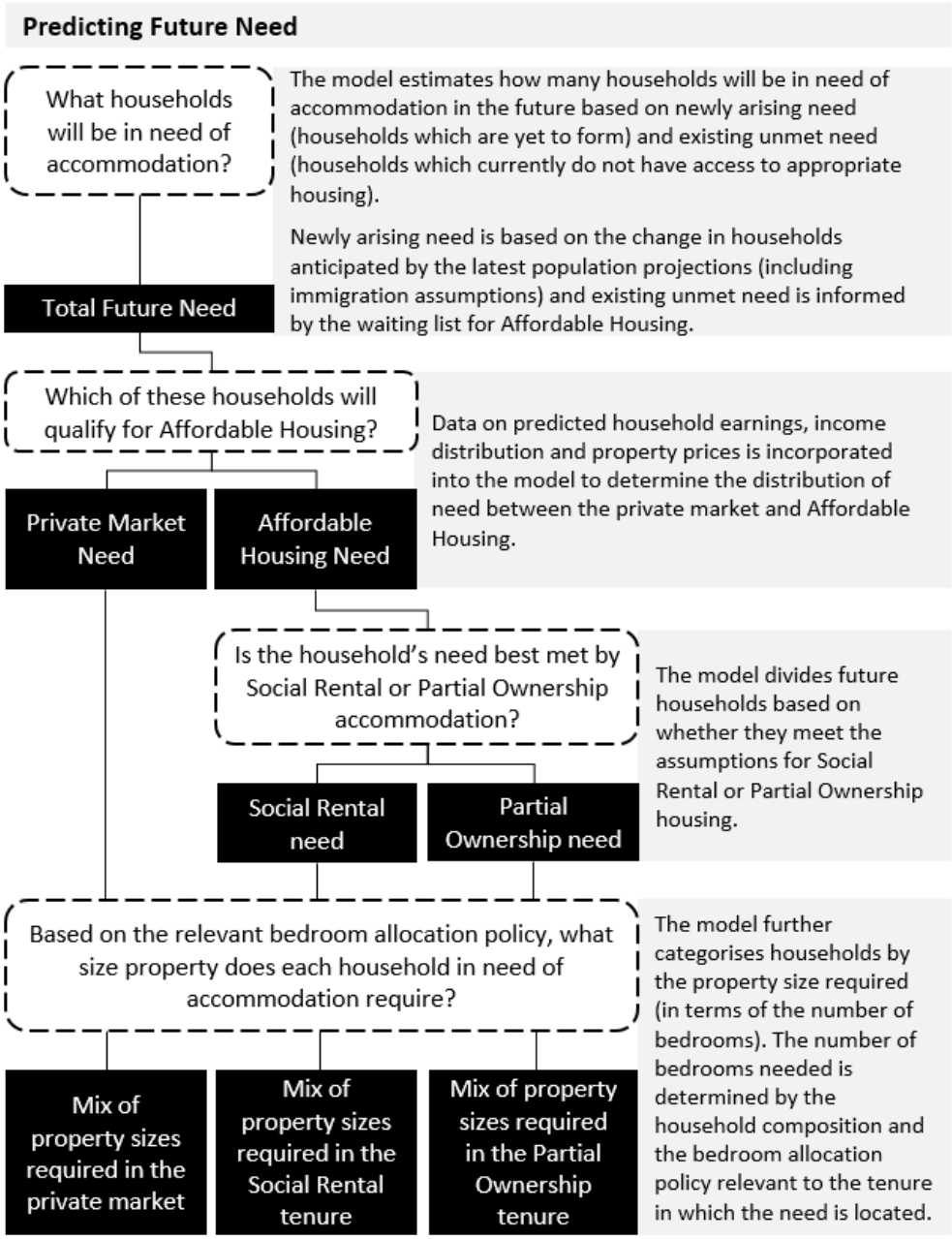
[26] These three projects are prioritised for commencement in 2023 in the Government Work Plan 2022, Billet d'État X, 2022

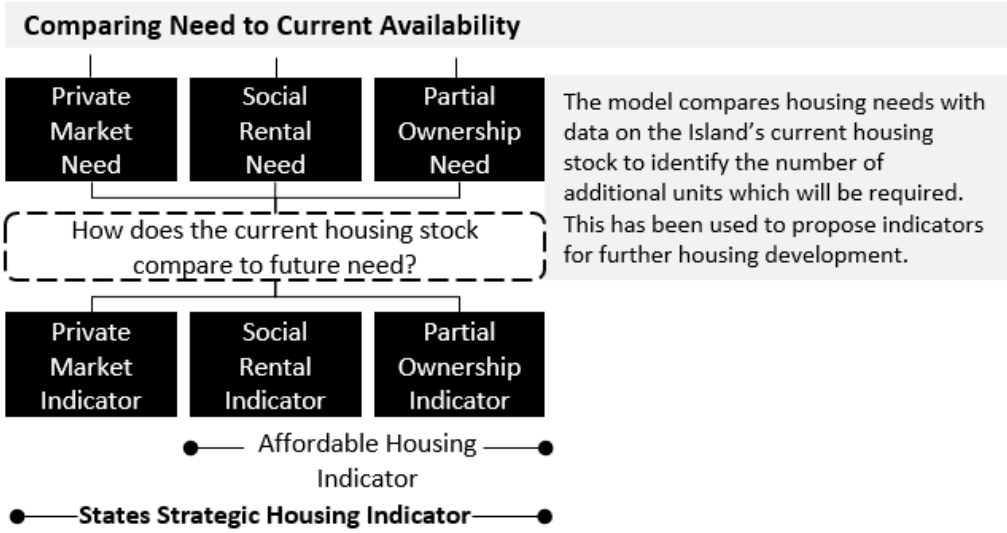
projects are likely to have a significant impact on the policy context for Key Worker and Specialised Housing and, as relatively small tenures, a change in policy position has the potential to have a material impact on the projected need.

Once these tenures are added to the model, there is the potential for the overall Affordable Housing Indicator to increase. Households which would qualify for Key Worker or Specialised Housing, but are not living in categorised key worker accommodation, are still included in the model. The model assumes that key workers or those in need of specialised accommodation in the future will continue to have their needs met in the tenure where they are currently housed.

3. How does the model estimate future housing need?

The model considers the difference between the Island's current housing stock and the housing needs of the future population.





4. What data has been used to project the requirements of future households?

Guernsey's Housing Needs Model draws on multiple databases to help estimate the Island's housing need.

The main sources of data are:

- **Rolling Electronic Census**[27] – the model uses the Rolling Electronic census data to identify and contextualise existing households. The census collates data from multiple sources on a regular basis (such as the tax system and social security contributions).
- **Population Projections** – the model uses the latest population projections, released in 2022, to forecast the number and structure of future households. In line with recently agreed policy, the results are based on 1.5 Fertility and +300 net migration.

As Affordable Housing tenants are required to submit household data to inform their eligibility assessment, the data available on households in the private market and the Affordable Housing Market is available in different levels of detail and from different points in time.

- **Private Market**
  The private sector projections are based on household composition data from the Rolling Electronic Census as at 31/12/2017. i.e. the number of people in a

[27] The last traditional census in Guernsey was held on 29th April 2001. A reliable method for counting the population using administrative records was developed in 2006 and has subsequently been developed upon via the Rolling Electronic Census Project. As a result of the Project, comprehensive Guernsey population statistics are available more frequently than in other jurisdictions and at a lower cost. The first collection of information, which was published in the Electronic Census Report in March 2015, includes a breakdown of population by parish, school catchment and (then) voting district along with a host of other information in addition to regular updates to population trends.

household and their age and gender. This is the latest available household data which includes relationships links within the household e.g. cohabiting couple, child etc.

The model is also able to identify households which may be eligible for Affordable Housing by assessing their household income in 2017 inflated to 2021.

This is the best available data that Guernsey currently has in this area.

- **Affordable Housing**

  The States has more detailed and recent data to inform the Affordable Housing market projections. The model uses household data collected by the Committee *for* Employment & Social Security on the composition of existing tenant households, i.e. the number of people in a household and their age and gender, as at 31/12/2020.

  The model also uses the waiting list from Q4 2021 for Social Rental Housing to estimate current unmet need. Households on the waiting list are assumed to be currently inappropriately housed, either in other Affordable Housing properties or in the private market and need to be added to the Affordable Housing Indicator outside of the 25% transfer of newly arising demand (see FAQ 9 for more detail).

  The waiting list for Partial Ownership Housing was not added to the unmet need component of Affordable housing. It was assumed that these households are currently appropriately housed and that their need would be accounted for by the transfer of 25% of the newly arising demand in the private market (see FAQ 9 for more detail).

5. <u>What data is used to understand current housing availability?</u>

The model uses data on Guernsey's existing domestic property units, including:

- The **tenure of the property** (e.g., private market or affordable) this matches the household data from 2017.
- The **type of property** (i.e. house, bungalow, apartment etc.) as at 31/12/2020.
- The **number of bedrooms.** This data was originally collected in 2001 but has been adjusted to improve accuracy (see FAQ 7).

6. <u>What has been excluded from the model?</u>

Only households residing in Guernsey are included in the model.

The private market modelling excludes entirely hotel and staff accommodation as they do not represent suitable accommodation for long-term occupation and any resident

households are assumed to be in the Island for a short term only. All dedicated Key Worker Housing is also excluded from the dataset.

The remaining data must meet strict criteria to be used to project the number of different household compositions in the future and the final count of each household type is then adjusted to meet the total number of households originally included in the model. In order to be used in the forward projections the data must meet the following criteria:

- Be a consistent household (household members have been consistent for a period of time i.e. one year),
- Be a household with at least one adult in the household,
- Be a household with less than 10 occupants, and
- Be a household with a valid no. of bedrooms i.e. >0.

The model uses the data that meets the criteria to adjust the qualifying households to the total households for the base year of 2017 and then projects forward based on the population projections.

For the Affordable Housing Market, households residing in specialised housing, such as care homes, sheltered/supported living and key worker accommodation, have been excluded from the Affordable Housing model.

7. How has the data on housing stock been adjusted to ensure it is as accurate as possible?

Housing Stock: Whilst full 2022 data is not yet available, adjustments have been made to account for the 460 new builds in the private sector that, through planning and building control data, are known to have been built between 2018 and Q3 2022.

Bedroom Number: Comprehensive bedroom data was last collected as part of the final traditional census in 2001. The data is updated each time a property has been put up for sale. An exercise carried out showed that since 2016 approximately 20% of properties had been updated. All updates included in the bedroom data as of March 2022 have been reflected in the model.

The data has also been adjusted based on property extensions since 2001. An additional bedroom has been added to properties which:

- Have been identified as having an extension approved by planning since 2001,
- Have been identified as having started construction for an approved extension application,
- Are categorised as a ‘Bungalow’ or ‘House’,
- Do not have zero bedrooms recorded in data provided by Data Analysis team i.e. the data is incomplete, and
- Have not been updated after the construction start date of the extension.

It is acknowledged that not all extensions result in an additional bedroom, however this overcount may be offset by the unseen increase in bedroom numbers resulting from internal subdivisions or room conversions that may not have gone through Planning.

8. How have households been divided between Private Market and Affordable Housing?

The projections for Affordable Housing are based on those households currently residing in Social Rental and Partial Ownership Housing, the waiting list for Social Rental Housing and a percentage of the newly arising need in the private sector between now and 2027.

An analysis of household earnings, income distribution and property prices determined that 25% of the newly arising need projected in the private market would need to be met through Affordable Housing. Of this 25%, 9% of newly arising need was allocated to Social Rental Housing to reflect the current proportion of Social Rental to private market properties. The remaining 16% was allocated to Partial Ownership Housing (as this provision should adequately cover the Partial Ownership waiting list, the Partial Ownership waiting list has not been included in the modelling for Affordable Housing unmet need (see FAQ 4)).

9. How has housing need been categorised by property size?

The model is capable of projecting property size requirements based on a mix of different bedroom allocation profiles. The model allows the user to select a percentage from each of the profiles and view the number of additional properties needed by the number of bedrooms required. The four profiles are:

- **Current Profile:** This profile assumes all households are suitably housed and will remain in their current sized property unless they are on a waiting list for a tenure of Affordable Housing. It projects the housing stock required based on current profile and behaviour trends, i.e. that where there is a pattern of under or over-occupancy of properties this behaviour will continue. This is the approach taken in previous housing need studies and does not attempt to directly match housing property size with actual housing needs. Instead, it represents the current behaviour of demand for certain property sizes in the marketplace. Under this profile, for example, a pensioner household currently occupying a four-bedroom property will be assumed to require a four-bedroom property going forward.

- **Minimum Profile:** Under this profile, one bedroom is allocated to each of the following in a household:
    a) A co-habiting couple,
    b) Up to two children under 11 years,
    c) Up to two children of the same gender between aged 11 to 18 years, and
    d) Any single adult over 18 years.

This profile represents a strict application of the Social Rental Allocation and Eligibility Policy used for housing social rental tenants.

- **Intermediate Profile:** This profile is similar to the minimum profile however it ensures that each child and single adult has their own bedroom. One bedroom is allocated to the following:
    a) A co-habiting couple,
    b) Each child, and
    c) Any single adult over 18 years.

- **Maximum Profile:** Under this profile, each household is allocated a spare bedroom above the intermediate requirements of the projected household members. One bedroom is allocated to the following:
    a) A co-habiting couple,
    b) Each child,
    c) Each single adult over 18 years, and
    d) A spare bedroom.

10. <u>What is the basis for the bedroom allocation policies adopted for each tenure?</u>

The following profile mixes have been applied to each tenure:

Tenure	Split	Reasoning
Private Market	**85% Current, 10% Maximum and 5% Intermediate**	The current usage of stock in the private market shows a significant degree of underoccupancy, particularly in larger properties and amongst pensioner households. Wider housing policy is likely to encourage a degree of right-sizing to improve housing efficiency. The proposed split allows for some reduction in underoccupancy whilst assuming that, in the short term, current behaviours and demands are likely to continue for the majority of the Island's households.
Social Rental	**90% Minimum and 10% Maximum**	The minimum profile is based on the existing allocation policy for Social Rental housing. A number of tenants, however, have more complex needs (such as shared custody arrangements or care requirements) which demand a spare bedroom. An analysis of tenant and prospective tenant households suggests about 10% of social rental households require the maximum profile (a single spare bedroom).
Partial Ownership	**70% Intermediate**	The policy of the Partial Ownership scheme was recently updated to enable households to purchase properties with a spare bedroom. This was intended

	and 30% Maximum	to allow families to purchase properties which allowed for a change in household composition in the future. There is not yet sufficient data to precisely predict take-up of properties with a spare bedroom, however an estimated 70/30 split has been applied at this stage to represent a balance between aspiration and affordability.

The bedroom allocation policies for each tenure are applied independently and can be varied in future iterations of the model to reflect any changes in policy or circumstance.

11. How have the results been adjusted for negative requirements?

In comparing housing need and current housing stock, the model has the potential to generate negative results. This will occur where there is an excess number of existing properties relative to the projected need in the category. For the private market and Partial Ownership Housing, it is assumed that excess properties in one category will be inhabited by households which, under the bedroom allocation policy, would be assigned larger or smaller properties. The application of this assumption is illustrated in the table below. Please note that the numbers used in the table are for illustration only and are not the same as the figures proposed for the 2023-2027 SSHI.

No. of Beds	Diff with base 2027	Required by 2027	Adjustment
1	(150)	0	There is an oversupply of one-bedroom properties. This has been adjusted to 0 in the indicator.
2	295	145	It is assumed that the oversupply of one-bedroom units will be occupied by some households which would be allocated two-bedroom properties under the bedroom allocation property. This has reduced the indicator to 145 properties (295-150).
3	740	740	The need for three-bedroom units has not been adjusted.
4	210	137	It is assumed that the oversupply of units with over five bedrooms will meet part of the need for four-bedroom properties. The indicator for four-bedroom properties has been adjusted from 210 to 137 to reflect this over supply (210-(77-4)).
5	4	0	It is assumed that four of the excess properties with more than five bedrooms will be used to meet the need for all households requiring four beds, this reduces the indicator to zero.

>5	(77)	0	There is an oversupply of 77 properties with over five bedrooms, the indicator has been adjusted to zero.
	1,022	**1,022**	

The same assumption has not been applied in the Social Rental Housing tenure. Social Rental Housing Landlord rights in place for the GHA and the States allow Social Rental households to be transferred between housing stock to limit under-occupancy and ensure a greater efficiency in the use of accommodation. In addition, there is a pool of Social Rental applicants and occupiers with specific accessibility, medical and mobility needs that mean it is not possible for them to under-occupy a standard three-bed property, further reducing the suitability of automatic adjustments.

12. <u>What time-period does the model cover?</u>

The model can be adjusted to project housing need at different points in time. In this case, housing need in 2027, to inform the five-year indicator, and in 2040, to understand potential long-term requirements, have been calculated.

APPENDIX 3

ALTERNATIVE BEDROOM ALLOCATION PROFILE SPLITS IN THE PRIVATE SECTOR

Scenario 1: 100% Current Profile (least efficient use of housing)

When 100% current profile is used to project the distribution of property sizes needed in the private market, the housing requirements model projects that only 3- and 4-bedroom units would be required.

Whilst this would likely be the most aligned to the current market structure, it does not provide for the smaller properties which will be needed to encourage right-sizing or support first-time buyers.

	Private Market Indicator		
	100% Current Bedroom Requirement, 0% Maximum Bedroom Requirement, 0% Intermediate Bedroom Requirement		
No. of Bedrooms	Number of Additional Units Required by 2027	Number of Additional Units Required by 2027 (adjusted)	Number of Additional Units Required by 2040
1	-176	**0**	0
2	108	**0**	219
3	687	**619**	1168
4	251	**225**	431
5	11	**0**	53
5+	-36	**0**	0
TOTAL	844	**844**	1,871

Scenario 2: 75% Current Profile, 15% Maximum Profile and 10% Intermediate Profile

Under a bedroom allocation policy of 75% current profile, 15% maximum profile and 10% intermediate profile, only 1- and 2-bedroom properties would be needed.

This property size distribution would increase the supply of properties suitable for right-sizing, however it risks increasing the pressure in the housing market around 3- and 4-bedroom properties as it cannot be assumed that a sufficient number of households currently under-occupying properties will move into smaller properties over the next five years, especially without right-sizing incentives in place.

	Private Market Indicator		
	75% Current Bedroom Requirement, 15% Maximum Bedroom Requirement, 10% Intermediate Bedroom Requirement		
No. of Bedrooms	Number of Additional Units Required by 2027	Number of Additional Units Required by 2027 (adjusted)	Number of Additional Units Required by 2040
1	440	**440**	555
2	974	**404**	1316
3	-374	**0**	0
4	-9	**0**	0
5	-96	**0**	0
5+	-91	**0**	0
TOTAL	844	**844**	1,871

Scenario 3: 50% Current Profile, 30% Maximum Profile and 20% Intermediate Profile (most efficient use of housing)

Scenario 3 illustrates property size requirements should further pressure be put on the market to use land and housing more efficiently. Under this bedroom allocation policy, only 1-bedroom properties would be expected to be needed.

It is very unlikely that, even with incentives, housing behaviours will be able to change this significantly in the next five years alone. As opportunities to right-size are made available, some under-occupying households will relocate, however, it is not expected that these moves from larger properties alone will be sufficient to cater for the larger property demands of the remainder of the private housing market. This change in behaviour appears too significant without a fuller scheme for encouraging and enabling right-sizing.

	Private Market Indicator		
	50% Current Bedroom Requirement, 30% Maximum Bedroom Requirement, 20% Intermediate Bedroom Requirement		
No. of Bedrooms	Number of Additional Units Required by 2027	Number of Additional Units Required by 2027 (adjusted)	Number of Additional Units Required by 2040
1	1056	**844**	1267
2	1840	**0**	604
3	-1435	**0**	0
4	-269	**0**	0
5	-203	**0**	0
5+	-145	**0**	0
TOTAL	844	**844**	1,871

THE STATES OF DELIBERATION
of the
ISLAND OF GUERNSEY

COMMITTEE *FOR THE* ENVIRONMENT & INFRASTRUCTURE

THE STATES STRATEGIC HOUSING INDICATOR, 2023-2027

The President
Policy & Resources Committee
Sir Charles Frossard House
La Charroterie
St Peter Port

5th January, 2023

Dear Sir,

Preferred date for consideration by the States of Deliberation

In accordance with Rule 4(3) of the Rules of Procedure of the States of Deliberation and their Committees, the Committee *for the* Environment & Infrastructure requests that the States Strategic Housing Indicator, 2023-2027 be considered at the States' meeting to be held on 15th February, 2023.

Yours faithfully,

H L de Sausmarez
President

S P Haskins
Vice President

A Cameron
S Fairclough
A Gabriel

J Niles
Non-States Member
M Palfrey
Non-States Member

P.2023/1

THE STATES OF DELIBERATION
of the
ISLAND OF GUERNSEY

DEVELOPMENT & PLANNING AUTHORITY

REVIEW OF THE LAND PLANNING AND DEVELOPMENT (EXEMPTIONS) ORDINANCE, 2007

The States are asked to decide:-

Whether, after consideration of the Policy Letter entitled 'Review of the Land Planning and Development (Exemptions) Ordinance, 2007' dated 3rd January, 2023, they are of the opinion:-

1. To approve the changes proposed to policy, approved by the States of Deliberation in December 2021, relating to exemptions from the requirement to obtain planning permission for development, as set out in section 2 of the Policy Letter.

2. To agree that the Development & Planning Authority should have a power to amend Schedule 1 to the Land Planning and Development (Exemptions) Ordinance, 2023 for the purpose of amending, substituting, omitting or adding any proviso/condition to an exemption within the Schedule through the making of Regulations, as set out in section 3 of the Policy Letter.

3. To note the minor changes in relation to the land planning and development exemptions and their provisos/conditions, as set out in Appendix 1 to the Policy Letter.

4. To approve the Ordinance entitled 'The Land Planning and Development (Exemptions) Ordinance, 2023', as set out in Appendix 2 to the Policy Letter, and to direct that the same shall have effect as an Ordinance of the States, subject to Propositions 1 and 2 being approved.

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) of the Rules of Procedure of the States of Deliberation and their Committees.

EXPLANATORY MEMORANDUM

The Land Planning and Development (Exemptions) Ordinance, 2023

This Ordinance repeals and replaces the Land Planning and Development (Exemptions) Ordinance, 2007 ("2007 Exemptions Ordinance") which specifies descriptions of development for which planning permission is not required provided that listed provisos (a type of condition) are met. These are known as exemptions from planning permission. The new Ordinance carries forward, with amendments, the current exemptions in the 2007 Exemptions Ordinance, significantly widens existing exemptions and adds a large number of new exemptions. The exemptions are listed in Schedule 1 to the new Ordinance and grouped in classes relating mainly to the location or type of development. The opportunity has also been taken to make certain existing exemptions, in particular for dwelling-houses and non-domestic buildings, more consistent.

The main changes from the 2007 Ordinance are: widening the existing exemption for solar panels to cover a wider range of solar products and adding new exemptions for installation of other energy saving equipment in exemptions Classes 1, 2 and 4 in Schedule 1 relating to development in relation to dwelling-houses, flats, buildings containing flats and non-domestic buildings; adding a new class of exemptions for development in relation to flats and buildings containing flats (Class 2 to Schedule 1); a significant widening of the exemptions for development in relation to non-domestic buildings (Class 4); adding a significant number of new exemptions for development in relation to dwelling-houses (Class 1-paragraph 23 onwards); adding new exemptions in relation to agricultural land (Class 6-paragraph 3 onwards), certain States development (Class 7-paragraph 14 onwards), display of signs and temporary art installations (Class 10-paragraph 8 onwards), for certain changes of use from specified retail uses or office uses to other uses including a change of use of upper floors of buildings in the Bridge and St Peter Port from certain retail and other uses to certain residential uses (Class 11-paragraph 2 onwards) and for changes of use from certain visitor accommodation uses to residential uses (Class 12, paragraph 3 onwards); a wider exemption for demolition (Class 13) and allowing for more exemptions to apply on, or within the curtilage of, a protected building. Schedule 2 sets out the specific sites which may benefit from the new exemption in Class 12, paragraph 4 relating to a change of use from a visitor accommodation use to certain residential uses.

Section 1 to the Ordinance provides that planning permission is not required for the carrying out of development specified in Schedule 1 in the circumstances and subject to the provisos set out in relation to that development in Schedule 1 and in the rest of section 1. The provisos in section 1(2) and (3) apply in addition to those listed for specific development in Schedule 1 and impose a further condition restricting the overall area that can be covered by certain exempt development. Section 1(4) provides that the exemptions do not apply in relation to development in relation to, or within the curtilage of, a protected building or a protected monument except where the exemption specifically allows for this. Section 1 is largely the same as Section 1 of the 2007 Exemptions Ordinance except for consequential amendments to allow for the amended and new exemptions and the addition of a power for the Development & Planning Authority to amend by Regulations the exemptions in Schedule 1. The power is only to

amend the provisos to which the exemptions are subject and not the description of development which is exempt.

Section 2 is the interpretation section which has been amended to reflect the amendments to the exemptions. Sections 3 and 4 make consequential amendments to other planning legislation. Section 5(1) repeals the 2007 Exemptions Ordinance and related Ordinances. Section 5(2) provides for a standard transitional provision so as to allow owners and developers 12 months, from the date of commencement of the new Ordinance, to complete physical development started before that date, provided it is completed in accordance with the 2007 Ordinance. This provision only applies to physical development and not to a material change of use as physical development can take some time to complete. Section 5(3) provides for a further transitional provision for the temporary visitor accommodation change of use exemption to ensure that it is clear that changes of use and related notices under the current exemption relating to such changes are treated as made under the equivalent exemption in the new Ordinance.

It is proposed that the Ordinance will come into force in February, 2023 on the date that it is approved by the States of Deliberation.

THE STATES OF DELIBERATION
of the
ISLAND OF GUERNSEY

DEVELOPMENT & PLANNING AUTHORITY

REVIEW OF THE LAND PLANNING AND DEVELOPMENT (EXEMPTIONS) ORDINANCE, 2007

The Presiding Officer
States of Guernsey
Royal Court House
St Peter Port

3rd January, 2023

Dear Sir

1 Executive Summary

1.1 Following the debate on the 2022 Government Work Plan ("GWP"), the States of Deliberation ("the States") agreed 'that all Committees will work with the Policy & Resources Committee to prioritise the progression of priority actions in the Government Work Plan[1]'. Such actions include the Category 2 action to 'amend the Land Planning and Development Ordinances to provide for further planning permission exemptions', as part of the Priority 3 action to enable opportunities for regeneration[2]. Additionally, the States agreed to 'approve the proposed Schedule of prioritised drafting of legislation'[3], the first item of which was the Review of the Land Planning and Development (Exemptions) Ordinance, 2007.

1.2 In December 2021, the States considered the Review of the Land Planning and Development (Exemptions) Ordinance, 2007, Policy Letter ("the 2021 Policy Letter"[4]) and resolved to approve proposed new exemptions and to amend existing exemptions currently set out in the Land Planning and Development (Exemptions) Ordinance, 2007 ("the 2007 Ordinance")[5]. The policy intentions of the proposed amendments were: to better reflect current policies, including the Island Development Plan ("IDP")[6]; to ensure the exemptions legislation remains

[1] Resolution 11 of 28th June, 2022 on Billet d'État No. X of 2022.
[2] Billet d'État No. X of 2022
[3] Resolution 16 of 28th June, 2022 on Billet d'État No. X of 2022
[4] Review of the Land Planning and Development (Exemptions) Ordinance, 2007, Policy Letter Billet d'État No. XXV of 2021, Article IX
[5] Land Planning and Development (Exemptions) Ordinance, 2007
[6] Island Development Plan

fit for purpose; and, to allow for development to be carried out more easily across the Island through changes to the planning exemptions. Those intentions were proposed to be met through broadening and introducing certain exemptions and introducing new classes of exemptions.

1.3 The 2007 Ordinance specifies developments which do not require planning permission subject to listed conditions which must be met. Under the 2007 Ordinance 64 exemptions are separated into 12 classes.

1.4 Following the 2021 States direction, a new exemptions Ordinance was drafted to repeal and replace the 2007 Ordinance. During the legislative drafting process, a number of further amendments to the agreed policy principles have been identified which are needed to enhance the policy consistency of the new and amended exemptions, better align them to the IDP and prevent certain unintended consequences. Some of these are changes to the original policy principles and therefore require approval of the States, however most are simply making changes to points of detail to the agreed 2021 amendments, these minor changes have been set out in Appendix 1.

1.5 The 2021 Policy Letter set out the proposed changes and additions to the policy principles only, noting that points of detail, the exact wording and numbering of classes would be subject to legal drafting[7]. It is considered that certain amendments made to The Land Planning and Development (Exemptions) Ordinance, 2023 ("The Exemptions Ordinance"), in Appendix 2, amount to changes to the 2021 agreed policy principles so the approval of the States is required, in accordance with paragraph 5.1.1 of The States' Greffier Directive[8].

2 Policy changes to the 2021 agreed amendments

2.1 The changes set out in Table 1 below are considered to be fundamental policy changes from the 2021 Policy Letter which would have significant impacts practically in planning terms or would, as it became evident through legal drafting, have resulted in non-compliance with planning policy and should therefore be brought to the attention of the States.

[7] See paragraphs 5.3 and 5.18 of the 2021 Policy Letter.
[8] States' Greffier Directive

Table 1: Proposed changes to the 2021 agreed policy

Amendments agreed by the States in December 2021	Changes proposed following legislative drafting	Reasons for the changes
Class 1(23). Removal of a hedge. (Development within the curtilage of a dwelling-house). **Class 2(13)[9]. Removal of a hedge. (Development within the curtilage of a flat or a building containing flats).** **Class 4(10)[10]. Removal of a hedge. (Development within the curtilage of a non-domestic building).**	Remove the condition that the removal of the hedge must not affect an existing vehicle access or create a new vehicle access or result in the ability to encroach into neighbouring land. Extend proposed condition to require a native species to be planted where the hedge is removed from a boundary with a highway or private pedestrian road, street, lane, or clos, however named. The 2021 condition only proposed this condition for boundaries with a neighbouring property.	This condition is no longer required because of the extension of the condition requiring the replacement of a hedge with another hedge of a native species where it is removed from a boundary with a highway or private pedestrian road etc. Where the hedge removed must be replaced these effects will not occur. The extension of the condition to require a hedge forming a boundary with a highway or private pedestrian road to be replaced with a new hedge of a native species means that the impact on loss of biodiversity will be reduced.
Class 1(37). Installation of energy storage equipment. (Development within the curtilage of a dwelling-house). **Class 2(19)[11]. Installation of**	Add a condition in relation to noise level emission from the equipment.	This is required to control potential issues to neighbouring amenity, similar to requirements within Class 1(26) Air source heat pump/air conditioning unit.

[9] This was listed as new Class 1B.13 in the 2021 Policy Letter.
[10] This was listed as new Class 2.10 in the 2021 Policy Letter.
[11] This was listed as new Class 1B.19 in the 2021 Policy Letter.

Amendments agreed by the States in December 2021	Changes proposed following legislative drafting	Reasons for the changes
energy storage equipment. (Development within the curtilage of a flat or a building containing flats). **Class 4(13)[12]. Installation of energy storage equipment. (Development within the curtilage of a non-domestic building).**		
Class 1(38). Placement of polytunnel. (Development within the curtilage of a dwelling-house).	Change height restriction conditions so that lower height of 3m only applies within 1m instead of within 2m of a neighbouring property. This means the height within 1m of a neighbouring boundary could be up to 3m in height and where located more than 1m away up to 3.5m in height.	This change will ensure consistency with other exemptions in Class 1.
Class 2(9)[13]. Hard-surfaced areas. (Development within the curtilage of a flat or a building containing flats).	Amend the condition to state that where extending an existing area of hard standing within a conservation area the material must be the same as that original material.	This change brings it in line with Classes 1(15) and 4(3) relating to hard-surfaced areas in other locations.

[12] This was listed as new Class 2.13 in the 2021 Policy Letter.
[13] This was listed as Class 1B.9 in the 2021 Policy Letter.

Amendments agreed by the States in December 2021	Changes proposed following legislative drafting	Reasons for the changes
Class 3(3)[14]. Change in use of premises in multiple occupation to a use within Use Class 1 or 2. (Residential change of use).	Omit the requirement that the change would not result in subdivision of the building. The exemption has been altered to also apply to protected monuments.	This requirement is considered unnecessary as the exemption relates to change of use only and does not permit any operational development under which subdivision would fall. The 2021 Policy Letter did not reference protected monuments. However, the current exemption in this Class for change of use from use of part of a dwelling for business purposes to Use Class 1 or 2 applies to protected monuments and land within the curtilage of the same. This change would therefore be consistent with the existing exemption.
Class 5(1)[15]. Maintenance, repair, and minor alterations. (Maintenance, repair, minor alterations and temporary structures and uses).	Include the maintenance, repair or making of minor alterations to a flat or building containing flats or to structures/features within the curtilage of the same.	This would allow the same exemption for flats as currently applies to occupiers of dwelling-houses and non-domestic buildings to maintain, repair or make minor alterations. This was an oversight especially given that there are now new proposed exemptions for flats and buildings containing flats.

[14] This was listed as new Class 1A.2 in the 2021 Policy Letter.
[15] This was listed as Class 3.1 in the 2021 Policy Letter.

Amendments agreed by the States in December 2021	Changes proposed following legislative drafting	Reasons for the changes
Class 5(2)[16]. Temporary development required during approved operations. (Maintenance, repair, minor alterations and temporary structures and uses).	Extend exemption to sites where engineering or other operations (but not mining operations) are taking place subject to the same terms and conditions as applies for building operations.	It is consistent to allow the exemption to apply in relation to engineering or other operations. Mining operations, such as the quarrying at Mont Cuet, are excluded from the exemption in view of the nature of the works but such operations arise rarely on Guernsey.
Class 8(5)[17]. Changes from general storage or distribution uses to general industrial use in Key Industrial Areas. (Storage, distribution and industrial change of use).	Remove the ability to change from general industrial use in a key industrial area to a general storage or distribution use.	This is already permissible under Class 8(4) with less restriction than that originally proposed under this narrower exemption.
Class 11(4)[18]. Change of use of upper floors of buildings in the Main Centres and Main Centre Outer Areas from retail use or office use to use as a flat. (Retail and administrative, financial and professional change of use).	Amend to apply only to Main Centres and add a condition that the total area of which the use is changed does not exceed 250sq.m. Widen to permit change to Use Class 5 as well as Use Class 2. Therefore, this would allow	The 2021 Policy Letter applied this exemption to also include land in the Main Centre outer areas and provided for no limit on the area of floorspace of which the use could change. However, this could have the unintended consequence of losing prime office space or large floor plates such as Admiral Park. The exemption is designed to make it easier for those buildings unsuitable for retail or office use to be

[16] This was listed as Class 3.2 in the 2021 Policy Letter.
[17] This was listed as new Class 6.5 in the 2021 Policy Letter.
[18] This was listed as new Class 9.4 in the 2021 Policy Letter.

Amendments agreed by the States in December 2021	Changes proposed following legislative drafting	Reasons for the changes
	premises unsuitable for retail/office use to be converted to either a residential flat or a residential flat also used for business purposes.	converted without the need for planning permission. The loss of prime office/retail space is not intended or desirable. The inclusion of a change of use to Use Class 5 would allow extra scope for the reuse of unsuitable buildings and would be consistent in policy terms with the exemption to allow a change of use from part of a dwelling for business purposes to use within Use Class 1 or 2.
Class 12(3)[19]. Changes of use between use as non-serviced visitor accommodation and use as a dwelling-house. (Visitor accommodation change of use).	Amend to remove the exemption for a change of use from a dwelling-house to self-catering accommodation. Allow only change of use of self-catering units from an existing use within Use Class 8[20], which originally formed part of a single dwelling-house, to a use within Use Class 1 or 5, for the purpose of allowing those units to revert back to use as part of the original dwelling-house, subject to all required conditions being met.	This exemption is not intended to allow the potential loss of residential units to use as self-catering units. This would be contrary to IDP policy and would result in a loss of housing stock. The exemption is in place to permit, without the need for planning permission, development which is supported by planning policy.

[19] This was listed as new Class 9A.3 in the 2021 Policy Letter.

[20] There was a typographical error referring to the use as self-catering units falling within Use Class 7 but this is corrected now to refer to Use Class 8 of the Use Classes Ordinance.

Amendments agreed by the States in December 2021	Changes proposed following legislative drafting	Reasons for the changes
	Remove the requirement that self-catering units must have a valid boarding permit but the exemption only applies where the change is from an existing Use Class 8 as stated above.	The removal of the requirement of the visitor accommodation to have a valid boarding permit would omit additional requirements on the applicant. It is considered sufficient that the change of use only applies to a change from Use Class 8.
Class 12(4)[21] change of use from a visitor accommodation use on certain sites to use for certain residential uses. (Visitor accommodation change of use).	Remove the requirement in paragraph 6.5 of the 2021 Policy Letter relating to specified visitor accommodation premises "not been actively promoted as part of the active visitor accommodation bed stock" and replace with the requirement that the premises has not been advertised or promoted for use as visitor accommodation since 31st December, 2020.	The word "actively" has been removed as it was considered it was clearer to have a less ambiguous requirement that it had not been advertised or promoted.
Class 13(1)[22] Demolition of a shed, glasshouse, temporary or garden structure, fence, gate or exempt structure. (Demolition).	Reduce scope of suggested widening of exemption, in relation to structures erected/ constructed etc. under planning permission, to apply only to any freestanding outbuildings– • for which planning permission was granted for the construction/erection etc of the same, and • which also fall within the curtilage of a dwelling house, flat or building	It is considered that without this revision the exemption would have allowed any structure that had been given planning permission to be demolished without planning permission. This would have unintended consequences and could have resulted in necessary buildings/structures being demolished.

[21] This was listed as new Class 11 at page 75 onwards of the 2021 Policy Letter.
[22] This was listed as Class 10.1 in the 2021 Policy Letter.

Amendments agreed by the States in December 2021	Changes proposed following legislative drafting	Reasons for the changes
	containing flats and used primarily for the domestic purposes of the relevant building subject to a condition that the demolition must not result in a breach of a term or condition of the planning permission under which the building was constructed/erected etc.	

3 The ability to amend Schedule 1

3.1 A further provision is proposed within Section 1(7) of The Exemptions Ordinance which provides the Authority with the ability to amend Schedule 1 (the exemptions) for the purpose of amending, substituting, omitting or adding any proviso/condition ("condition") to an exemption, within the Schedule, by the making of Regulations. It would not allow the description of development exempted to be amended just the conditions attached. This would only apply to existing exemptions and would not permit the Authority to create new exemptions or remove existing ones without approval of the States.

3.2 The inclusion of this Regulation making power would allow the Authority to amend conditions to the exemptions relatively quickly should it become apparent that the condition has unintended consequences or if any difficulties arose on points of detail in the condition. In addition, it would allow for changes to the conditions attached to exemptions to be made, again relatively quickly, that reflect changes in technologies, design, materials or products, enabling the Authority to react to changes in the market more efficiently than currently. This allows a degree of future proofing and ensures the Authority can be reactive when needed without giving the Authority power to remove or add to the description of development exempted.

4 Conclusion

4.1 The changes detailed in section 2 of this Policy Letter provide greater clarity to the proposed changes to the exemptions and offer, in some cases, greater flexibility to homeowners in terms of development they can undertake. Additionally, the changes proposed ensure consistency with existing and other proposed exemptions and the relevant agreed States' policies including the IDP. Certain changes are also made to ensure that unintended consequences do not arise from the proposed changes.

4.2 The Exemptions Ordinance has been drafted to include the amendments and new exemptions approved by the States in 2021, subject to the changes proposed in sections 2 and 3 and Appendix 1 to this Policy Letter. If the States approve The Exemptions Ordinance it will have the effect of repealing and replacing the current 2007 Ordinance. The numbering in the new exemptions classes now runs consecutively so differs slightly to the numbering referred to in the 2021 Policy Letter but the headings to the exemption classes remain largely the same.

5 Compliance with Rule 4

5.1 Rule 4 of the Rules of Procedure of the States of Deliberation and their Committees sets out the information which must be included in, or appended to, motions laid before the States.

5.2 The following information is provided in conformity with Rule 4(1):

a) The Propositions accord with the States' objectives and policy plans to "enable opportunities for regeneration" and support the community and economy in response to the COVID-19 pandemic.
b) Since the below stakeholders were consulted to inform the 2021 Policy Letter the Authority has not carried out any further consultation:

- The Policy & Resources Committee;
- The Committee *for* Economic Development;
- The Committee *for* Education, Sport & Culture;
- The Committee *for* Employment & Social Security;
- The Committee *for the* Environment & Infrastructure;
- The Committee *for* Health & Social Care;
- The Committee *for* Home Affairs;
- The States Trading Supervisory Board;
- All States' Members; and
- External industry specialists

c) The Propositions have been submitted to His Majesty's Procureur for advice on any legal or constitutional implications.
d) No direct financial implications for the States of Guernsey have been identified because of the Propositions.

5.3 For the purposes of Rule 4(2):

a) It is confirmed that the Propositions relate to the duties of the Development & Planning Authority to advise the States on land use policy and develop and implement land use policies through relevant instruments.
b) It is confirmed that each of the Propositions have the unanimous support of the Authority.

Yours faithfully

V S Oliver
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APPENDIX 1: MINOR CHANGES TO THE 2021 AGREED AMENDMENTS

This Appendix lists the changes considered to amount to minor changes to points of detail and wording including changes to existing exemptions and the 'Repeals, transitional provision and saving' section.

Table 2 below sets out the minor changes that have been made to existing exemptions and the reasoning behind each change.

Table 2: Minor changes made to exemptions and the reasoning

Changes noted in Policy Letter (December 2021)	Changes proposed following legal drafting	Reasons for changes necessary
Class 1(1). Alterations to the external walls of a dwelling-house or an outbuilding. (Development within the curtilage of a dwelling-house). **Class 2(1)[1]. Alterations to the external walls of a building containing flats. (Development within the curtilage of a flat or a building containing flats).**	Widen exemption in Class 1(1) to include alterations to allow the cladding for the first time of dwelling-houses, or outbuildings within the curtilage of dwelling-houses but not where the building is within a conservation area or substantially constructed before 1900. Re-cladding was already allowed under the 2021 proposals. Adjust wider policy of exemption for building containing flats so that cladding for first time not allowed for such a building in a conservation area consistent with exemption for dwelling-houses.	These changes offer homeowners greater flexibility in relation to the external appearance of their properties. This is in line with policy GP13 of the IDP. The restriction to not allow cladding for the first time on properties and outbuildings pre 1900 or where the structure is attached to a building which is pre-1900 or in conservation areas would reflect the 'special' nature of these buildings and the impact that this change could have on the area and property itself. This would align with IDP policies GP4 and GP8.
Class 1(2). Satellite dish antennas. (Development	Additional condition to clarify that no more than four satellite dishes in total can be installed on or within the curtilage of the dwelling-house.	Following drafting it became apparent that this could result in several dishes within the curtilage of, on the main building or on outbuildings within

[1] This was listed as new Class 1B.1 in the 2021 Policy Letter.

Changes noted in Policy Letter (December 2021)	Changes proposed following legal drafting	Reasons for changes necessary
within the curtilage of a dwelling-house).		the curtilage. It is therefore considered appropriate to specify a maximum number on or within the curtilage of the dwelling-house.
Class 1(3). Solar products. (Development within the curtilage of a dwelling-house). **Class 2(3)[2]. Solar products. (Development within the curtilage of a flat or a building containing flats).** **Class 4(12)[3]. Solar products. (Development within the curtilage of a non-domestic building).**	Remove the condition requiring products to be integrated if facing a highway. Require instead that where facing a highway the same type and design of solar product must be used. Draft definition of solar product flexibly to cover any future types of solar products, approved in writing by the Authority, not covered by current reference to solar photovoltaic and solar thermal equipment.	Discussions with stakeholders raised the concern that the requirement for panels to be integrated would result in additional costs as the roof covering would need to be stripped. This would deter people from installing solar products and would result in the need for a planning application to be made if not integrated. Requiring the same type and design of solar product to be used would achieve the same policy aim in terms of visual impacts and would reduce costs for owners/developers. The inclusion of the flexible wording in the definition of solar product will future proof for any new technologies for solar capture that come forward. This will allow the Authority discretion in permitting installation of these new types of product without the need to amend the Ordinance.

[2] This was listed as new Class 1B.3 in the 2021 Policy Letter.
[3] This was listed as Class 2.12 in the 2021 Policy Letter.

Changes noted in Policy Letter (December 2021)	Changes proposed following legal drafting	Reasons for changes necessary
	Add condition limiting the percentage of a roof or the ground within the curtilage covered by solar products where the products are located on, or within the curtilage of, a protected building or are on, or attached to, the relevant main structure (i.e. dwelling-house, flat/building containing flats) and that structure is substantially constructed pre-1900. Add condition in relation to non-domestic buildings limiting the percentage of the roof to be covered by solar products where the products are located on, or within the curtilage of a protected building or are on, or attached to, a non-domestic building substantially constructed pre-1900. The 2021 approved policy only referred to installation of solar products on any roof slope for non-domestic buildings but did not provide further detail.	Allowing ground mounted panels within the curtilage of non-domestic buildings could impact on ancillary facilities needed for those types of units i.e., parking, and would be difficult to control via exemption provisos/conditions. The ability to install ground mounted panels is not permitted unlike for residential units.
	Widen the exemption to allow for solar products to be installed on structures as well as buildings in relation to non-domestic buildings.	To ensure consistency with the policy for dwelling-houses and flats where there are no planning reasons not to do so.

Changes noted in Policy Letter (December 2021)	Changes proposed following legal drafting	Reasons for changes necessary
Class 1(4). Replacement of a door, window, roof-light, roof-lantern or sun tunnel in existing opening. (Development within the curtilage of a dwelling-house).	Sun tunnels[4] were omitted from the 2021 Policy Letter so have been incorporated within this exemption.	Given the similarity of sun tunnels to roof lights and roof lanterns the inclusion of this type of window/feature is appropriate and is not significantly different to those products permitted in the 2021 Policy Letter. This also ensures consistency with policy for the related exemption for flats which includes sun tunnels.
Class 1(5). Installation of a door or window in a new aperture. (Development within the curtilage of a dwelling-house). **Class 2(5)[5]. Installation of a door or window in a new or altered opening. (Development within the curtilage of a flat or a building containing flats).**	Clarify that the original condition in the current exemption for dwelling-houses not allowing a new door or window to be installed above ground floor level is to be applied to all three exemptions. Apply condition that where a non-domestic building is substantially constructed before 1900, the new door or window is not installed on an elevation that faces a highway.	It was not clear from the 2021 Policy Letter that this original condition would be attached to all these exemptions. However, the omission of this condition would mean windows could be installed at upper levels which could have significant impacts on neighbouring residential amenity. This is to be consistent with the related exemptions for new doors and windows in dwelling-houses and flats and buildings containing flats. The inclusion of this condition would reduce the impact arising to the character and appearance of a pre-1900 building.

[4] Means a skylight with a highly reflective tunnel attached to it which channels light from the roof of a building into an area of the building below.
[5] This was listed as new Class 1B.5 in the 2021 Policy Letter.

Changes noted in Policy Letter (December 2021)	Changes proposed following legal drafting	Reasons for changes necessary
Class 4(6)[6]. Insertion of new doors or windows. (Development within the curtilage of a non-domestic building).		
1(6). Re-roofing. (Development within the curtilage of a dwelling-house).	Add condition to state that where the structure re-roofed is attached to a dwelling-house that is substantially constructed pre-1900, the materials used are natural slate or clay tiles.	An amendment to include structures attached to pre-1900 dwellings is consistent with the policy aim of reducing visual effects on more sensitive buildings.
Class 1(7). Installation of roof-light, roof-lantern or sun tunnel. (Development within the curtilage of a dwelling-house). **Class 2(7)[7]. Installation of roof-light, roof-lantern or sun tunnel. (Development within the curtilage of a flat or a building containing flats).**	Omit the requirement that a roof lantern can only be installed on a flat roof. Amend exemption so that it applies to installation on flat or sloping roofs and adjust condition prohibiting insertion on a roof slope facing a highway where the building is substantially constructed pre-1900 so that it also applies where the products installed on a flat roof are positioned facing a highway.	This change is proposed because in practice it is unlikely that it would be installed on a sloping roof because of the product itself and therefore the condition would be superfluous. This change is consequential on applying the exemption to installations on flat roofs.

[6] This was listed as Class 2.6 in the 2021 Policy Letter.
[7] This was listed as new Class 1B.7 in the 2021 Policy Letter.

Changes noted in Policy Letter (December 2021)	Changes proposed following legal drafting	Reasons for changes necessary
	Add condition to restrict the insertion of these elements where they are positioned to face a highway where the building is substantially constructed pre-1900.	The inclusion of this condition would be consistent with other similar exemptions and would prevent potential impacts on the character and appearance of these more sensitive buildings.
Class 1(8). Installation of dormer or cladding of dormer cheeks. (Development within the curtilage of a dwelling-house).	Amend exemption to allow the re-roofing of a dormer on any dwelling-house but where that dwelling-house was substantially constructed pre-1900 or within a conservation area, limit the use of the materials for re-roofing of a dormer to slate, clay tiles or the same material as that it is replacing. Amend general exemption for re-roofing in 1(6) to exclude re-roofing of dormers consequential on previous amendment to add those works to this exemption.	Re-roofing of a dormer was not mentioned in the 2021 Policy Letter but the inclusion of these works in this exemption is more appropriate as it relates specifically to dormers and is consistent with allowing the re-roofing of the main roof under Class 1(6). The restriction on materials for dwelling-houses substantially constructed pre-1900 or within a conservation area also aligns with Class 1(6), except it also permits the use of the same material as that it replaces.
Class 1(10). The erection of an extension to a dwelling-house. (Development within the curtilage of a dwelling-house).	Amend existing proposed condition to clarify that requirement for glazing not to be allowed within 3 metres of the boundary with a neighbouring residential property only applies where included in an elevation which faces such a boundary.	The amendment clarifies the intended effect of this restriction. This would allow the construction of built form within 3m of the boundary but not allow glazing to be installed.
Class 1(11). Erection of a pergola or other garden structure for the support of plants. (Development	Increase in the height permitted where within 1m of the boundary of a neighbouring property from not exceeding 2m in height to not exceeding 3m in height.	This would bring the exemptions in line with the proposed height of an extension to a dwelling-house where within 1m of a neighbouring boundary (Class 1(10)), and it is considered that it

Changes noted in Policy Letter (December 2021)	Changes proposed following legal drafting	Reasons for changes necessary
within the curtilage of a dwelling-house). **Class 1 (12). Erection of shed. (Development within the curtilage of a dwelling-house).** **Class 1(13). Erection of glasshouse. (Development within the curtilage of a dwelling-house).** **Class 1(14). Erection of freestanding garage, other outbuilding or car port. (Development within the curtilage of a dwelling-house).**	This means that for garden structures for the support of plants there is just one maximum height of 3m wherever located. However, for sheds, glasshouses and free-standing garages and other outbuildings the height restriction is not exceeding 3m where sited within 1m from the boundary. Higher roof heights are allowed for structures in other locations.	would not have any additional impact on neighbouring amenity but would allow additional flexibility to householders.
Class 1(12). Erection of shed. (Development within the curtilage of a dwelling-house). **Class 1(13). Erection of glasshouse. (Development**	Alter to provide that relevant structures within the curtilage of a dwelling-house be used primarily (instead of solely or exclusively) for non-commercial purposes of the dwelling-house.	As Use Class 5 of the Use Classes Ordinance allows for use of part of a dwelling, used mainly as a residence, for business purposes, it is considered that these exemptions should be altered to allow for part use of a structure within the curtilage of a dwelling the use of which falls within that Use Class.

Changes noted in Policy Letter (December 2021)	Changes proposed following legal drafting	Reasons for changes necessary
within the curtilage of a dwelling-house). **Class 1(14). Erection of freestanding garage, other outbuilding or car port. (Development within the curtilage of a dwelling-house).** **Class 1(17). Domestic fuel containers. (Development within the curtilage of a dwelling-house).** **Definition of "extension" in Ordinance.**		
Class 1(13). Erection of glasshouse. (Development within the curtilage of a dwelling-house).	Amend proposed height conditions so that where the roof is flat the height is limited to 4m.	It has been established that flat roof glasshouses are now available, so an amendment is required.
Class 1(14). Erection of freestanding garage, other outbuilding or car port. (Development within the	Remove the requirement for a pitched roof to be no less than 22.5 degrees and of natural slate or clay tiles where the dwelling-house is within a conservation area.	These changes were not referenced in the 2021 Policy Letter. However, some of the changes are consistent with other exemptions. The changes reflect current practices. It would also allow more

Changes noted in Policy Letter (December 2021)	Changes proposed following legal drafting	Reasons for changes necessary
curtilage of a dwelling-house).		flexibility for homeowners to develop their dwelling-house without requiring planning permission in-line with policy GP13 of the IDP.
	Broaden to allow the use of any material in relation to its construction.	The 2021 Policy Letter referred only to any type of cladding however the use of other materials would also be acceptable when applying the other provisos of this exemption
	Add condition that where the structure erected is visible from a highway and is within a conservation area or attached to a dwelling-house which is substantially constructed pre-1900, that the garage, car port etc. does not have a flat roof.	This is different to Classes 1(12) (sheds) and 1(13) (glasshouses) because the impact of a free-standing garage, free standing outbuilding or detached/attached car port could have a much greater impact on the appearance of a conservation area if flat roofed.
	Remove the requirement for the structure to be no further than 30m from the house. Omit the requirement relating to the maximum height of any elevation of the garage or other outbuilding where it meets the eaves of the roof.	This ensures consistency with other exemptions within Class 1 where relating to domestic outbuildings.
Class 1(15). Hard-surfaced areas. (Development within the curtilage of a dwelling-house).	Amend proposed condition that no hard surface created forms a new vehicle or pedestrian access onto a highway to clarify that this includes a private pedestrian road, street, lane or clos. This	Private pedestrian road, street or clos was not specifically mentioned in the 2021 Policy Letter. The definition of highway does not include a private road unless accessed via vehicle. The

Changes noted in Policy Letter (December 2021)	Changes proposed following legal drafting	Reasons for changes necessary
Class 2(9)[8]. Hard-surfaced areas. (Development within the curtilage of a flat or a building containing flats). **Class 4(3)[9]. Hard-surfaced areas. (Development within the curtilage of a non-domestic building).**	is necessary as such private pedestrian roads etc are not included in the definition of highway in the Ordinance**.** In Class 2(9), restrict proposed condition restricting the materials to be used to the existing materials so that it only applies within a Conservation Area.	change is proposed to restrict the creation of any new accesses to preserve road frontages and therefore the character of the built environment. To ensure consistency with the parallel exemptions in Classes 1(15) and 4(3).
Class 1(23). Removal of a hedge. (Development within the curtilage of a dwelling-house). **Class 2(13)[10]. Removal of hedge. (Development within the curtilage of a flat or a building containing flats).**	Remove condition requiring that the removal of a hedge must not result in encroachment onto neighbouring land.	The condition is removed as the removal of the hedge itself will not result in encroachment. Also, where a hedge forming a boundary with a neighbouring property is removed, it has to be replaced with a replacement hedge so that encroachment issues should not arise.

[8] This was listed as new Class 1B.9 in the 2021 Policy Letter.
[9] This was listed as Class 2.3 in the 2021 Policy Letter.
[10] This was listed as new Class 1B.13 in the 2021 Policy Letter.

Changes noted in Policy Letter (December 2021)	Changes proposed following legal drafting	Reasons for changes necessary
Class 4(10)[11]. Removal of hedge. (Development within the curtilage of a non-domestic building).		
Class 1(23). Removal of a hedge. (Development within the curtilage of a dwelling-house). **Class 1(26). Air source heat pump/air conditioning unit. (Development within the curtilage of a dwelling-house).** **Class 1(29). Widening of vehicle access. (Development within the curtilage of a dwelling-house).** **Class 1(31). Installation of electric charging point. (Development within the**	Amend to state that exempt development under these classes is not permitted if the building to which it relates, or the exempt development is within a Site of Special Significance.	Carrying out the development permitted under these classes could cause harm to the area thus impacting on the special nature.

[11] This was listed as Class 2.10 in the 2021 Policy Letter.

Changes noted in Policy Letter (December 2021)	Changes proposed following legal drafting	Reasons for changes necessary
curtilage of a dwelling-house). **Class 1(34). Construction of external steps. (Development within the curtilage of a dwelling-house).** **Class 1(36). Construction of a ramp. (Development within the curtilage of a dwelling-house).** **Class 1(38). Placement of polytunnel. (Development within the curtilage of a dwelling-house).** **Class 2(8)[12]. Erection of, or works to enclose, porch. (Development within the curtilage of a flat or a building containing flats).**		

[12] This was listed as new Class 1B.8 in the 2021 Policy Letter.

Changes noted in Policy Letter (December 2021)	Changes proposed following legal drafting	Reasons for changes necessary
Class 2(9)[13]. Hard-surfaced areas. (Development within the curtilage of a flat or a building containing flats). **Class 2(10)[14]. Construction of external steps. (Development within the curtilage of a flat or a building containing flats).** **Class 2(11)[15]. Gates, fences and walls. (Development within the curtilage of a flat or a building containing flats).** **Class 2(13)[16]. Removal of a hedge (Development within the curtilage of a flat or a building containing**		

[13] This was listed as new Class 1B.9 in the 2021 Policy Letter.
[14] This was listed as new Class 1B.10 in the 2021 Policy Letter.
[15] This was listed as new Class 1B.11 in the 2021 Policy Letter.
[16] This was listed as new Class 1B.13 in the 2021 Policy Letter.

Changes noted in Policy Letter (December 2021)	Changes proposed following legal drafting	Reasons for changes necessary
flats). **Class2(16)[17]. Installation of electric charging point. (Development within the curtilage of a flat or a building containing flats).** **Class 2(18)[18]. Construction of a ramp. (Development within the curtilage of a flat or a building containing flats).** **Class 3(3)[19]. Temporary mesh/net fencing. (Residential change of use).** **Class 4(7)[20]. Installation of an air source heat pump or air conditioning unit. (Development within the**		

[17] This was listed as new Class 1B.16 in the 2021 Policy Letter.
[18] This was listed as new Class 1B.18 in the 2021 Policy Letter.
[19] This was not listed in the 2021 Policy Letter and is a new Class.
[20] This was listed as new Class 2.7 in the 2021 Policy Letter.

Changes noted in Policy Letter (December 2021)	Changes proposed following legal drafting	Reasons for changes necessary
curtilage of a non-domestic building). **Class 4(9)[21]. Installation of electric charging point. (Development within the curtilage of a non-domestic building).** **Class 4(10)[22]. Removal of a hedge (Development within the curtilage of a non-domestic building)** **Class 5(3)[23]. Erection of temporary mesh or net fencing to support plants. (Maintenance, repair, minor alterations and temporary structures and uses).** **Class 6(4)[24]. Placement or**		

[21] This was listed as new Class 2.9 in the 2021 Policy Letter.
[22] This was listed as new Class 2.10 in the 2021 Policy Letter.
[23] This was listed as new Class 3.3 in the 2021 Policy Letter.
[24] This was listed as new Class 4.4 in the 2021 Policy Letter.

Changes noted in Policy Letter (December 2021)	Changes proposed following legal drafting	Reasons for changes necessary
erection of temporary polytunnel or glasshouse on land used for horticulture. (Agricultural development). **Class 6(5)[25]. Erection of other small-scale structures. (Agricultural development).** **Class 6(6)[26]. Demolition or clearance of glasshouse and associated structures. (Agricultural development).**		
Class 1(25). Installation of a chimney stack or flue (Development within the curtilage of a dwelling-house).	Amend the condition applying to certain, more sensitive, locations (those within a conservation area, pre-1900 or attached to a dwelling-house or another structure which is substantially constructed pre-1900) so that it refers to a position facing a highway instead of stacks or flues only installed on a roof slope.	This amendment is necessary to cover the case of a flue or chimney being installed on a wall or a flat roof.

[25] This was listed as new Class 4.5 in the 2021 Policy Letter.
[26] This was listed as new Class 4.6 in the 2021 Policy Letter.

Changes noted in Policy Letter (December 2021)	Changes proposed following legal drafting	Reasons for changes necessary
	Add condition to require restriction on these features *not* installed in a position facing a highway where the building/structure on which it is installed is attached to the dwelling-house or other structure which is substantially constructed pre-1900. Add condition that chimney stack or flue can only be inserted on a dwelling-house or outbuilding.	This captures the erection of a chimney or flue which is not positioned facing a highway as the impacts on the conservation area or on the appearance of a building substantially constructed pre-1900 could be significant. Allowing the installation of these structures within the curtilage of a dwelling-house could result in chimneys or flues being installed against boundaries which would be undesirable because of impacts on neighbouring amenity.
Class 1(27). Change of ground levels. (Development within the curtilage of a dwelling-house). **Class 4(8)[27]. Excavation and change in ground levels. (Development within the curtilage of a non-domestic building).**	Add condition stating that ground level must not be raised within 2m of a neighbouring boundary.	Restriction considered necessary to protect the amenity of neighbouring occupiers.

[27] This was listed as new Class 2.8 in the 2021 Policy Letter.

Changes noted in Policy Letter (December 2021)	Changes proposed following legal drafting	Reasons for changes necessary
Class 1(30). Alterations to roofs. (Development within the curtilage of a dwelling-house).	Altered to allow an additional increase in height from 4m to 4.5m where any part of the altered roof is located more than 1m from a boundary with a neighbouring property.	This has been altered to remain consistent with other height restrictions in similar locations within Class 1.
Class 1(32). Placement or erection of bike barn or storage unit. (Development within the curtilage of a dwelling-house). **Class 2(17)[28]. Placement or erection of bike barn or storage unit. (Development within the curtilage of a flat or a building containing flats).**	Alter relevant conditions so that bike barns or storage units can be fixed to the ground but they cannot be attached to the dwelling-house/flat, or building containing flats or other structure. Include a maximum base area as well as height for the two different locations i.e., 1. located near or facing a highway or 2. located in other locations.	This ensures these developments remain free standing as intended. Limits the exemption in terms of base area as well as height.
Class 2(6)[29]. Re-roofing. (Development within the curtilage of a flat or a building containing flats).	Clarify that exemption applies to individual flats as well as buildings containing flats and that re-roofing of a dormer is included. Expand to include restrictions on materials where	To make the extent of the amendment clearer. The express reference to re-roofing of a dormer makes it clear that this is included in the exemption. An amendment to include structures attached to

[28] This was listed as new Class 1B.17 in the 2021 Policy Letter.
[29] This was listed as Class new 1B.6 in the 2021 Policy Letter.

Changes noted in Policy Letter (December 2021)	Changes proposed following legal drafting	Reasons for changes necessary
	the structure is attached to a building containing flats which is substantially constructed pre-1900.	such buildings containing flats is consistent with the policy aim of reducing visual effects on more sensitive buildings.
	Amend the conditions to state that when re-roofing a dormer on a flat or a building containing flats within a conservation area or which forms part of, or is attached to, a building which is substantially constructed pre-1900, materials are limited to slate, clay tiles or the same material as that it is replacing. Other parts of the roof in such buildings are limited to slate and clay tiles (The same amendment is proposed to **Class 4(2)**[30] as detailed below**).**	The materials are limited on pre-1900 buildings, in conservation areas and where the structure re-roofed is attached to a building containing flats that is also substantially constructed pre-1900 consistent with Classes 1(6) and 1(8).
	Remove requirement for the original construction of flat or building containing flats to be lawful.	This condition was removed to be consistent with the similar exemption for dwelling-houses and non-domestic buildings.
Class 2(8)[31]**. Erection of, or works to enclose, porch. (Development within the curtilage of a flat or a building containing flats).**	Add additional condition to restrict the erection of new porches where the flat or building containing flats is within a conservation area or substantially constructed pre-1900 to an elevation that doesn't face a highway.	This restriction would ensure consistency with Class 1(9).

[30] This was listed as Class 2.2 in the 2021 Policy Letter.
[31] This was listed as new Class 1B.8 in the 2021 Policy Letter.

Changes noted in Policy Letter (December 2021)	Changes proposed following legal drafting	Reasons for changes necessary
	Add condition to permit only one porch to each elevation of a flat or building containing flats. This has been further clarified to state that it applies to individual flats also.	The additional condition is added to ensure that there is a limitation on numbers in the interests of visual amenity and design. This is also consistent with Class 1(9).
Class 2(17)[32]. Placement of bike barn or storage unit. (Development within the curtilage of a flat or a building containing flats).	Change from 2021 Policy Letter as exemption now does not relate to building containing flats but only individual flats.	It was inconsistent with the policy intention and it was realised through drafting that the conditions meant that in practice these works could not have been carried out in relation to a building containing flats.
Class 3(2)[33]. Change from a use within Use Class 1 or 2 to a use as part of dwelling for business purposes. (Residential changes of use).	Clarify the intention is • to retain the existing exemption for a change from use as part of a dwelling for business purposes in Use Class 5 to use within Use Class 1 or 2 (in Class 3(1)); and • to create a new exemption for a change from Use Class 1 or 2 to use as part of a dwelling for business purposes. Provide for the new exemption to apply to any land which is on or within the curtilage of a protected building or a protected monument	The 2021 Policy Letter did not refer to the existing exemption for a change from Use Class 5 (use as part of a building for business purposes) to Use Class 1 (dwelling-house or flat). The suggested amendment makes the policy intention clear that exemptions apply to both changes of use subject to the original conditions to be applied to the new exemption only for a change of use from Class 1 or 2 to Class 5. This is consistent with the existing exemption for a change from Use Class 5 to Use Class 1 or 2.

[32] This was listed as new Class 1B.17 in the 2021 Policy Letter.

[33] This was not set out as intended at Class 1A.1 in the 2021 Policy Letter. The current exemption was set out for a change of use from Use Class 5 to Use Class 1 or 2 but the proposed conditions were intended to apply instead to the new exemption for a change from Use Class 1 or 2 to Use Class 5.

Changes noted in Policy Letter (December 2021)	Changes proposed following legal drafting	Reasons for changes necessary
	consistent with the existing related exemption. Omit condition proposed for new exemption limiting number of rooms utilised and requiring principal use of building to be residential.	 This is not necessary as the requirement that the use of the building is principally residential is already required under the Land Planning and Development (Use Classes) Ordinance, 2017 (Use Classes Ordinance) for premises to fall within Use Class 5. It was also considered, as part of the drafting process, that any limitation on the number of rooms should be provided for in the Use Classes Ordinance. However, it was decided that the current description of Use Class 5 in the Use Classes Ordinance should be amended to remove the requirement that the use is carried out in not more than two rooms. This was because it was regarded as a sufficient limitation to require the dwelling to be used principally as a residence for one household. This is consistent with policy in allowing more flexibility for householders in carrying out business from their residences. Any necessary consequential amendment to the Use Classes Ordinance was approved by the States in the resolutions following the 2021

Changes noted in Policy Letter (December 2021)	Changes proposed following legal drafting	Reasons for changes necessary
		debate.
Class 4(2)[34]. Re-roofing. (Development within the curtilage of a non-domestic building).	Clarify that the re-roofing of dormers is included within the wording. Add a condition to say when re-roofing a dormer on a non-domestic building which is within a conservation area or substantially constructed pre-1900, materials are limited to slate, clay tiles or in the same material as that it is replacing. Other parts of the roof in such buildings are limited to slate and clay tiles. Expand the condition to require specific materials to be used also where a structure is attached to a non-domestic building which is substantially constructed pre-1900. Allow the re-roofing of either existing felt-clad or corrugated sheet clad roofs (not within a Conservation Area) to be re-roofed in natural slate, clay tiles, glass reinforced plastic ("GRP") or	The express reference to the re-roofing of a dormer makes it clear that this is also included in this exemption. However, the materials are limited on pre-1900 buildings and within conservation areas consistent with Classes 1(6), 1(8) and 2(6). Included to ensure that the impact on pre-1900 buildings is controlled. This could be affected by something attached to such a structure. The 2021 Policy Letter referred to the re-roofing of existing felt clad, flat roofs in GRP/single ply. The inclusion of all corrugated sheet-clad and felt-clad roofs would allow additional flexibility and would be consistent with the existing exemption in the 2007 Exemptions Ordinance. Allowing re-roofing of corrugated-sheet-clad roofs in specified other materials is consistent with the approved policy for felt clad roofs.

[34] This was listed as Class 2.2 in the 2021 Policy Letter.

Changes noted in Policy Letter (December 2021)	Changes proposed following legal drafting	Reasons for changes necessary
	single ply roofing Adjust wording to clarify exemption is for re-roofing and not just re-cladding.	
Class 4(14)[35]. Installation of a roof fall protection system. (Development within the curtilage of a non-domestic building).	Change to include a skylight protection device which would include rails or a similar device for the purpose of arresting/preventing a fall through, or injury from falling onto, a sky light, roof light or similar structure.	This would allow further related development without planning permission and it is logical to include safety systems used in relation to skylights.
Class 5(3)[36]. Erection of temporary mesh or net fencing to support plants. (Maintenance, repair, minor alterations and temporary structures and uses).	Clarify that the exemption is to apply on, or within, the curtilage of a dwelling-house, flat, building containing flats, or non-domestic building or on an outbuilding or other structure within the curtilage of any such building, including where such building is a protected building or a protected monument.	The 2021 Policy Letter is silent on the locations where the exemption would be applicable, but it is logical to also include all categories of buildings/curtilage to which most exemptions relate.
Class 6(2)[37]. Installation of a gate on agricultural land. (Agricultural development)	Omit the requirement that the gate must not be used to provide gated parking.	It is not considered necessary to include this as the exemption only exempts installation of a gate on land used for agricultural purposes and so would not permit a change of use to use as a parking area. As such any parking would be in connection to and ancillary/incidental to the main agricultural use or amount to a minor use not

[35] This was listed as new Class 2.14 in the 2021 Policy Letter.
[36] This was listed as new Class 3.3 in the 2021 Policy Letter.
[37] This was listed as Class 4.2 in the 2021 Policy Letter.

Changes noted in Policy Letter (December 2021)	Changes proposed following legal drafting	Reasons for changes necessary
		involving a material change of use of the land.
Class 7(5)[38]. Development in relation to the supply of electricity. (Development by the States and public utility providers).	Amend the height of enclosures consisting of fencing where not within 1m of a highway boundary to 2.5m.	The actual height of GRP substation enclosures is 2.5m which forms the basis of this exemption. If the height permissible were not increased, planning permission would be required for all such enclosures contrary to the policy intention.
Class 7(10)[39]. Minor works for navigational purposes. (Development by the States and public utility providers).	Omit the provision for the erection of CCTV within this exemption.	There is a separate existing exemption which permits the erection of CCTV where carried out by or on behalf of the States; therefore including a provision within this exemption is not necessary.
Class 7(17)[40]. Water refill points. (Development by the States and public utility providers).	Add further conditions requiring that – • no advert is displayed on the water refill point, and • when the water refill point is no longer used/required it will be removed.	The condition is consistent with the requirement that no advert is displayed on a bus shelter, cycle shelter/cycle hoop allowed under this class. This will ensure that any disused equipment is removed from the area therefore reducing visual clutter.
Class 10(2)[41]. Nameplates (Signs, advertisements and temporary art installations).	Amend to clarify that a nameplate should also not be displayed to a tree.	The 2021 Policy Letter refers only to extending this to not displaying on a hedge or earth bank, however the extension to also cover a tree is logical in relation to the other two elements.

[38] This was listed as Class 5.5 in the 2021 Policy Letter.
[39] This was listed as Class 5.10 in the 2021 Policy Letter.
[40] This was listed as new Class 5.17 in the 2021 Policy Letter.
[41] This was listed as new Class 8.2 in the 2021 Policy Letter.

Changes noted in Policy Letter (December 2021)	Changes proposed following legal drafting	Reasons for changes necessary
Class 10(9)[42]. Signs within an existing fascia board. (Signs, advertisements and temporary art installations).	Amend to clarify that the exemption applies to signs attached to a non-domestic building or other non-domestic structure. Amend condition relating to pre-1900 buildings so that it only applies where sign is erected in conservation areas or on a pre-1900 building and not where erected within the curtilage of such a building.	This provides further clarity to the exemption. The impact of signage in terms of materials, lettering and design can impact on the visual appearance of these more sensitive buildings and locations.
Class 10(13)[43]. Temporary Art Installations. (Signs, advertisements and temporary art installations).	Additional condition included requiring the installation to not result in the removal of a landscape feature other than the art installation it is replacing.	The inclusion of this condition would ensure that there is no impact on the natural environment or loss of significant landscape feature that has benefit to the area. In this instance the definition of a landscape feature has been widened to incorporate existing art work as this could have been installed as a requirement of planning permission.

[42] This was listed as new Class 8.9 in the 2021 Policy Letter.
[43] This was listed as new Class 8.11 in the 2021 Policy Letter.

Changes to the 'Repeals, transitional provision and saving' section

It is proposed that the new Ordinance will include a standard, transitional provision for any development carried out before the commencement of the new Exemptions Ordinance but in accordance with the 2007 Ordinance. Owners and developers will have a period of 12 months to complete physical operational development, exempted under the 2007 Ordinance and started before the repeal of that Ordinance once the new Exemptions Ordinance commences. The development will have to be completed in accordance with the 2007 Ordinance.

States' approval is not being sought for this transitional/saving provision as it is considered it is implicit upon their approval of the existing amendments. However, this Policy Letter is detailing, for information, two differences from the transitional/saving provision in the 2007 Ordinance.

The first difference is it is proposed that the transitional/saving provision is not applied to material changes of use exempted under the 2007 Ordinance i.e., a change from one Use Class to another, for example, from a use as a dwelling in Use Class 1 or a flat in Use Class 2 to use as part of a dwelling for business purposes in Use Class 5. This is because such changes, unlike physical development, are not carried out over an extended period so it is very unlikely that a change of use would be ongoing when the Ordinance comes into force. Also, the new Ordinance contains parallel exemptions for changes of use so that the changes can be made when it comes into force.

The second difference is to include a provision clarifying that changes of use or notifications made under the current temporary visitor accommodation change of use exemption will be treated as being made under the mirrored exemption in the new Ordinance. The current and new exemptions apply to a temporary change of use of visitor accommodation made from late March 2020 until the end of December 2023 and provide for notifications to be made in relation to such changes. The provision will make it clear to owners of visitor accommodation that they will not have to resubmit notifications made under the current Ordinance as the changes of use and notifications will be treated as if made under the new Ordinance.

The Land Planning and Development (Exemptions) Ordinance, 2023

ARRANGEMENT OF SECTIONS

1. Exempt development.
2. Interpretation and construction.
3. Amendment of the Land Planning and Development (Use Classes) Ordinance, 2017.
4. Amendment of the Land Planning and Development (Visitor Accommodation) (Amendment etc.) Ordinance, 2021.
5. Repeals, transitional provision and saving.
6. Citation.
7. Commencement.

SCHEDULE 1: Exempt development

Class 1 Development within the curtilage of a dwelling-house.
Class 2 Development within the curtilage of a flat or a building containing flats.
Class 3 Residential change of use.
Class 4 Development within the curtilage of a non-domestic building.
Class 5 Maintenance, repair, minor alterations and temporary structures and uses.
Class 6 Agricultural development.
Class 7 Development by the States and Public Utility Providers.
Class 8 Storage, distribution and industrial change of use.
Class 9 Trees.
Class 10 Signs, advertisements and temporary art installations.
Class 11 Retail and administrative, financial and professional change of use.
Class 12 Visitor accommodation change of use.
Class 13 Demolition.

SCHEDULE 2: Visitor Accommodation change of use.
Descriptions of sites for the purposes of paragraph 4(1)(e) of Class 12 of Schedule 1.

The Land Planning and Development (Exemptions) Ordinance, 2023

THE STATES, in pursuance of their Resolutions of the 15th December, 2021[a] and the ** February, 2023[b], and in exercise of the powers conferred upon them by sections 13(4) to (6), 28, 78(1)(a) and 89 of the Land Planning and Development (Guernsey) Law, 2005[c], and of all other powers enabling them in that behalf, hereby order :-

Exempt development.

1. (1) Subject to subsections (4) and (5), planning permission is not required for the carrying out of any development specified in Schedule 1 in the circumstances, and subject to the provisos if any, specified in relation to that development in Schedule 1 and in subsections (2) and (3).

(2) The proviso referred to in subsection (1), is that the total area of ground within the curtilage of the dwelling-house, covered by development comprising the erection of a new structure and falling within any one or more of -

(a) paragraphs 9 to 15 (porch, extension, garden structure, shed, glasshouse, garage, other outbuilding, car port or hard-surfaced areas),

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a Article No. IX of Billet d'État No. XXV of 2021.

b Article No. ** of Billet d' d'État No. ** of 2023.

c Order in Council No. XVI of 2005; this enactment has been amended.

(b) paragraph 19 (swimming or other pool), and

(c) paragraphs 34 (external steps) and 36 (external ramp),

of Class 1 to Schedule 1 (development within the curtilage of a dwelling-house), including that to be constructed, does not exceed 50% of the total area of the curtilage (excluding the ground area of the dwelling-house as it was originally constructed).

(3) The proviso referred to in subsection (1), is that the total area of ground, within the curtilage of the flat or the building containing flats, covered by development comprising the erection of a new structure and falling within any one or more of -

(a) paragraphs 8 to 10 (porch, hard-surfaced areas or construction of external steps), and

(b) paragraph 18 (external ramp),

of Class 2 to Schedule 1 (development within the curtilage of a flat or a building containing flats), including that to be constructed, does not exceed 50% of the total area of the flat or building containing flats as it was originally constructed.

(4) Subsection (1) does not apply in relation to the carrying out of any development -

(a) in relation to, or

(b) within the curtilage of,

a protected building or protected monument except where there is a specific reference in Schedule 1 to such development.

(5) For the avoidance of doubt, subsection (1) does not operate to exclude the development specified in Schedule 1 from requirements imposed under any building regulations.

(6) Where under any provision of Schedule 1 more than one proviso is attached to an exemption, the exemption applies only if all of those provisos are fulfilled.

(7) The Authority may by Regulations amend Schedule 1 for the purpose of amending, substituting, omitting or adding any proviso to an exemption in that Schedule.

Interpretation and construction.

2. (1) In this Ordinance, unless the context requires otherwise -

"**agriculture**" includes dairy farming, livestock breeding and keeping, horticulture, fruit growing, seed growing, the use of land as arable land, an orchard or as grazing or pasture land, osier land, meadow land, market gardens and nursery grounds; and for the avoidance of doubt, a reference to "**agriculture**" or to any matter or use included within it in this definition includes any such matter or use whether or not carried on as a trade or business,

"**agricultural purposes**" includes all purposes directly connected with the use of land -

(a) for agriculture, or

(b) land treated as land used for agriculture in accordance with section 45A (glasshouse land etc.) of the Law,

but, for the avoidance of doubt, does not include any purposes connected with the use of land as a garden (other than a market garden),

"**altered opening**" means an opening that is being altered only to make minor alterations to accommodate a replacement door, window, roof-light, roof-lantern or sun tunnel,

"**bike barn**" means a structure which is designed and used for the shelter or storage of a bicycle, scooter, motorbike, mobility scooter or motorised wheel chair or other small vehicle but not for a car, van, lorry, caravan, motor-home or other large vehicle,

"**boarding permit**" means a permit granted by the States Committee for Economic Development under and for the purposes of the Tourist Law, 1948[d],

"**building containing flats**" means the communal parts, roof and external walls of a building containing flats,

"**cycle**" or "**bicycle**" includes a tricycle and an electric bicycle or electric tricycle,

"**cabrio-roof-light**" means a roof-light which opens to form a balcony or outlook area with a rail or balustrade projecting beyond the existing roof,

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d Ordres en Conseil Vol. XIII, p. 329; this enactment has been amended.

"**the Data Protection Law**" means the Data Protection (Bailiwick of Guernsey) Law, 2017[e],

"**development**" shall be construed in accordance with section 13(1) of the Law and Part I of the Land Planning and Development (General Provisions) Ordinance, 2007[f],

"**display**" in relation to an advertisement or sign includes attaching to or painting or otherwise exhibiting on any structure or placing on land,

"**dormer**" means a projecting upright window in a sloping roof, the height of which is lower than the apex of the roof from which it projects,

"**drain**" has the meaning given by section 29(1) of the Sewerage (Guernsey) Law, 1974[g],

"**dwelling-house**" does not include a flat, a building containing flats or a building the use of which falls within use class 6 (premises in multiple occupation),

"**exempt development**" means development which is exempted from the requirement for planning permission in accordance with section 1(1),

"**2007 Exemptions Ordinance**" means the Land Planning and Development (Exemptions) Ordinance, 2007[h],

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e Order in Council No. VI of 2018; this enactment has been amended.

f Ordinance No. XXI of 2007; this enactment has been amended.

g Ordres en Conseil Vol. XXIV, p. 372; this enactment has been amended.

"**existing opening**" does not include an altered opening,

"**extension**" means a structure, other than a porch or car port, which is attached to, and used primarily for the non-commercial purposes of, a dwelling-house,

"**flat**" means a self-contained dwelling comprising part of a building and laying wholly or partly above or below some other part of that building including -

(a) that part of the building forming the external walls immediately outside the flat, and

(b) any part of the roof of the building which only serves the flat,

"**glasshouse**" means a structure made predominantly of glass or other transparent or translucent material, which is not attached to a dwelling-house, and which is designed and used for growing plants,

"**glazing**" includes glazing comprised of perspex or other plastics,

"**ground reinforcement system**" means a system installed for the purpose of reinforcing the ground which includes a plastic grid which may be filled with gravel or earth,

"**hard-surfaced area**" does not include an area covered by artificial grass,

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h Ordinance No. XXIII of 2007; this enactment has been amended.

"**hedge**" includes part of a hedge but, for the avoidance of doubt, does not include an earthbank below a hedge,

"**highway**" means any -

(a) vehicular or pedestrian road, street, lane or clos, track or path, however named, used by the public, and

(b) any private vehicular road, street, lane or clos, however named,

"**insulated render system**" means a system for insulating external walls of buildings which is installed on the outside of a building and the final external surface of which is comprised of render,

"**Island Development Plan**" means the Development Plan, entitled the Island Development Plan November, 2016, comprising the Written Statement and Proposals Map adopted by the States on 2nd November, 2016 as amended or replaced from time to time under the Law,

"**LA90 level**" means the average noise level, including low frequency sounds, for 90% of the measurement period,

"**landscape feature**" includes -

(a) a tree, hedge, shrub or area of planting which forms a significant feature in the immediate landscape,

(b) a tree, hedge, shrub, area of planting or other feature in the landscape which was planted in compliance with a condition of a planning permission, and

(c) only for the purposes of Classes 7 and 10 to Schedule 1 -

(i) street furniture within the meaning of paragraph 12(3) of Class 7 to Schedule 1, and

(ii) an art work installed for the benefit of -

(A) the public, or

(B) residents of a particular locality, highway or block of flats,

but, for the avoidance of doubt, not solely for the benefit of the residents of a single dwelling,

"**the Law**" means the Land Planning and Development (Guernsey) Law, 2005,

"**Main Centre**" means the inner areas of Town and the Bridge -

(a) as described, under "Main Centre" in paragraph 1.4.13 of the Island Development Plan, and

(b) which lie within the Main Centre Inner Boundary of Town and the Bridge as described, and marked by a brown boundary line, on the Proposals Map forming part of the Island Development Plan,

"**natural stone**" does not include reconstituted stone,

"**noise sensitive building**" means a building or part of a building comprising -

(a) a dwelling-house, flat, building containing flats or a building the use of which falls within use class 6 (premises in multiple occupation),

(b) a school within the meaning of section 1(1) of the Education (Guernsey) Law, 1970[i], college of further education or other establishment where courses of study are carried on,

(c) a nursing home or a residential home within the meaning of the Nursing Homes and Residential Homes (Guernsey) Law, 1976[j],

(d) a hospital, or

(e) a residential home for children or other establishment used for residential purposes not falling within paragraphs (a) to (d),

"**non-domestic building**" means a building (other than an outbuilding) which is used for a use not falling within any of use classes 1 to 6 (residential use classes),

"**notified**" means notified in writing,

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i Ordres en Conseil Vol. XXII, p. 318; this enactment has been amended.

j Ordres en Conseil Vol. XXVI, p. 71; this enactment has been amended.

"**operational area**" means, in relation to each place referred to in paragraphs 6 to 10 of Class 7 to Schedule 1, that part of the place which is used for purposes connected with its operation as such a place,

"**outline permission**" means planning permission subject to the reservation of particular matters for subsequent approval,

"**positioned at a high level**", where used in relation to a window or door, means a door or window the whole of which is positioned more than 1.7 metres above the floor level (not including any floor covering) of the floor on which it is installed,

"**protected tree**" means any tree, group or area of trees or woodlands in relation to which a tree protection order has been made,

"**public**" includes any section of the public,

"**public highway**" means any vehicular or pedestrian road, street, lane or clos, track or path, however named, used by the public,

"**public sewer**" has the meaning given by section 29(1) of the Sewerage (Guernsey) Law, 1974,

"**public utility service**" means the supply to the public of water, gas, electricity, telecommunications or sewerage disposal services,

"**render**" does not include an insulated render system,

"**roof-lantern**" means a structure, comprised primarily of glazing, which increases the height of, and allows light into, a room,

"**roof-light**" means a window, in the same alignment as a roof slope, which does not project more than 30 centimetres from that roof slope,

"**scooter**" includes an electric scooter,

"**sewer**" has the meaning given by section 29(1) of the Sewerage (Guernsey) Law, 1974,

"**solar product**" means -

(a) solar photovoltaic equipment, including, without limitation, solar tiles,

(b) solar thermal equipment, including, without limitation, a solar hot water collector, or

(c) any other description of equipment designed to capture energy from the sun which is approved in writing by the Authority for the purposes of this definition,

"**SUDs**" means a system for managing rainwater, snow and other precipitation, which -

(a) operates so that rainwater, snow and other precipitation percolates through it into the ground on the site on which the system is located,

(b) does not form part of a public sewer or a natural watercourse, and

(c) is designed with the aim of -

(i) reducing damage from flooding,

(ii) improving water quality,

(iii) protecting and improving the environment,

(iv) protecting health and safety, and

(v) ensuring the stability and durability of drainage systems,

"**sun tunnel**" means a skylight with a highly reflective tunnel attached to it which channels light from the roof of a building into an area of the building below,

"**timber**" includes composite materials which have the appearance of wood but are comprised of wood fibre and other materials,

"**use class**" means a class of uses identified as such by Ordinance of the States under section 13(6) of the Law[k],

"**waste**" has the meaning given by section 73(5) of the Environmental Pollution (Guernsey) Law, 2004[l].

(2) For the purposes of construction of Schedule 1 to this

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[k] The current use classes are identified in the Land Planning and Development (Use Classes) Ordinance, 2017.

[l] Order in Council No. XIII of 2004; this enactment has been amended.

Ordinance, unless the context requires otherwise -

(a) a reference to an "**existing**" structure or other feature or an "**existing**" use includes only a structure or other feature in place or a use carried on immediately before commencement of the new development, work or use concerned, and not created or carried on in breach of the Law,

(b) a proviso that there is only a specified number of a structure or other feature (however worded) refers to the circumstances on completion of the new development concerned,

(c) a proviso that something is "**not within**" a specified site, area, distance of any boundary or highway, or curtilage means that no part of it is within that site, area, distance or curtilage,

(d) in a proviso limiting the floor or base area of any structure all necessary measurements are to be taken internally,

(e) a maximum height or projection or maximum increase in height, in each case, however worded, means that no part of the structure or feature concerned is to exceed that maximum in height or projection or maximum increase in height except where such a maximum is expressly required only in relation to a particular part of such a structure or feature,

(f) in a proviso that a structure or other feature is not within a specified distance of any boundary or highway all necessary measurements are to be taken from the outside face of that structure or other feature and not from any drain, pipes or other fitments to that structure or feature,

(g) an exemption which exempts the installation of anything on, or within the curtilage of, a dwelling-house includes, for the avoidance of doubt, the installation of the same in the garden or other land forming the curtilage of the dwelling-house or on an outbuilding or other structure within that curtilage,

(h) a reference to a solar product being of the same product type (however worded) means that the solar products are -

(i) all of the same specific type of solar product (for example, all solar PV panels, solar tiles or solar water collectors or all of a particular product which falls with a description approved in writing by the Authority under paragraph (c) of the definition of "**solar product**"), and

(ii) all of the same design or one which the Authority has approved in writing as being similar.

Amendment of the Land Planning and Development (Use Classes) Ordinance, 2017.

3. (1) The Land Planning and Development (Use Classes) Ordinance, 2017[m] is amended as follows.

(2) In the table relating to Residential use classes in Schedule 1 (use classes), in the second column of the entry relating to Residential use class 5, delete the words "and carried on in not more than two rooms".

Amendment of the Land Planning and Development (Visitor Accommodation) (Amendment etc.) Ordinance, 2021.

4. (1) The Land Planning and Development (Visitor Accommodation) (Amendment etc.) Ordinance, 2021[n] is amended as follows.

(2) In section 3 (further modification of section 48(4) of the Law in relation to certain changes of use from a visitor economy use to certain residential uses) -

(a) in subsection (1), for "Class 9A to the Schedule" substitute "Class 12 to Schedule 1",

(b) in subsection (2) -

(i) for "31st January, 2023" substitute "31st January, 2024" and

(ii) for "Class 9A of the Schedule" substitute "Class

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m Ordinance No. IV of 2017; this enactment has been amended.

n Ordinance No. XII of 2021; this enactment has been amended.

12 to Schedule 1".

(3) In section 4 (interpretation), in the definition of "**the Exemptions Ordinance**", for "2007" substitute "2023".

Repeals, transitional provision and saving.

5. (1) The Land Planning and Development (Exemptions) Ordinance, 2007, the Land Planning and Development (Exemptions) (Amendment) Ordinance, 2018[o], section 1 of the Land Planning and Development (Visitor Accommodation) (Amendment etc.) Ordinance, 2021 and section 1 of the Land Planning and Development (Visitor Accommodation) (Amendment) Ordinance, 2022[p] are repealed.

(2) The lawfulness of any development carried out before the commencement of this Ordinance without the permission of the Authority but in accordance with the 2007 Exemptions Ordinance is not affected by the repeal of that Ordinance, and any such operational development commenced but not completed may be continued provided that it is completed within 12 months of that repeal and in accordance with the 2007 Exemptions Ordinance.

(3) For the avoidance of doubt, any change of use or notification made in accordance with paragraph 1 or 2 to Class 9A to the Schedule to the 2007 Exemptions Ordinance is, on and from the commencement of this Ordinance, to be treated as if made under the corresponding provision in paragraph 1 or 2 to Class 12 to Schedule 1 to this Ordinance.

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[o] Ordinance No. XVIII of 2018.

[p] Ordinance No. I of 2022.

(4) In this section "**operational development**" means any development other than a material change of use.

Citation.

6. This Ordinance may be cited as the Land Planning and Development (Exemptions) Ordinance, 2023.

Commencement.

7. This Ordinance shall come into force on the ***, 2023.

SCHEDULE 1

Section 1(1)

EXEMPT DEVELOPMENT

CLASS 1

DEVELOPMENT WITHIN THE CURTILAGE OF A DWELLING-HOUSE

Alterations to an external wall of a dwelling-house or an outbuilding.

1. Alterations to an external wall of a dwelling-house, or the external wall of an outbuilding within the curtilage of a dwelling-house, consisting of rendering, removing render or cladding in natural stone, timber or cement boards, provided that -

(a) in the case of the cladding or rendering for the first time of an external wall, the development is not carried out in relation to any building which is -

(i) substantially constructed before 1900, or

(ii) attached to the dwelling-house in question where that dwelling-house is substantially constructed before 1900,

(b) in the case of the cladding for the first time of an external wall, the dwelling-house or the outbuilding, on which the alterations are carried out, is not within a conservation area.

Satellite dish antennas.

2. Installation of a satellite dish antenna on, or within the curtilage of, a dwelling-house provided that -

(a) any satellite dish antenna is to be used principally for the domestic purposes of that dwelling-house,

(b) where it is installed on an elevation of the dwelling-house, there is only one satellite dish antenna on that elevation,

(c) where it is installed within the curtilage of the dwelling-house but not attached to the dwelling-house, there is only one satellite dish antenna in the garden and any other land forming the curtilage of the dwelling-house,

(d) the size of the satellite dish antenna, including any means of fixing does not exceed 1 metre, measured in any dimension,

(e) there are no more than four satellite dish antennas in total installed on, or within the curtilage of, the dwelling-house.

Solar products.

3. Installation of solar products on, or within the curtilage of, a dwelling-house, including where such house or its curtilage is, or is within the curtilage of, a protected building, provided that -

(a) where the solar products are mounted on a sloping roof, they are installed parallel to the plane of the roof slope and project no more than 30 centimetres from that plane,

(b) where the solar products are mounted on a flat roof, they are installed so that they are angled at no more than 10 degrees from the roof and project no more than 40 centimetres from the roof,

(c) where the location at which the solar products are installed is, or is within the curtilage of, a protected building, the solar products are not installed on -

(i) a roof slope facing a highway, or

(ii) a flat roof with the products positioned facing a highway,

(d) where the location at which the solar products are installed is not a protected building or is not within the curtilage of a protected building and solar products are installed on a roof slope facing a highway or on a flat roof with the products positioned facing a highway, the solar products installed must -

(i) be of the same product type, and

(ii) where existing solar products are installed on the same roof slope or area of a flat roof, be of

the same product type as the predominant type of existing solar products in that location,

(e) where the solar products are mounted on the ground, none is located forward of any elevation of the dwelling-house that faces a highway,

(f) where the solar products are mounted on the ground -

(i) none exceeds 2 metres in height,

(ii) the total area of the solar products installed, or of those solar products together with any other existing solar products mounted on the ground within the curtilage of the dwelling-house, does not exceed 10 square metres, and

(iii) none is located more than 30 metres from the dwelling-house,

(g) where the location at which the solar products are installed is on, or is within the curtilage of, a protected building or is on, or attached to, the dwelling-house and the dwelling-house is substantially constructed before 1900 -

(i) where the solar products are mounted on a roof, the area of that roof covered by solar products must not exceed 50% of the total area of that roof, and

(ii) where the solar products are mounted on the ground, the area of the ground within the curtilage of the dwelling-house covered by solar products must not exceed 50% of the total area of that curtilage,

(h) the solar products are only mounted -

(i) on the roof of the dwelling-house, or

(ii) on the roof of an outbuilding or other structure, or on the ground, within the curtilage of the dwelling-house.

Replacement of a door, window, roof-light, roof-lantern or sun tunnel in existing opening.

4. The replacement of a door, window, roof-light, roof-lantern or sun tunnel within an existing opening in a dwelling-house provided that, where the dwelling-house is substantially constructed before 1900, the replacement is of the same design, has the same means of opening and is made of the same materials as the one it replaces.

Installation of a door or window in new or altered opening.

5. The installation of a door or window within a new or altered opening in a dwelling-house provided that -

(a) where the dwelling-house is substantially constructed before 1900, the new door or window is not installed on any elevation of the dwelling-house that faces a highway,

(b) where the new door or window is installed in an elevation of the dwelling-house that -

(i) has no existing window or door or only has a window or door -

(A) the glazing of which is all obscured, or

(B) which is positioned at a high level, and

(ii) faces a boundary with a neighbouring residential property,

the new door or window is not within 5 metres of that boundary,

(c) where the new door or window is installed in an elevation of the dwelling-house that –

(i) has an existing window or door -

(A) any of the glazing of which is not obscured, and

(B) which is not positioned at a high level, and

(ii) faces a boundary with a neighbouring residential property,

the new door or window is not within 3 metres of that boundary,

(d) the new door or window is not installed above ground floor level.

Re-roofing.

6. The re-roofing of a dwelling-house or of an outbuilding or any other structure within the curtilage of a dwelling-house other than the re-roofing of a dormer, including a limited increase to the height of the roof which is reasonably necessary in relation to the re-roofing works, provided that -

(a) where the dwelling-house, outbuilding or other structure on which the re-roofing is carried out -

(i) is within a conservation area,

(ii) is substantially constructed before 1900, or

(iii) is attached to the dwelling-house in question and the dwelling-house is substantially constructed before 1900,

the material used is natural slate or clay tiles,

(b) in the case of the re-roofing of an outbuilding or other structure, the original construction, erection or placement of the outbuilding or other structure was carried out lawfully,

(c) any increase in the height of the roof is no more than

30 centimetres measured externally.

Installation of roof-light, roof-lantern or sun tunnel.

7. The installation of a roof-light (other than a cabrio-roof-light), roof-lantern or sun tunnel on the roof of a dwelling-house provided that -

(a) where the roof-light, roof-lantern or sun tunnel is installed on a sloping roof within 10 metres of a boundary with a neighbouring residential property, the height of the cill of the roof-light, roof-lantern or sun tunnel is at least 1.7 metres measured from the finished internal floor of the dwelling-house,

(b) where the roof-light, roof-lantern or sun tunnel is installed in a position where it faces a highway -

(i) it does not exceed 1 metre, measured in any dimension, and

(ii) there are no more than two roof-lights, roof-lanterns or sun tunnels in total facing that highway on the roof in question,

(c) where the dwelling-house is substantially constructed before 1900, the roof-light, roof-lantern or sun tunnel is not installed in a position facing a highway.

Installation or re-roofing of dormer or cladding of dormer cheeks.

8. The installation of a dormer within the roof-space of a dwelling-house, the re-roofing of a dormer or the cladding of the sides of a dormer ("**dormer**

cheeks") on the roof of a dwelling-house, provided that -

(a) in the case of the installation of a dormer, where the dormer is installed on a sloping roof that faces a highway -

(i) it does not exceed 1.1 metres in width measured externally, and

(ii) there are no more than two dormers on the roof slope in question,

(b) in the case of the installation of a dormer, where the dormer is installed on a sloping roof that does not face a highway -

(i) it does not exceed 2 metres in width measured externally, and

(ii) there are no more than two dormers on the roof slope in question,

(c) in the case of the installation of a dormer, any glazed elements in the dormer are not located within 10 metres, measured horizontally, of a boundary with a neighbouring residential property,

(d) in the case of the re-roofing of a dormer or the cladding of dormer cheeks, where the dwelling-house is within a conservation area or is substantially constructed before 1900, the material used is natural

slate or clay tiles or the same material as that which is being replaced.

Erection of, or works to enclose, porch.

9. The erection of a porch, or carrying out works to enclose an existing porch, on any elevation of a dwelling-house provided that -

(a) in the case of the erection of a porch where the dwelling-house is within a conservation area or is substantially constructed before 1900, the porch is located on an elevation of the dwelling-house that does not face a highway,

(b) in the case of the erection of a porch for the first time, the floor area of the porch does not exceed 6 square metres and the height of the porch does not exceed 3 metres,

(c) the porch is not within 2 metres of a highway,

(d) there is only one porch attached to each elevation of the dwelling-house,

(e) the dwelling-house is not within a site of special significance.

The erection of an extension to a dwelling-house.

10. The erection of an extension to a dwelling-house provided that -

(a) no part of the extension extends forward of any elevation of that dwelling-house that faces a highway,

(b) where the dwelling-house is within a conservation area or is substantially constructed before 1900, the extension is located on an elevation of the house that is not visible from a highway,

(c) the floor area of the extension does not exceed 30 square metres,

(d) the height of the roof of the extension -

(i) where the roof is pitched, does not exceed 4.5 metres measured to the apex of that roof, or

(ii) where the roof is flat, does not exceed 3.5 metres,

(e) where any part of the extension is located within 1 metre of any boundary with a neighbouring property, the height of that part does not exceed 3 metres,

(f) glazing is not included within any elevation which faces a boundary with a neighbouring property and is located within 3 metres of that boundary,

(g) any opening designed to admit a motor vehicle is set back at least 5 metres from a highway accessible from that opening,

(h) the dwelling-house, including the extension to be erected, is not within a site of special significance.

Erection of a pergola or other garden structure.

11. The erection of a pergola or other garden structure designed and used for the support of plants within the curtilage of a dwelling-house, including where such house or its curtilage is, or is within the curtilage of, a protected building or a protected monument, provided that -

(a) no part of the structure extends forward of any elevation of the dwelling-house that faces a highway,

(b) the height of the structure does not exceed 3 metres,

(c) neither the dwelling-house nor the structure to be erected is within a site of special significance.

Erection of shed.

12. The erection of a freestanding shed, within the curtilage of a dwelling-house, to be used primarily for the non-commercial purposes of that dwelling-house, including where such house or its curtilage is, or is within the curtilage of, a protected building or a protected monument, provided that -

(a) no part of the shed extends forward of any elevation of the dwelling-house that faces a highway,

(b) the height of the roof of the shed -

(i) where the roof is pitched, does not exceed 4.5 metres measured to the apex of the roof, or

(ii) where the roof is flat, does not exceed 3.5 metres,

(c) where any part of the shed is located within 1 metre of the boundary of a neighbouring property, the height of that part does not exceed 3 metres,

(d) the base area of the shed does not exceed 10 square metres,

(e) there is only one shed within the curtilage,

(f) neither the dwelling-house nor the shed is within a site of special significance.

Erection of glasshouse.

13. The erection of a freestanding glasshouse, within the curtilage of a dwelling-house, to be used primarily for the non-commercial purposes of that dwelling-house, including where such house or its curtilage is, or is within the curtilage of, a protected building or a protected monument, provided that -

(a) no part of the glasshouse extends forward of any elevation of the dwelling-house that faces a highway,

(b) the height of the roof of the glasshouse -

(i) where the roof is pitched, does not exceed 4.5 metres measured to the apex of the roof, or

(ii) where the roof is flat, does not exceed 4 metres,

(c) where any part of the glasshouse is located within 1 metre of the boundary of a neighbouring property the

height of that part does not exceed 3 metres,

(d) the base area of the glasshouse does not exceed 30 square metres,

(e) there is only one glasshouse within the curtilage,

(f) neither the dwelling-house nor the glasshouse is within a site of special significance.

Erection of freestanding garage, other outbuilding or car port.

14. The erection of a freestanding garage, or a freestanding or attached car port or other freestanding outbuilding (not falling within paragraph 12 or 13) within the curtilage of a dwelling-house, to be used primarily for the non-commercial purposes of that dwelling-house provided that -

(a) no part of the garage, car port or other outbuilding extends forward of any elevation of the dwelling-house that faces a highway,

(b) where the garage, car port or other outbuilding erected is visible from a highway and is -

(i) within a conservation area, or

(ii) attached to the dwelling-house in question and the dwelling-house is substantially constructed before 1900,

the garage, car port or outbuilding erected does not have a flat roof,

(c) the height of the roof of the garage, car port, or other outbuilding -

(i) where that roof is pitched, does not exceed 4.5 metres measured to the apex of the roof, or

(ii) where the roof is flat, does not exceed 3.5 metres,

(d) where any part of the garage, car port or other outbuilding is located within 1 metre of the boundary of a neighbouring property, the height of that part does not exceed 3 metres,

(e) the base area of the garage, car port or other outbuilding does not exceed 30 square metres,

(f) any opening designed to admit a motor vehicle is set back at least 5 metres from a highway accessible from that opening,

(g) there is only one of any such structure in total within the curtilage,

(h) neither the dwelling-house nor the garage, car port or other outbuilding erected is within a site of special significance.

Hard-surfaced areas.

15. The creation, extension or re-surfacing of a hard-surfaced area, including timber decking, within the curtilage of a dwelling-house provided that -

(a) where the hard-surfaced area is within a conservation area -

(i) in the case of an extension of an existing hard-surface, the material used is the same as the existing material, or

(ii) in any other case, the material used comprises -

(A) loose laid natural stone gravel,

(B) paviours or bricks made, in either case, from concrete or clay,

(C) natural stone setts or natural paving slabs,

(D) timber boarding, or

(E) a ground reinforcement system,

(b) no part of any area created or extended is more than 30 metres from the dwelling-house,

(c) no part of any area created or extended forms a new vehicle or pedestrian access onto a highway or a private pedestrian road, street, lane or clos, however named,

(d) the height of any timber decking or other hard-surface

created is not more than 50 centimetres above ground level,

(e) in the case of the creation or re-surfacing of a hard-surfaced area but not the extension of an existing hard-surfaced area, the hard-surface must be created or resurfaced so that -

(i) it is permeable, and

(ii) rainwater drains from the area into a soakaway or SUDS,

(f) neither the dwelling-house nor the hard-surfaced area is within a site of special significance.

Gates, fences and walls.

16. The erection or replacement of a gate, fence, or wall within or along a boundary of the curtilage of a dwelling-house provided that -

(a) the height of such a structure erected within or along a boundary of the curtilage of a dwelling-house does not exceed 2 metres in height above any land within 2 metres on either side,

(b) the height of that part of a structure which is erected in front of any elevation of the dwelling-house that faces a highway does not exceed 90 centimetres in height above any land within 2 metres on either side,

(c) any fence is of timber construction,

(d) any gate is of timber or metal construction,

(e) any wall is of natural stone or rendered blockwork,

(f) in the case of the replacement of a gate, fence or wall, the original construction, erection or placement of the gate, fence or wall was carried out lawfully,

(g) neither the dwelling-house nor the structure to be erected is within a site of special significance.

Domestic fuel containers.

17. The installation within the curtilage of a dwelling-house, including where such house or its curtilage is, or is within the curtilage of, a protected building, of one container (including any associated catchpit) for any type of fuel where that container is used primarily for the domestic purposes of that dwelling-house, provided that -

(a) where the container is sited forward of any elevation of the dwelling-house that faces a highway, it is completely buried below the level of the ground surrounding it,

(b) no part of the container (disregarding pipes and fittings) is more than 2.5 metres above the ground surrounding it,

(c) the volume of the container does not exceed 1.50 cubic metres,

(d) neither the dwelling-house nor the container is within

a site of special significance.

Domestic cesspits or soakaways.

18. The installation of a cesspit or soakaway, wholly below ground, within the curtilage of the dwelling-house which it serves, including where such house or its curtilage is, or is within the curtilage of, a protected building, provided that neither the dwelling-house nor the cesspit or soakaway is within a site of special significance.

Installation of a swimming or other pool.

19. The installation of a swimming or other pool within the curtilage of a dwelling-house, including where such house or its curtilage is, or is within the curtilage of, a protected building, provided that -

(a) the swimming or other pool is not located forward of any elevation of the dwelling-house that faces a highway,

(b) neither the dwelling-house nor the swimming or other pool is within a site of special significance,

(c) the swimming or other pool is not within 2 metres of a boundary with a neighbouring residential property.

Installation of a traffic mirror.

20. The installation of a traffic mirror within the curtilage of a dwelling-house, including where such house or its curtilage is, or is within the curtilage of, a protected building, provided that -

(a) the size of the mirror, including any means of fixing,

does not exceed 90 centimetres, measured in any dimension,

(b) the mirror is installed so that it does not interfere with the flow of traffic on a highway or movement of pedestrians on a highway.

Installation of a flagpole.

21. The installation of a free-standing flagpole within the curtilage of a dwelling-house, including where such house or its curtilage is, or is within the curtilage of, a protected building, provided that -

(a) the height of the flagpole does not exceed 5 metres,

(b) no advertising material is flown from the flagpole,

(c) there is only one flagpole within the curtilage of the dwelling-house.

Placing of a caravan.

22. The placing of a caravan on land within the curtilage of a dwelling-house, including where such house or its curtilage is, or is within the curtilage of, a protected building, provided that -

(a) the caravan is not used for human habitation,

(b) there is only one caravan within the curtilage of the dwelling-house.

Removal of a hedge.

23. The removal of a hedge within or along a boundary of the curtilage of

a dwelling-house, including where such house or its curtilage is, or is within the curtilage of, a protected building, provided that -

(a) the removal of the hedge is not carried out in the period beginning on 1st March and ending on the 31st July in any calendar year,

(b) where the hedge that is removed forms a boundary with a neighbouring property, a highway or a private pedestrian road, street, lane or clos, however named, it is replaced with another hedge of a species native to Guernsey within a period of eight weeks starting on the date of the removal of the original hedge,

(c) the hedge does not form a field boundary,

(d) neither the dwelling-house nor the hedge is within a site of special significance.

Demolition or rebuilding of a chimney stack.

24. The demolition, demolition and rebuilding or the rebuilding of a chimney stack on, or within the curtilage of, a dwelling-house, provided that -

(a) where the dwelling-house, outbuilding or other structure, within the curtilage of the dwelling-house to which the chimney stack is attached, is substantially constructed before 1900, the chimney stack must be rebuilt and be of the same design and materials as the one it replaces,

(b) in any other case, where the chimney stack is demolished and not rebuilt, the materials in the location of the former chimney stack must match the predominant material used in the relevant part of the roof of the dwelling-house, outbuilding or other structure in question.

Installation of a chimney stack or flue.

25. The installation of a chimney stack or flue for a boiler or stove on a dwelling-house or an outbuilding within the curtilage of a dwelling-house, provided that where the dwelling-house or outbuilding on which the installation is carried out -

(a) is within a conservation area,

(b) is substantially constructed before 1900, or

(c) is attached to the dwelling-house or another structure, within the curtilage of the dwelling-house, which is substantially constructed before 1900,

the chimney stack or flue must not be installed in a position facing a highway.

Installation of an air source heat pump or air conditioning unit.

26. The installation of an air source heat pump or an air conditioning unit within the curtilage of a dwelling-house, provided that -

(a) there is only one in total of either such appliance within the curtilage,

(b) there is only one fan in the air source heat pump or air

conditioning unit,

(c) the air source heat pump or air conditioning unit -

(i) is not within 1 metre of a boundary with a neighbouring property, and

(ii) does not exceed 1 metre in height, 1 metre in width and 350 mm in depth,

(d) the noise level emitted from the air source heat pump or air conditioning unit, when calculated at 1 metre from the outside face of the closest elevation of the nearest neighbouring noise sensitive building, does not exceed 5 decibels below the LA90 level of the background noise measured at that location prior to installation of the pump or unit,

(e) neither the dwelling-house nor the air source heat pump or air conditioning unit is within a site of special significance.

Change of ground levels.

27. Development to raise or lower the level of the ground within the curtilage of a dwelling-house provided that -

(a) neither the dwelling-house nor its curtilage is within a site of special significance,

(b) the increase or decrease in the height of the ground does not exceed 50 centimetres,

(c) the level of the ground is not raised within 2 metres of a boundary with a neighbouring property,

(d) there are no protected trees or roots of protected trees within the area in which the ground level is to be changed,

(e) the excavation does not result in the creation of a swimming pool, spa pool, other pool or pond.

Installation of external insulated render system.

28. (1) The installation of an insulated render system to the external walls of a dwelling-house provided that, where the dwelling-house is within a conservation area or is substantially constructed before 1900, the installation does not result in the loss of or obscuring of any distinctive features.

(2) In this paragraph "**distinctive features**" includes, without limitation, granite detailing, brick arches, decorative quoins and render bands.

Widening of vehicular access.

29. The widening of a vehicular access to a dwelling-house, within the curtilage of a dwelling-house, provided that -

(a) there is only one vehicular access serving the dwelling-house,

(b) the vehicular access is not within a conservation area,

(c) neither the dwelling-house nor the vehicular access is within a site of special significance,

(d) the dwelling-house is not substantially constructed before 1900,

(e) the width of the widened vehicular access, measured at the point where the boundary of the curtilage of the dwelling-house meets the highway, does not exceed 4 metres.

Alterations to roofs.

30. The alteration of the roof of an extension to a dwelling-house or the roof of an outbuilding within the curtilage of a dwelling-house provided that -

(a) the extension or outbuilding on which the alteration is carried out is not substantially constructed before 1900,

(b) the extension or outbuilding is not attached to the dwelling-house in question where the dwelling-house is substantially constructed before 1900,

(c) the original construction of the extension or outbuilding was carried out lawfully,

(d) where any part of the altered roof is located within 1 metre of a boundary with a neighbouring property, the height of that part does not exceed 3 metres,

(e) where any part of the altered roof is located 1 metre or more from a boundary with a neighbouring property, the height of that part does not exceed -

(i) 4.5 metres if the roof is pitched, measured to the apex of the roof, or

(ii) 3.5 metres if the roof is flat.

Installation of electric charging point.

31. (1) The installation of an electric charging point on, or within the curtilage of, a dwelling-house, including where such house or its curtilage is, or is within the curtilage of, a protected building, provided that -

(a) subject to subparagraph (2), the charging point must be installed principally for the use of vehicles used in connection with the use of the dwelling-house as a dwelling,

(b) the charging point must be installed so that a vehicle using it is located wholly within the curtilage of the dwelling-house,

(c) neither the dwelling-house nor the electric charging point is within a site of special significance.

(2) Subparagraph (1)(a) does not prevent the installation of a charging point to be used by a company car or trade van which is also used as a means of private transport by the residential occupier of the dwelling-house.

Placement or erection of bike barn or storage unit.

32. The placement or erection of a bike barn or a storage unit used for the storage of items used in connection with the use of the dwelling-house as a dwelling, within the curtilage of a dwelling-house, including where such house or its curtilage

is, or is within the curtilage of, a protected building, provided that -

(a) the bike barn or storage unit is not attached to the dwelling-house or another structure within the curtilage of the dwelling-house,

(b) where the bike barn or storage unit is located forward of an elevation of the dwelling-house in a position facing a highway or is otherwise located within 1 metre of a highway -

(i) its base area does not exceed 3 square metres,

(ii) it does not exceed 1.2 metres in height, and

(iii) there is only one bike barn or storage unit in total in that location,

(c) where the bike barn or storage unit does not fall within item (b) -

(i) its base area does not exceed 6 square metres, and

(ii) it does not exceed 2 metres in height.

Replacement of balustrade.

33. The replacement of a balustrade around a balcony of a dwelling-house or an outbuilding or other freestanding building within the curtilage of a dwelling-house or around a terrace located within the curtilage of a dwelling-house, provided that -

(a) the existing balcony or terrace is not extended as part of the development,

(b) the height of the balustrade, measured from the floor of the balcony or terrace, is at least 1.1 metres but does not exceed 1.8 metres,

(c) any existing privacy screen around the balcony or terrace is retained or replaced by a new screen of the same size, design (including level of opacity) and materials.

Construction of external steps.

34. The construction of external steps within the curtilage of a dwelling-house provided that -

(a) none of the steps is located more than 30 metres from the dwelling-house,

(b) where any part of the steps is located within 2 metres of a boundary with a neighbouring property, the height of any step does not exceed 50 centimetres above the existing ground level where the step is located,

(c) where any part of the steps is located 2 metres or more from a boundary with a neighbouring property, the height of any step does not exceed 1.5 metres above ground level,

(d) neither the dwelling-house nor any part of the steps is within a site of special significance.

Construction of earthbanks.

35. The construction of an earthbank within the curtilage of a dwelling-house, including where such house or its curtilage is, or is within the curtilage of, a protected building, provided that -

(a) neither the dwelling-house nor the earthbank is within a site of special significance,

(b) where the earthbank is located adjacent to a highway, its height does not exceed 90 centimetres,

(c) the earth bank must be constructed so that -

(i) it has a gradient of 1:4 and is turfed with natural grass, or

(ii) it has a gradient of 1:3 and is turfed or seeded with natural grass or natural grass seeds.

Construction of external ramp.

36. The construction of an external ramp, within the curtilage of a dwelling-house, to provide access to the dwelling-house, including where such house or its curtilage is, or is within the curtilage of, a protected building provided that neither the dwelling-house nor the ramp is within a site of special significance.

Installation of energy storage equipment.

37. The installation of equipment to store energy at ground floor level on any elevation of a dwelling-house which cannot be seen from a highway provided

that -

(a) there is only one such item of equipment installed on the dwelling-house,

(b) the noise level emitted from the equipment, when measured at 1 metre from the outside face of the closest elevation of the nearest neighbouring noise sensitive building, does not exceed 5 decibels below the LA90 level of the background noise measured at that location prior to installation of the equipment.

Placement of polytunnel.

38. The placement of a polytunnel within the curtilage of a dwelling-house, including where such house or its curtilage is, or is within the curtilage of, a protected building provided that -

(a) the area of the polytunnel does not exceed 30 square metres,

(b) where any part of the polytunnel is located within 1 metre of a boundary with a neighbouring property, the height of that part does not exceed 3 metres,

(c) where any part of the polytunnel is located 1 metre or more from a boundary with a neighbouring property, the height of that part does not exceed 3.5 metres,

(d) where the polytunnel is not used throughout an entire calendar year, it must be removed from the site within

two months of the end of that calendar year,

(e) neither the dwelling-house nor the polytunnel is within a site of special significance.

CLASS 2

DEVELOPMENT WITHIN THE CURTILAGE OF A FLAT OR A BUILDING CONTAINING FLATS

Alterations to an external wall of a building containing flats.

1. Alterations to an external wall of a building containing flats consisting of rendering, removing render or cladding in natural stone, timber or cement boards, provided that -

(a) the same alterations, including design and materials used, are made to the entire wall,

(b) in the case of cladding or rendering for the first time of an external wall, the building is not substantially constructed before 1900,

(c) in the case of the cladding for the first time of an external wall, the building containing flats is not within a conservation area.

Satellite dish antennas.

2. Installation of a satellite dish antenna on an external elevation of a flat which the dish serves, or on an outbuilding or other structure within the curtilage of a flat, provided that -

(a) any satellite dish antenna is to be used principally for

the domestic purposes of the flat,

(b) there is only one satellite dish installed in total on an external elevation of the flat and any other land within the curtilage of the flat,

(c) the size of the satellite dish antenna, including any means of fixing, does not exceed 1 metre, measured in any dimension.

Solar products.

3. (1) Installation of solar products -

(a) on, or within the curtilage of a flat, or

(b) on, or within the curtilage of, a building containing flats,

including on an outbuilding within either such curtilage or where such flat or building containing flats, or its curtilage is, or is within the curtilage of, a protected building and provided that the provisos in subparagraph (2) are fulfilled.

(2) The provisos referred to in subparagraph (1) are that -

(a) where the solar products are mounted on a sloping roof, they are installed parallel to the plane of the roof slope and project no more than 30 centimetres from that plane,

(b) where the solar products are mounted on a flat roof, they are installed so that they are angled at no more

than 10 degrees from the roof and project no more than 40 centimetres from the roof,

(c) where the location at which the solar products are installed is, or is within the curtilage of, a protected building, the solar products are not installed on -

(i) a roof slope facing a highway, or

(ii) a flat roof with the products positioned facing a highway,

(d) where the location at which the solar products are installed is not a protected building, or is not within the curtilage of a protected building and solar products are installed on a roof slope facing a highway or on a flat roof with the products positioned facing a highway, the solar products installed must -

(i) be of the same product type, and

(ii) where existing products are installed on the same roof slope or area of a flat roof, be of the same product type as the predominant type of existing solar products in that location,

(e) where the solar products are mounted on the ground, none is located forward of any elevation of the flat or building containing flats, within the curtilage of which the solar products are installed, that faces a

highway,

(f) where the solar products are mounted on the ground -

(i) none exceeds 2 metres in height,

(ii) the total area of the solar products installed, or of those solar products together with any other existing solar products mounted on the ground within the curtilage of the flat or building containing flats where the solar products are installed, does not exceed 10 square metres, and

(iii) none is located more than 30 metres from the flat or building containing flats within the curtilage of which the solar products are installed,

(g) where the location at which the solar products are installed is on, or is within the curtilage of, a protected building, forms part of a building which is substantially constructed before 1900 or is attached to a building containing flats and that building is substantially constructed before 1900 -

(i) where the solar products are mounted on a roof, the area of that roof covered by solar products must not exceed 50% of the total area of that roof, and

(ii) where the solar products are mounted on the ground, the area of the ground, within the curtilage of the flat or building containing flats where the solar products are installed, must not exceed 50% of the total area of that curtilage,

(h) the solar products are only mounted -

(i) on the roof of the flat or building containing flats, or

(ii) on the roof of an outbuilding or other structure, or on the ground, within the curtilage of the flat or building containing flats.

Replacement of a door, window, roof-light, roof-lantern or sun tunnel in existing opening.

4. The replacement of a door, window, roof-light, roof-lantern or sun tunnel within an existing opening in a flat or in a building containing flats provided that, where the location at which the replacement is carried out forms part of, or comprises, a building which is substantially constructed before 1900, the replacement is of the same design, means of opening and made of the same materials as the one it replaces.

Installation of a door or window in new or altered opening.

5. The installation of a door or window within a new or altered opening in a flat or in a building containing flats, provided that -

(a) where the flat or the building containing flats, on which the installation is carried out, forms part of, or comprises, a building which is substantially constructed before 1900, the new door or window is not installed on any elevation that faces a highway,

(b) where the new door or window is installed in an elevation of the flat or a building containing flats that -

(i) has no existing window or door or only has a window or door -

(A) the glazing of which is all obscured, or

(B) which is positioned at a high level, and

(ii) faces a boundary with a neighbouring residential property,

the new door or window is not within 5 metres of that boundary,

(c) where the new door or window is installed in an elevation of a flat or a building containing flats that -

(i) has an existing window or door -

(A) any of the glazing of which is not

obscured, and

(B) which is not positioned at a high level, and

(ii) faces a boundary with a neighbouring residential property,

the new door or window is not within 3 metres of that boundary,

(d) the window or door is not installed in a flat or a building containing flats at ground floor or raised basement level in a position where it overlooks -

(i) a garden or patio of a flat in the same building, other than a flat in which the window or door is being installed, or

(ii) a communal garden, patio or other external, communal area within the curtilage of the same building,

(e) the new door or window is not installed above ground floor level.

Re-roofing.

6. The re-roofing of a flat, a building containing flats or of an outbuilding or any other structure within the curtilage of a flat or a building containing flats, including a limited increase to the height of the roof which is reasonably necessary in relation to the re-roofing works, provided that -

(a) where the flat, building containing flats, outbuilding or other structure on which the re-roofing is carried out is within a conservation area, is substantially constructed before 1900 or is attached to the building containing flats and the building containing flats is substantially constructed before 1900, the material used is -

(i) in the case of any re-roofing other than in relation to a dormer, natural slate or clay tiles, or

(ii) in the case of the re-roofing of a dormer or the cladding of dormer cheeks, natural slate, clay tiles or the same material as that which is being replaced,

(b) in the case of the re-roofing of an outbuilding or other structure, the original construction, erection or placement of the outbuilding or other structure was carried out lawfully,

(c) any increase in the height of the roof is no more than 30 centimetres measured externally.

Installation of roof-light, roof-lantern or sun tunnel.

7. The installation of a roof-light (other than a cabrio-roof-light), roof-lantern or sun tunnel on the roof of a flat or a building containing flats provided that -

(a) where the roof-light, roof-lantern or sun tunnel is installed on a sloping roof which faces and is within 10 metres of a boundary with a neighbouring residential property, the height of the cill of the roof-light, roof-lantern or sun tunnel is at least 1.7 metres measured from the finished internal floor of the flat or building containing flats on which the installation is carried out,

(b) where the roof-light, roof-lantern or sun tunnel is installed in a position where it faces a highway -

(i) it does not exceed 1 metre, measured in any dimension, and

(ii) there are no more than two roof-lights, roof-lanterns or sun tunnels in total facing that highway on the roof in question,

(c) where the flat or building containing flats, on which the installation is carried out, forms part of, or comprises, a building which is substantially constructed before 1900, the roof-light, roof-lantern or sun tunnel is not installed in a position facing a highway.

Erection of, or works to enclose, porch.

8. The erection of a porch, or carrying out works to enclose an existing porch, on any elevation of a flat or a building containing flats, provided that -

(a) in the case of the erection of a porch where the flat or building containing flats, on which the erection is carried out, is within a conservation area or forms part of, or comprises, a building which is substantially constructed before 1900, the porch is located on an elevation of the building that does not face a highway,

(b) in the case of the erection of a porch for the first time, the floor area of the porch does not exceed 6 square metres and the height of the porch does not exceed 3 metres,

(c) the porch is not within 2 metres of a highway,

(d) there is only one porch attached to each elevation of a building containing flats following the erection of a porch on a flat or a building containing flats,

(e) the flat or the building containing flats, on which the erection or works are carried out, is not within a site of special significance.

Hard-surfaced areas.

9. The creation, extension or resurfacing of a hard-surfaced area, including timber decking, within the curtilage of a flat or a building containing flats provided that -

(a) where the hard-surfaced area is within a conservation area -

(i) in the case of an extension of an existing hard-surface, the material used is the same as the existing material, or

(ii) in any other case, the material used comprises -

(A) loose laid natural stone gravel,

(B) paviours or bricks made, in either case, from concrete or clay,

(C) natural stone setts or natural paving slabs,

(D) timber boarding, or

(E) a ground reinforcement system,

(b) no part of any area created or extended is more than 30 metres from any part of the flat or building containing flats within the curtilage of which the works are carried out,

(c) no part of any area created or extended forms a new vehicle or pedestrian access onto a highway or a private pedestrian road, street, lane or clos, however named,

(d) the height of any timber decking or other hard-surface created is not more than 50 centimetres above ground

level,

(e) in the case of the creation or re-surfacing of a hard-surfaced area but not the extension of an existing hard-surfaced area, the hard-surface must be created or re-surfaced so that -

(i) it is permeable, and

(ii) rainwater drains from the area into a soakaway or SUDS,

(f) in the case of the creation or extension of a hard-surfaced area, the area created or extended must not be used as an additional car parking area and the works must not require the removal of a landscape feature,

(g) neither the flat or building containing flats, within the curtilage of which the works are carried out, nor the hard-surfaced area is within a site of special significance.

Construction of external steps.

10. The construction of external steps within the curtilage of a flat or of a building containing flats provided that -

(a) none of the steps is located more than 30 metres from any part of the flat or building containing flats within the curtilage of which the construction is carried out,

(b) the height of any step does not exceed 50 centimetres above the existing ground level where the step is located,

(c) the works must not require the removal of a landscape feature,

(d) neither the flat or building containing flats, within the curtilage of which the construction is carried out, nor any part of the steps is within a site of special significance.

Gates, fences and walls.

11. The erection or replacement of a gate, fence, or wall within or along a boundary of the curtilage of a flat or a building containing flats, provided that -

(a) the height of such a structure erected within or along a boundary of the curtilage of the flat or building containing flats does not exceed 2 metres in height above any land within 2 metres on either side,

(b) the height of that part of a structure which is erected in front of any elevation of the flat or the building containing flats that faces a highway does not exceed 90 centimetres in height above any land within 2 metres on either side,

(c) any fence is of timber construction,

(d) any gate is of timber or metal construction,

(e) any wall is of natural stone or rendered blockwork,

(f) in the case of the replacement of a gate, fence or wall, the original construction, erection or placement of the gate, fence or wall was carried out lawfully,

(g) neither the flat or building containing flats, within or along a boundary of the curtilage of which the works are carried out, nor the structure to be erected is within a site of special significance.

Installation of a traffic mirror.

12. The installation of a traffic mirror within the curtilage of a flat or a building containing flats, including where such building or its curtilage is, or is within the curtilage of, a protected building, provided that -

(a) the size of the mirror, including any means of fixing, does not exceed 90 centimetres, measured in any dimension,

(b) the mirror is installed so that it does not interfere with the flow of traffic on a highway or movement of pedestrians on a highway.

Removal of a hedge.

13. The removal of a hedge within or along a boundary of the curtilage of a flat or a building containing flats, including where such building or its curtilage is, or is within the curtilage of, a protected building, provided that -

(a) the removal of the hedge is not carried out in the

period beginning on 1st March and ending on the 31st July in any calendar year,

(b) where the hedge that is removed forms a boundary with a neighbouring property, a highway or a private pedestrian road, street, lane or clos, however named, it is replaced with another hedge of a species native to Guernsey within a period of eight weeks starting on the date of the removal of the original hedge,

(c) the hedge does not form a field boundary,

(d) neither the flat or the building containing flats, within or along the boundary of which the removal is carried out, nor the hedge is within a site of special significance.

Demolition or rebuilding of a chimney stack.

14. The demolition, demolition and rebuilding or the rebuilding of a chimney stack on a flat or a building containing flats, or on an outbuilding or other structure within the curtilage of a flat or a building containing flats, provided that -

(a) where the flat, building containing flats or the outbuilding or other structure to which the chimney stack is attached is substantially constructed before 1900, the chimney stack must be rebuilt and be of the same design and materials as the one it replaces,

(b) in any other case, where the chimney stack is demolished and not rebuilt, the materials in the

location of the former chimney stack must match the predominant material used in the relevant part of the roof of the flat, the building containing flats, outbuilding or other structure in question.

Installation of external insulated render system.

15. (1) The installation of an insulated render system to the external walls of a flat or a building containing flats provided that, where any part of the flat or building containing flats on which the installation is carried out, is within a conservation area or forms part of, or comprises, a building which is substantially constructed before 1900, the installation does not result in the loss of or obscuring of any distinctive features.

(2) In this paragraph "**distinctive features**" includes, without limitation, granite detailing, brick arches, decorative quoins and render bands.

Installation of electric charging point.

16. (1) The installation of an electric charging point on, or within the curtilage of, a flat or a building containing flats, or on an outbuilding or other structure within the curtilage of either of the same, including where the flat or building containing flats or its curtilage is, or is within the curtilage of, a protected building, provided that -

(a) subject to subparagraph (2), the charging point must be installed principally for the use of vehicles used in connection with the use of the flat or the building containing flats as a dwelling or a building containing dwellings, as the case may be,

(b) the charging point must be installed so that a vehicle

using it is located wholly within the curtilage of the flat or the building containing flats where the charging point is installed,

(c) neither the flat or building containing flats, on, or within the curtilage of which the installation is carried out, nor the electric charging point is within a site of special significance.

(2) Subparagraph (1)(a), does not prevent the installation of a charging point to be used by a company car or trade van which is also used as a means of private transport by the residential occupier of the flat or the building containing flats, as the case may be.

Placement or erection of bike barn or storage unit.

17. The placement or erection of a bike barn or a storage unit, used for the storage of items used in connection with the use of a flat as a dwelling within the curtilage of a flat, including where such flat or its curtilage is, or is within the curtilage of, a protected building, provided that -

(a) the bike barn or storage unit is not attached to the flat or another structure within the curtilage of the flat,

(b) where the bike barn or storage unit is located forward of an elevation of the flat, within the curtilage of which it is placed or erected, in a position facing a highway or is otherwise located within 1 metre of a highway -

(i) its base area does not exceed 3 square metres,

(ii) it does not exceed 1.2 metres in height, and

(iii) there is only one bike barn or storage unit in total in that location,

(c) where the bike barn or storage unit does not fall within item (b) -

(i) its base area does not exceed 6 square metres, and

(ii) it does not exceed 2 metres in height.

Construction of external ramp.

18. The construction of an external ramp, within the curtilage of a flat or a building containing flats, to provide access to the flat or the building containing flats within the curtilage of which it is located, including where such building or its curtilage is, or is within the curtilage of, a protected building provided that neither the flat or building containing flats, within the curtilage of which the construction is carried out, nor the ramp is within a site of special significance.

Installation of energy storage equipment.

19. The installation of equipment to store energy at ground floor level on any elevation of a flat or of a building containing flats, which cannot be seen from a highway, provided that -

(a) where the equipment is installed on an elevation comprising part of a flat, there is only one such item of equipment in total installed on that elevation,

(b) where the equipment is installed on an elevation

comprising part of a building containing flats, there is only one such item of equipment in total on that elevation,

(c) the noise level emitted from the equipment, when measured at 1 metre from the outside face of the closest elevation of the nearest neighbouring noise sensitive building, does not exceed 5 decibels below the LA90 level of the background noise measured at that location prior to installation of the equipment.

CLASS 3

RESIDENTIAL CHANGE OF USE

Change from use as part of dwelling for business purposes to a use within use class 1 or 2.

1. Change in the use of any land, including of any land which is, or is within the curtilage of, a protected building or a protected monument, from an existing use falling within use class 5 (use of part of dwelling for business purposes) to a use within use class 1 (dwelling house) or use class 2 (flat).

Change from a use within use class 1 or 2 to a use as part of dwelling for business purposes.

2. Change in the use of any land, including of any land which is, or is within the curtilage of, a protected building or a protected monument, from an existing use falling within use class 1 (dwelling house) or use class 2 (flat) to a use within use class 5 (use of part of dwelling for business purposes), provided that -

(a) the new use does not involve or result in -

(i) storage of materials outdoors,

(ii) more than two persons working at the dwelling at any one time, and

(iii) more than -

(A) eight people a day, or

(B) two persons at any one time,

visiting the premises for purposes related to the business purposes part of that use,

(b) the Authority is notified of the change of use within a period of one month starting on the date of the change.

Change in use of premises in multiple occupation to a use within use class 1 or 2.

3. Change in the use of any land, including of any land which is, or is within the curtilage of, a protected building or a protected monument, from an existing use falling within use class 6 (premises in multiple occupation) to a use within use class 1 (dwelling house) or use class 2 (flat), provided that -

(a) the change of use would not result in a dwelling-house or flat which did not meet the standards in relation to internal space within new dwellings set out in the Technical housing standards-nationally described space standard as revised, reissued or

replaced from time to time[q],

(b) the Authority is notified of the change of use within a period of one month starting on the date of the change.

CLASS 4

DEVELOPMENT WITHIN THE CURTILAGE OF A NON-DOMESTIC BUILDING

Replacement of a door or window in existing opening.

1. Replacement of any existing door or window of a non-domestic building, or of an outbuilding within the curtilage of a non-domestic building, provided that the door or window is not part of a shop front.

Re-roofing.

2. The re-roofing of an existing felt-clad or corrugated-sheet-clad roof of a non-domestic building, or of an outbuilding within the curtilage of a non-domestic building, in natural slate or clay tiles, glass reinforced plastic or single ply roofing, including a limited increase to the height of the roof which is reasonably necessary in relation to the re-roofing works, provided that -

(a) where the non-domestic building or outbuilding on which the re-roofing is carried out is within a conservation area, is substantially constructed before 1900 or is attached to the non-domestic building and the non-domestic building is substantially constructed

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[q] Issued by the Department for Communities and Local Government in the UK; current edition dated March, 2015 with notes added in May, 2016. ISBN : 978-1-4098-4567-6.

before 1900, the material used is -

(i) in the case of any re-roofing other than in relation to a dormer, natural slate or clay tiles, or

(ii) in the case of the re-roofing of a dormer or the cladding or re-cladding of dormer cheeks, natural slate or clay tiles or the same material as that which is being replaced,

(b) in the case of the re-roofing of an outbuilding, the original construction, erection or placement of the outbuilding was carried out lawfully,

(c) any increase in the height of the roof is no more than 30 centimetres measured externally.

Hard-surfaced areas.

3. The creation, extension or resurfacing of a hard-surfaced area, including timber-decking, within the curtilage of a non-domestic building provided that -

(a) where the hard-surfaced area is within a conservation area -

(i) in the case of an extension of an existing hard-surface, the material used is the same as the existing material, or

(ii) in any other case, the material used

comprises -

(A) loose laid natural stone gravel,

(B) paviours or bricks made, in either case, from concrete or clay,

(C) natural stone setts or natural paving slabs,

(D) timber boarding, or

(E) a ground reinforcement system,

(b) no part of any area created or extended is more than 30 metres from the non-domestic building,

(c) no part of any area created or extended forms a new vehicle or pedestrian access onto a highway or a private pedestrian road, street, lane or clos, however named,

(d) the height of any timber decking or other hard-surface created is not more than 50 centimetres above ground level,

(e) in the case of the creation or re-surfacing of a hard-surfaced area but not the extension of an existing hard-surfaced area, the hard-surface must be created or re-surfaced so that -

(i) it is permeable, and

(ii) rainwater drains from the area into a soakaway or SUDS,

(f) in the case of the creation or extension of a hard-surfaced area, the area created or extended must not be used as an additional car parking area and the works must not require the removal of a landscape feature,

(g) neither the non-domestic building nor the hard-surfaced area is within a site of special significance.

Non-domestic cesspits or soakaways.

4. The installation of a cesspit or soakaway, wholly below ground, within the curtilage of the non-domestic building which it serves, including where such building or its curtilage is, or is within the curtilage of, a protected building, provided that neither the non-domestic building nor the cesspit or soakaway is within a site of special significance.

Closed circuit television.

5. The installation of a closed circuit television camera on an elevation of a non-domestic building, or of an outbuilding within the curtilage of a non-domestic building, provided that -

(a) the dimensions of the camera, including its housing and fixing bracket, do not exceed 90 centimetres x 25 centimetres x 55 centimetres,

(b) the camera is installed at a minimum height of 2 metres above ground level,

(c) the camera is not installed on an elevation of a building adjacent to a boundary with a neighbouring residential property,

(d) there are no more than two such cameras on each elevation of the non-domestic building or outbuilding,

(e) any signage necessary to meet information requirements relating to the installation of the camera, under the Data Protection Law, is erected at the same time.

Installation of a door or window in new or altered opening.

6. The installation of a door or window within a new or altered opening in a non-domestic building or in an outbuilding within the curtilage of a non-domestic building, provided that -

(a) where the non-domestic building or outbuilding, on which the installation is carried out, is substantially constructed before 1900, the new door or window is not installed on any elevation of the building that faces a highway,

(b) where the new door or window is installed in an elevation of the non-domestic building or outbuilding that -

(i) has no existing window or door or only has a window or door -

(A) the glazing of which is all obscured, or

(B) which is positioned at a high level, and

(ii) faces a boundary with a neighbouring residential property,

the new door or window is not within 5 metres of that boundary,

(c) where the new door or window is installed in an elevation of the non-domestic building or outbuilding that -

(i) has an existing window or door -

(A) any of the glazing of which is not obscured, and

(B) which is not positioned at a high level, and

(ii) faces a boundary with a neighbouring residential property,

the new door or window is not within 3 metres of that

boundary,

(d) the new door or window is not installed above ground floor level.

Installation of an air source heat pump or air conditioning unit.

7. The installation of an air source heat pump or an air conditioning unit within the curtilage of a non-domestic building, including on an outbuilding within the curtilage, provided that -

(a) there is only one in total of either such appliance within the curtilage,

(b) there is only one fan in the air source heat pump or air conditioning unit,

(c) the air source heat pump or air conditioning unit -

(i) is not within 1 metre of a boundary with a neighbouring property, and

(ii) does not exceed 1 metre in height, 1 metre in width and 350 mm in depth,

(d) the noise level emitted from the air source heat pump or air conditioning unit, when calculated at 1 metre from the outside face of the closest elevation of the nearest neighbouring noise sensitive building, does not exceed 5 decibels below the LA90 level of the background noise measured at that location prior to installation of the pump or unit,

(e) neither the non-domestic building or outbuilding, on, or in the curtilage of which, the installation is carried out, nor the air source heat pump or air conditioning unit is within a site of special significance.

Change of ground levels.

8. Development to raise or lower the level of the ground within the curtilage of a non-domestic building provided that -

(a) neither the non-domestic building nor its curtilage is within a site of special significance,

(b) the increase or decrease in the height of the ground does not exceed 50 centimetres,

(c) the level of the ground is not raised within 2 metres of a boundary with a neighbouring property,

(d) there are no protected trees or roots of protected trees within the area in which the ground level is to be changed,

(e) the excavation does not result in the creation of a swimming pool, spa pool, other pool or pond.

Installation of electric charging point.

9. The installation of an electric charging point on, or within the curtilage of, a non-domestic building including on an outbuilding within the curtilage or where such building or its curtilage is, or is within the curtilage of, a protected building, provided that -

(a) the charging point must be installed principally for the use of vehicles used by those visiting, or working at, the non-domestic building or outbuilding for purposes connected with the lawful use of the non-domestic building,

(b) the charging point must be installed so that a vehicle using it is located wholly within the curtilage of the non-domestic building,

(c) neither the non-domestic building or outbuilding, on, or in the curtilage of which, the installation is carried out, nor the electric charging point is within a site of special significance.

Removal of a hedge.

10. The removal of a hedge within or along a boundary of the curtilage of a non-domestic building including where such building or its curtilage is, or is within the curtilage of, a protected building, provided that -

(a) the removal of the hedge is not carried out in the period beginning on 1st March and ending on the 31st July in any calendar year,

(b) where the hedge that is removed forms a boundary with a neighbouring property, a highway or a private pedestrian road, street, lane or clos, however named, it is replaced with another hedge of a species native to Guernsey within a period of eight weeks starting on the date of the removal of the original hedge,

(c) the hedge does not form a field boundary,

(d) neither the non-domestic building nor the hedge is within a site of special significance.

Installation of a defibrillator.

11. The installation of a defibrillator and its housing on, or within the curtilage of, a non-domestic building, including on an outbuilding within the curtilage or where such building or its curtilage is, or is within the curtilage of, a protected building, provided that neither the non-domestic building or outbuilding, on, or in the curtilage of which, the installation is carried out, nor the defibrillator is within a site of special significance.

Solar products.

12. Installation of solar products on, or within the curtilage of, a non-domestic building, including on an outbuilding or other structure within the curtilage or where such building or its curtilage is, or is within the curtilage of, a protected building, provided that -

(a) where the solar products are mounted on a sloping roof, they are installed parallel to the plane of the roof slope and project no more than 30 centimetres from that plane,

(b) where the solar products are mounted on a flat roof, they are installed so that they are angled at no more than 10 degrees from the roof and project no more than 40 centimetres from the roof,

(c) where the location at which the solar products are

installed is on, or is within the curtilage of, a protected building, the solar products are not installed on -

(i) a roof slope facing a highway, or

(ii) a flat roof with the products positioned facing a highway,

(d) where the location at which the solar products are installed is not a protected building, or is not within the curtilage of a protected building and solar products are installed on a roof slope facing a highway or on a flat roof with the products positioned facing a highway, the solar products installed must -

(i) be of the same product type, and

(ii) where existing solar products are installed on the same roof slope or area of a flat roof, be of the same product type as the predominant type of existing solar products in that location,

(e) the solar products are only mounted -

(i) on the roof of the non-domestic building, or

(ii) on the roof of an outbuilding or other structure within the curtilage of the non-domestic building,

(f) where the solar products are mounted on a roof

which -

(i) is on, or is within the curtilage of, a protected building,

(ii) forms part of a building which is substantially constructed before 1900, or

(iii) is attached to the non-domestic building in question and that building is substantially constructed before 1900,

the area of that roof covered by solar products must not exceed 50% of the total area of that roof.

Installation of energy storage equipment.

13. The installation of equipment to store energy at ground floor level on any elevation of a non-domestic building which cannot be seen from a highway provided that -

(a) there is only one such item of equipment in total installed within the curtilage of the non-domestic building,

(b) the noise level emitted from the equipment, when measured at 1 metre from the outside face of the closest elevation of the nearest neighbouring noise sensitive building, does not exceed 5 decibels below the LA90 level of the background noise measured at that location prior to installation of the equipment.

Installation of roof fall protection system.

14. (1) The installation of a roof fall protection system or a skylight protection device on the roof of a non-domestic building, or on the roof of an outbuilding within the curtilage of a non-domestic building, provided that any safety lines installed are horizontal or vertical.

(2) In this paragraph -

"**roof fall protection system**" means a cable system designed to arrest or prevent a fall from a roof including any rails to which safety harnesses may be connected to the cables, and

"**skylight protection device**" means -

(a) a rail or similar device designed to create a barrier around a skylight, roof-light or similar structure, or

(b) a screen, cage or similar device designed to cover a skylight, roof-light or similar structure,

for the purpose of arresting or preventing a fall through, or injury from falling onto, a skylight, roof-light or similar structure.

CLASS 5

MAINTENANCE, REPAIR, MINOR ALTERATIONS AND TEMPORARY STRUCTURES AND USES

Maintenance, repair, and minor alterations.

1. The maintenance or repair of, or the making of any minor alteration to, a dwelling-house, a flat, a building containing flats or a non-domestic building or to a structure or other feature within the curtilage of such a building, including

where such building or its curtilage is, or is within the curtilage of, a protected building, provided that -

(a) the works are not exempt to the extent that they comprise development of a description for which an exemption is provided under another paragraph of this Schedule subject to the meeting of any provisos specified in that paragraph,

(b) the works are not exempt to the extent that they comprise the painting for the first time of any significant part of any structure or other feature,

(c) there is no material effect on the external appearance of any structure or other feature other than that arising from any repainting of the exterior of that structure or other feature.

Temporary development required during approved operations.

2. Temporary change of use of land on a site where building operations, engineering operations or other operations (not including mining operations) are currently taking place for purposes connected with those operations, and the erection, installation or siting temporarily on such land of buildings, gates, fences or other structures (excluding signs), works, plant or machinery, provided that -

(a) the operations are taking place in accordance with a planning permission or comprise exempt development,

(b) no more than two structures in total are erected,

installed or sited at ground floor level on the site in reliance on this exemption,

(c) any such buildings, other structures, works, plant or machinery are -

(i) necessary for the purpose of those operations,

(ii) not used for any other purpose,

(iii) without prejudice to subitem (ii) of this proviso, not used for any residential purpose, and

(iv) permanently removed from the site upon completion of those operations, or within three years of their erection, installation or siting, whichever is sooner,

(d) no advertisement is displayed on the site, except where done in accordance with an exemption falling within Class 10 to this Schedule,

(e) following completion of the operations, the site is restored to -

(i) the same condition to that it was in before the operations were commenced, or

(ii) a condition approved in writing by the Authority,

(f) no part of the site is within a site of special significance.

Erection of temporary mesh or net fencing to support plants.

3. The erection of a mesh or net fence for the support of plants on, or within the curtilage of, a dwelling-house, a flat, a building containing flats or non-domestic building or on an outbuilding or other structure within the curtilage of any such building, including where such building or its curtilage is, or is within the curtilage of, a protected building or a protected monument, provided that -

(a) neither the building in question nor the fence is within a site of special significance,

(b) the fence is removed -

(i) when the plants have matured sufficiently so that support is no longer required, or

(ii) within a period of one year starting on the date of erection of the fence,

whichever first occurs.

CLASS 6

AGRICULTURAL DEVELOPMENT

Fencing of agricultural land.

1. Erection of a post and wire or post and rail fence or an electric fence for agricultural purposes on land used for such purposes provided that -

(a) the fence does not exceed 1.2 metres in height,

(b) in the case of a post and rail fence or an electric fence, it is used to confine animals.

Installation of a gate on agricultural land.

2. Installation of a gate across an existing opening (and not involving the creation or widening of any opening) anywhere on land used for agricultural purposes provided that the gate does not exceed 1.2 metres in height.

Placement of moveable structure to contain animals.

3. Placement of a moveable structure on land used for agricultural purposes for the purpose of containing or housing animals for agricultural purposes provided that -

(a) there are no more than four such structures on the site,

(b) the structure does not exceed 1.2 metres in height,

(c) where a structure is not used for housing or containing animals for agricultural purposes throughout an entire calendar year, it must be removed from the site within two months of the end of that calendar year.

Placement or erection of temporary polytunnel or glasshouse on land used for horticulture.

4. The placement or erection of a polytunnel or a glasshouse on land used for horticulture, for the purpose of cultivating plants, provided that -

(a) there is only one in total of either such structure on

the site,

(b) it is placed or erected on a non-permanent base which does not exceed 10 square metres,

(c) its height does not exceed 2 metres,

(d) where the polytunnel or glasshouse is not used for cultivating plants throughout an entire calendar year, it must be removed from the site within two months of the end of that calendar year,

(e) the land on which the glasshouse or polytunnel is placed or erected is not within a site of special significance.

Erection of other small-scale structures.

5. Erection of a small-scale structure, not falling within paragraphs 1 to 4 of this Class, on land used for agricultural purposes for use for horticultural purposes, provided that -

(a) there is only one such structure in total erected on the site,

(b) it is erected on a non-permanent base which does not exceed 6 square metres,

(c) its height does not exceed 2 metres,

(d) the land is actively used for horticultural purposes and is not just capable of being used for the same,

(e) where such a structure is not used for horticultural purposes throughout an entire calendar year, it must be removed from the site within two months of the end of that calendar year,

(f) the structure is not within a site of special significance.

Demolition or clearance of glasshouse and associated structures.

6. The demolition or clearance of a glasshouse or former glasshouse or other structures, which were erected for purposes which are incidental or ancillary to the use of a glasshouse, on land used for agricultural purposes provided that -

(a) any waste arising from the demolition and clearance must be removed from the site in question within two months of the completion of the demolition or clearance,

(b) any matter not comprising waste arising from the demolition must be reused on site or removed from the site within six months of the completion of the demolition or clearance,

(c) the level of the ground is not raised,

(d) the glasshouse, former glasshouse or other structure is not within a site of special significance.

CLASS 7

DEVELOPMENT BY THE STATES AND PUBLIC UTILITY PROVIDERS

The carrying out of any of the development specified in the following paragraphs of

this Class other than within a site of special significance.

Installation etc. of mains, drains, sewers, lines, pipes and cables.

1. (1) Any development referred to in subparagraph (2) which is carried out by or on behalf of a person listed in subparagraph (3) in connection with the provision by that person of a public utility service.

(2) The development referred to in subparagraph (1) is any development, not falling within paragraphs 4 to 7, which is necessary for the -

(a) installation, inspection, maintenance, repair or renewal of mains, drains, sewers, pipes, cables, lines, or

(b) making of connections to anything referred to in item (a),

provided that any hard surface which is disturbed by the development is restored with a finish which is not significantly different from the existing finish and in the case of granite cobbles or flags is restored with the same materials.

(3) The persons referred to in subparagraph (1) are -

(a) the States,

(b) Guernsey Gas Limited, or

(c) a person who is a licensee under the Telecommunications (Bailiwick of Guernsey) Law,

2001[r] or the Electricity (Guernsey) Law, 2001[s].

Maintenance, the prevention of the obstruction of, or damage to, highways etc.

2. Any development by or on behalf of the States which is necessary -

(a) for the maintenance of any highway or any private pedestrian road, street, clos, track or path, however named, provided that such maintenance does not involve -

(i) the hard surfacing of any lane, track or path that was not previously hard-surfaced, or

(ii) the creation, laying out or material widening of a means of access to that highway or pedestrian road, street, clos, track or path, however named,

(b) to avoid -

(i) the obstruction of any highway or any private pedestrian road, street, clos, track or path, however named, by any tree or other vegetation, or

(ii) damage to any highway or any private pedestrian road, street, clos, track or path,

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r Order in Council No. XIV of 2001; this enactment has been amended.

s Order in Council No. XIII of 2001; this enactment has been amended.

however named, or

(c) for the creation or maintenance of a pedestrian crossing or the installation or replacement of lighting or signage on a highway or any private pedestrian road, street, clos, track or path, however named, for the purposes of the operation of such highway, road, street, clos, track or path,

provided that where any lighting or signage is replaced, any redundant lighting or signage is removed from the highway or private pedestrian road, street, clos, track or path in question within one month of the completion of the development.

Maintenance of water courses, outfalls or carrying out of land drainage works.

3. Any development by or on behalf of the States which is necessary for the maintenance of water courses or outfalls or for the carrying out of land drainage works.

Development in relation to minor or replacement equipment by suppliers of electricity and telecommunications services.

4. (1) Any development which -

(a) is carried out by or on behalf of a person who is a licensee under the Telecommunications (Bailiwick of Guernsey) Law, 2001 or the Electricity (Guernsey) Law, 2001, and

(b) is necessary for the maintenance or replacement of overhead lines, cables, surface wiring, block terminals and dish or multiple rod aerials or the replacement of

dishes or masts used for the purpose of supplying electricity or providing telecommunications services to the public,

provided that the provisos in subparagraph (2) are fulfilled.

(2) The provisos referred to in subparagraph (1) are that -

(a) any replacement equipment is not significantly different in terms of its siting, design, size and appearance to the equipment that it replaced,

(b) any hard surface which is disturbed by the development is restored with a finish which is not significantly different from the existing finish and in the case of granite cobbles or flags is restored with the same materials,

(c) where any equipment is replaced, any redundant equipment is removed forthwith from the site.

Development in relation to the supply of electricity.

5. (1) Any development which -

(a) is carried out by or on behalf of a person who is a licensee under the Electricity (Guernsey) Law, 2001, and

(b) is necessary -

(i) for the replacement of roadside distribution

pillars, high voltage switchgear and transformers, poles and street cabinets for the purpose of supplying electricity to the public, provided that any replacement is not significantly different in terms of its siting, size, design and appearance to the equipment that it replaced,

(ii) to avoid contact between any tree or other vegetation and overhead power lines, or

(iii) to enclose existing equipment,

provided that the provisos in subparagraph (2) are fulfilled.

(2) The provisos referred to in subparagraph (1) are that -

(a) any hard surface which is disturbed by the development is restored with a finish which is not significantly different from the existing finish and in the case of granite cobbles or flags is restored with the same materials,

(b) where development is necessary to enclose existing equipment -

(i) the equipment to be enclosed is not within a conservation area,

(ii) in the case of equipment enclosed by hedging, the hedging is of a species native to Guernsey,

(iii) in the case of equipment enclosed by a structure and located within 1 metre of a highway, the height of the structure does not exceed 90 centimetres,

(iv) in the case of equipment enclosed by a structure and located 1 metre or more from a highway, the height of the structure does not exceed 2.5 metres.

Development within the operational areas of water treatment works, foul water treatment works, pumping stations and reservoirs etc.

6. Any development by or on behalf of the States which is carried out within the operational areas of water treatment works, foul water treatment works, pumping stations, reservoirs or other places where water is stored and which is necessary for -

(a) the provision of water supplies,

(b) the maintenance or security of any such place, or

(c) the monitoring of water flows,

provided that such development is not carried out in relation to any land or structure forming any part of the perimeter of any such place.

Development within the operational area of a power station.

7. Any development by or on behalf of a person who is a licensee under the Electricity (Guernsey) Law, 2001 which is carried out within the operational area of a power station and which is necessary for -

(a) the relocation of pumping equipment and over ground piping within the operational area of a power station provided that there is no significant change to -

(i) the siting, and

(ii) the visibility from a highway,

of such piping or equipment, or

(b) the security of the power station,

provided that such development is not carried out in relation to any land or structure forming any part of the perimeter of the power station.

Development within the operational area of an airport.

8. (1) Any development by or on behalf of the States within the operational area of an airport which is necessary for -

(a) the provision of air traffic control services,

(b) the safe navigation of aircraft,

(c) the display of non-illuminated signs for users of the airport,

(d) the security of the airport,

(e) the maintenance or resurfacing of an airport runway or to make minor alterations to the camber of such a

runway, or

(f) ensuring the health or safety of passengers or the public,

provided that the provisos in subparagraph (2) are fulfilled.

(2) The provisos referred to in subparagraph (1) are that -

(a) development, other than display of signage, is not carried out in relation to any land or structure forming any part of the perimeter of the airport and that, where carried out in relation to an airport runway, it does not extend that runway,

(b) where any temporary buildings or other temporary structures are erected to ensure the health or safety of passengers or the public, such structures must be removed within one year of the date of the erection, installation or placement of the temporary building or other structure,

(c) where development is necessary for the display of non-illuminated signs, the signs must not be sited facing a highway.

Development within the operational area of a harbour.

9. (1) Any development by or on behalf of the States within the operational area of a harbour which is necessary for -

(a) the provision of harbour control or safe navigation of

ships,

(b) the display of non-illuminated signs for users of the harbour,

(c) the security of the harbour, or

(d) ensuring the health or safety of passengers or the public,

provided that the provisos in subparagraph (2) are fulfilled.

(2) The provisos referred to in subparagraph (1) are that -

(a) development, other than the display of signage, is not carried out in relation to any land or structure forming any part of the perimeter of the harbour,

(b) where any temporary buildings or other temporary structures are erected to ensure the health or safety of passengers or the public, such structures must be removed within one year of the date of the erection, installation or placement of the temporary building or other structure,

(c) where development is necessary for the display of non-illuminated signs, the signs must not be sited facing a highway.

Minor works for navigational purposes.

10. (1) Any development by or on behalf of the States outside the

operational area of a harbour or an airport which is necessary to -

(a) carry out any minor works for the purpose of -

(i) the safe navigation of ships or aircraft, or

(ii) the safe operation of the port or airport in question, or

(b) avoid the obstruction of navigation points or navigation lights by any tree or other vegetation,

provided that where fencing is erected, the height of the fence does not exceed 1.5 metres.

(2) In this paragraph "**minor works**" means -

(a) minor maintenance work or replacement of fixed plant that does not involve any work to buildings, walls or fences, or

(b) the installation or erection of fencing to ensure the security of navigational equipment.

Coastal defences.

11. Any development by or on behalf of the States necessary for the maintenance of existing coastal defences provided that such development does not include development consisting of land reclamation and does not affect any shingle bank or other natural feature forming part of such defences.

Street furniture.

12. (1) Any development by or on behalf of the States necessary for the replacement or maintenance of any fixed street furniture provided that, where any replacement is installed or maintenance work is carried out in La Vallette (Bathing Pools) Conservation Area and those parts of the conservation areas identified in subparagraph (2) -

(a) any replacement installed is of the same materials, design, form and scale as the furniture it replaces,

(b) any maintenance is carried out using the same materials as the existing furniture and so that the furniture remains of the same design, form and scale.

(2) The parts of the conservation areas referred to in subparagraph (1) are those parts of -

(a) the St. Peter Port conservation area which fall within South Esplanade, the Quay, North Esplanade, Glategny Esplanade, the Pollet, High Street, Hauteville, Fountain Street, Trinity Square, Mill Street, Mansell Street, Contree Mansell, Smith Street, Lefebvre Street, Rue du Manoir, College Street, Saint Julian's Avenue, Castle Emplacement, Crown Pier and La Salerie Harbour, and

(b) the Bridge Conservation area which fall within South Quay, the Bridge and North Side.

(3) In this paragraph, "**street furniture**" includes lamp standards

and other street lighting, traffic lights and signals, traffic signs, public seating, cycle racks, cycle hoops, signposts, signs, refuse bins, bollards, rails, fences and barriers for safeguarding persons using the public highway.

Closed circuit television.

13. (1) Any development by or on behalf of the States necessary for the -

(a) installation and maintenance of one closed circuit television camera on any one structure or object provided that the dimensions of the camera, including its housing and fixing bracket, do not exceed 90 centimetres x 25 centimetres x 55 centimetres, or

(b) temporary installation and maintenance of closed circuit television cameras to cover a public event or in an emergency provided that the cameras are in place for no more than 14 days,

including, where such a camera is installed, the erection of any signage necessary to meet information requirements relating to the installation of the camera under the Data Protection Law, provided that the provisos in subparagraph (2) are fulfilled.

(2) The provisos referred to in subparagraph (1) are that, where a closed circuit television camera is installed -

(a) it is installed at a minimum height of 2 metres above ground level,

(b) any signage, necessary to meet information

requirements relating to the installation of the camera under the Data Protection Law, is erected at the same time.

Development in relation to traffic calming or footways.

14. (1) Any development by or on behalf of the States on a public highway necessary -

(a) for traffic calming measures, or

(b) to improve the safe movement of pedestrians,

on a public highway including, without limitation, the erection of speed bumps, the building out of a kerb or the creation of footways or pavements provided that the provisos in subparagraph (2) are fulfilled.

(2) The provisos referred to in subparagraph (1) are that -

(a) the site is not within a conservation area or within, or adjacent to, the curtilage of a protected building or a protected monument,

(b) the site is not adjacent to a protected building or a protected monument.

The erection of a bus shelter.

15. Any development by or on behalf of the States necessary for the erection of a bus shelter over an existing bus stop provided that -

(a) the erection of the bus shelter does not result in -

(i) any obstruction of a public highway or adversely affect pedestrian flows,

(ii) the removal of a landscape feature,

(b) no advertisement is displayed on the bus shelter,

(c) where the bus shelter is erected on a footpath or pavement, the remaining footpath or pavement is at least 1 metre in width.

Cycle shelters and cycle hoops.

16. Any development by or on behalf of the States necessary for the installation of cycle shelters, cycle hoops or scooter hoops on a public highway provided that -

(a) the installation of the cycle shelter or cycle hoop does not result in -

(i) any obstruction of a public highway or adversely affect pedestrian flows,

(ii) the removal of a landscape feature,

(b) no advertisement is displayed on the cycle shelter or cycle hoop,

(c) where the cycle shelter or cycle hoop is installed on a footpath or pavement, the remaining footpath or pavement is at least 1 metre in width.

Water refill points.

17. Any development by or on behalf of the States necessary for the installation of a water refill point provided that -

(a) the installation of the water refill point does not result in -

(i) any obstruction of a public highway or adversely affect pedestrian flows, or

(ii) the removal of a landscape feature,

(b) the water refill point does not exceed 1.7 metres in height and 0.3 metres in diameter or such other dimensions as may be agreed in writing with the Authority,

(c) no advertisement is displayed on the water refill point,

(d) where the water refill point is installed on a footpath or pavement, the remaining footpath or pavement is at least 1 metre in width,

(e) where the water refill point is not used throughout a period of six months, it must be removed from the site within three months of the end of that six month period.

CLASS 8

STORAGE, DISTRIBUTION AND INDUSTRIAL CHANGE OF USE

Changes from general to light industrial use.

1. Change in the use of any land, including of any land which is, or is within the curtilage of, a protected building or a protected monument, from an existing use for any general industrial purpose within use class 25 (general industry) to use for any light industrial purpose within use class 24 (light industry).

Changes from special or waste uses to general or light industrial use.

2. Change in the use of any land, including of any land which is, or is within the curtilage of, a protected building or a protected monument, from an existing use for any purpose within use class 26 (special industry) or 27 (waste) to use for any general industrial purpose within use class 25 (general industry) or any light industrial purpose within use class 24 (light industry).

Changes between light industrial use and general storage or distribution use.

3. Change in the use of any land, including of any land which is, or is within the curtilage of, a protected building or a protected monument, to or from an existing use for any light industrial purpose within use class 24 (light industry) to or from a use for any general storage or distribution purpose within use class 22 (general storage or distribution).

Changes from general industrial use to general storage or distribution use.

4. Change in the use of any land, including of any land which is, or is within the curtilage of, a protected building or a protected monument, from an existing use for any general industrial purpose within use class 25 (general industry) to use for any general storage or distribution purpose within use class 22 (general storage or distribution).

Changes from general storage or distribution uses to general industrial use in Key Industrial Areas.

5. (1) Change in the use of land in a Key Industrial Area, including any land which is, or is within the curtilage of, a protected building or a protected monument, from any existing use for a storage or distribution purpose within use class 22 (general storage or distribution) to a use for any general industrial purpose within use class 25 (general industry).

(2) In this paragraph "**Key Industrial Area**" means -

(a) the key industrial areas at Pitronnerie Road, Northside, Saltpans and Longue Hougue as identified in the Island Development Plan and shown shaded in light purple in the Proposals Map forming part of that plan, and

(b) the key industrial expansion areas located adjacent to the Key Industrial Areas as identified in the Island Development Plan and shown hatched in mid-purple in the Proposals Map forming part of that plan.

CLASS 9

TREES

Pruning of trees.

1. The pruning of any protected tree provided that it is carried out in accordance with British Standard Specification 3998/2010-Tree Work.

Recommendations as revised or re-issued from time to time[t].

Dead and diseased trees.

2. The cutting down, uprooting, topping, lopping or pruning of any protected tree or part of such a tree which has been certified as being dead or in a hazardous state by an -

(a) arboriculturist, or

(b) other person who has sufficient expertise to make such a certification,

provided that the tree is not within a site of special significance and that the cutting down, uprooting, lopping or topping of a tree is not carried out in the period beginning on 1st March and ending on the 31st July in any calendar year.

Cutting down etc. of trees in compliance with statutory requirements, to abate or prevent a nuisance or implement a planning permission.

3. The cutting down, uprooting, topping, lopping or pruning of any protected tree or part of such a tree to the extent that such action is -

(a) necessary to comply with any requirements under any enactment including the Cutting of Hedges Ordinance, 1953[u] and the High Hedges (Guernsey)

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[t] Current edition B.S. 3998:2010.

[u] Recueil d'Ordonnances Tome X, p. 373; this enactment has been amended.

Law, 2016[v],

(b) necessary to prevent or abate a nuisance, or

(c) required to enable a person to implement any planning permission except for an outline permission,

provided that the cutting down, uprooting, topping or lopping of a tree is not carried out in the period beginning on 1st March and ending on the 31st July in any calendar year.

Cutting down etc. of trees to prevent obstruction of a highway or to ensure safe and efficient use for civil aviation purposes.

4. The cutting down, uprooting, topping, lopping or pruning of any protected tree to the extent that such action is necessary -

(a) to prevent obstruction of a highway, or

(b) to ensure the safe and efficient use for civil aviation purposes of any land, structures, works or apparatus.

Cutting down of certain species of trees.

5. The cutting down, uprooting, topping, lopping or pruning of a tree of any of the following species which is a protected tree by virtue of being one of a group or area of trees or woodlands in relation to which a tree protection order has been made -

(a) *X Cupressocyparis leylandii* (Leyland Cypress),

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[v] Order in Council No. IV of 2017.

(b) *Chamaecypris nootkatensis* (Nootka Cypress), or

(c) *Cupressus macrocarpa* (Monterey Cypress),

provided that such operations do not cause any significant damage to any other tree, not of any of such species, which forms part of that group or area of trees or woodlands.

CLASS 10

SIGNS, ADVERTISEMENTS AND TEMPORARY ART INSTALLATIONS

Contractors' signs.

1. Temporary display of a contractor's signboard on a building or site where the contractor is currently engaged in building or other works provided that -

(a) any planning permission required under the Law for those works has been granted or those works comprise exempt development,

(b) there is only one such signboard on the building or site,

(c) the signboard is not internally illuminated,

(d) the signboard is removed upon completion of the works.

Nameplates.

2. Display on a building or on a boundary of premises of a nameplate identifying any individual, company or firm carrying on a trade, business or profession in or from that building or premises provided that -

(a) the trade, profession or business concerned is not being carried on in contravention of the Law,

(b) the nameplate is not internally illuminated,

(c) the size of the nameplate does not exceed 60 centimetres, measured in any dimension,

(d) in the case of the display of a nameplate on the boundary of premises, the nameplate is not freestanding or displayed on a hedge, tree or earthbank forming the boundary.

Signs for charity and public events.

3. Temporary display of a sign advertising, or giving directions to the location of, a charity or public event provided that -

(a) the sign is not illuminated, either internally or by external illumination,

(b) the sign is not displayed earlier than four weeks prior to the date of the event,

(c) the sign is removed within a period of seven days beginning on the day the event ended,

(d) in the case of any banner displayed across a street in St. Peter Port or St. Sampson, the sign does not include any commercial advertising material.

Election signs.

4. Temporary display of a sign, including on or within the curtilage of a protected building or a protected monument, which -

(a) promotes a candidate at, or the subject matter of which is otherwise in connection with, an election for any States or Parish office and which is displayed during the period immediately preceding the election, or

(b) promotes a campaign in relation to a question to be asked at a referendum to be held in Guernsey pursuant to an enactment, or the subject matter of which is otherwise in connection with such a referendum, and which is displayed during the period immediately preceding the referendum.

Signs advertising garden produce.

5. Display within the curtilage of a dwelling-house, including where such house or its curtilage is, or is within the curtilage of, a protected building or a protected monument of one sign advertising the sale of produce grown, otherwise than on a commercial basis, within the curtilage of the dwelling-house provided that -

(a) there is only one such sign within the curtilage,

(b) the size of the sign does not exceed 60 centimetres, measured in any dimension.

Repainting or replacement of existing signs.

6. Repainting or replacement of an existing sign provided that -

(a) the sign, as repainted or replaced, is not internally illuminated,

(b) the overall size and location of the sign is not altered as a result of the repainting or replacement.

Terre à l'amende signs.

7. Display of a terre à l'amende sign on a wall, fence or a building provided that -

(a) the Royal Court has granted an application, in respect of the land in question, for notices to be published in La Gazette Officielle to the effect that the land is terre mise à l'amende,

(b) the sign is not illuminated, either internally or by external illumination,

(c) the size of the sign, does not exceed 60 centimetres, measured in any dimension.

Heritage signs and interpretation boards.

8. Display of a sign or board, including on or within the curtilage of a protected building or a protected monument, displaying information in relation to the building or site on or near to which it is located, provided that -

(a) the sign or board is not illuminated, either internally or by external illumination,

(b) where mounted on the ground, the size of the sign (including any pole or other object on which it is mounted) does not exceed 1.2 metres in height,

(c) where mounted on a building or other structure, the size of the sign does not exceed 1 metre, measured in any dimension.

Signs within an existing fascia board.

9. (1) Display of a sign within an existing fascia board attached to a non-domestic building or other non-domestic structure provided that -

(a) the sign is not illuminated, either internally or by external illumination,

(b) where the building or other structure is within a conservation area or is substantially constructed before 1900, the sign must comprise individual letters or be painted,

(c) the sign must not be located above first floor level.

(2) In this paragraph "**fascia board**" means a signboard on a non-domestic building or other non-domestic structure.

Signs applied to a glazed area.

10. Display of a sign applied internally to an existing glazed area, including on or within the curtilage of a protected building, provided that the area of the glazing covered by signage does not exceed 25% of the total area of glazing on the elevation in question.

Electric charging point signs.

11. The display of a sign, indicating an electric charging point, displayed on a building, wall, fence, pole or gate, including where the sign is located on or within the curtilage of a protected building, provided that -

(a) the building or other structure, as the case may be, is not within a site of special significance,

(b) the sign does not exceed 60 centimetres, measured in any dimension,

(c) the sign is not illuminated, either internally or by external illumination,

(d) where the sign is mounted on a pole, it is not mounted more than 1.2 metres above ground level,

(e) no advertisement is displayed on the sign.

Parish signs.

12. The display or replacement of a sign by the Constables or Douzaine of a Parish, on a building, other structure or on other land in the Parish which is owned by the Constables, or by the Constables and Douzaine, for the time being, of that Parish, provided that -

(a) the sign is to be displayed in connection with parochial activities of the Constables or the Douzaine,

(b) the building, other structure or land, on which the sign is displayed, is not within a site of special significance,

(c) the sign does not exceed 1 metre, measured in any dimension,

(d) the sign is not illuminated, either internally or by external illumination,

(e) where the sign is mounted on a pole, it is not mounted more than 1.5 metres above ground level,

(f) no advertisement is displayed on the sign,

(g) the display of the sign does not result in any obstruction of a highway or a private pedestrian road, street, lane or clos, however named, or adversely affect pedestrians flows,

(h) where any sign is replaced, any redundant sign is removed from the site in question within one month of the replacement.

Temporary art installations.

13. The installation of an art work provided that -

(a) the art work is not installed within a site of special significance,

(b) the art work does not exceed 2 metres in height,

(c) the art work is not illuminated, either internally or by external illumination,

(d) the installation does not result in -

(i) any obstruction of a highway or a private pedestrian road, street, lane or clos, however named or adversely affect pedestrian flows, or

(ii) the removal of a landscape feature other than an art work which the installation is replacing,

(e) no advertisement is displayed on the art work,

(f) the art work is removed from the site within 20 weeks starting on the date of the installation.

CLASS 11

RETAIL AND ADMINISTRATIVE, FINANCIAL AND PROFESSIONAL CHANGE OF USE

Changes from use as an office to use for temporary re-location in emergency.

1. Change in the use of any land, including of any land which is, or is within the curtilage of, a protected building or a protected monument, from an existing use within use class 16 (administrative office) to a use within use class 17 (temporary office).

Changes between convenience retail use and general retail use in the Main Centres.

2. Change in the use of any land in a Main Centre, including of any land which is, or is within the curtilage of, a protected building or a protected monument, to or from any existing use for any convenience retail purpose within use class 9 (convenience retail) to or from use for any general retail purpose within use class 10

(general retail).

Changes from use as a hot food take-away to use for sale of food.

3. Change in the use of any land in a Main Centre, including of any land which is, or is within the curtilage of, a protected building or a protected monument, from an existing use as a hot food take-away within use class 12 (hot food take-away) to use for sale of food for consumption on the premises within use class 11 (food).

Change of use of upper floors of buildings in the Main Centres from retail use or office use to use for certain residential uses.

4. Change of use of a floor of a building within a Main Centre including of any building which is, or is within the curtilage of, a protected building or a protected monument, from an existing use within any of use classes 9 (convenience retail), 10 (general retail), 15 (financial and professional services) or 16 (administrative office) to a use within use class 2 (flat) or 5 (use of part of dwelling for business purposes), provided that -

(a) the floor of the building is located at first floor level or above,

(b) the change of use would not result in a dwelling which did not meet the standards in relation to internal space within new dwellings set out in the Technical housing standards-nationally described space standard as revised, reissued or replaced from

time to time[w],

(c) the Authority is notified of the change of use within a period of one month starting on the date of the change of use,

(d) the total area, the use of which is changed, does not exceed 250 square metres.

CLASS 12

VISITOR ACCOMMODATION CHANGE OF USE

Temporary change of use from a visitor economy use to certain residential uses.

1. (1) Change in the use of any land, including of any land which is, or is within the curtilage of, a protected building or a protected monument, from an existing use falling within use class 7 (serviced visitor accommodation) or use class 8 (non-serviced visitor accommodation) to a use within use class 1 (dwelling house), use class 2 (flat) or use class 5 (use of part of dwelling for business purposes) provided that -

(a) the change of use is one which occurs, or has occurred, in the period starting on 25th March, 2020 and ending on the 31st December, 2023 or such later date as the Authority may by Regulations prescribe,

(b) the land reverts to its previous lawful use,

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[w] Issued by the Department for Communities and Local Government in the UK; current edition dated March, 2015 with notes added in May, 2016. ISBN : 978-1-4098-4567-6.

immediately before the 25th March, 2020, on or before the 31st January, 2024 or such later date as the Authority may by Regulations prescribe,

(c) the owner or occupier of the land notifies, or has notified, the Authority in writing of the date the change of use occurred and of the matters in subparagraph (2) -

(i) where the change of use has occurred before 1st April, 2021, by the 21st April, 2021, or

(ii) where the change of use occurs, or has occurred, after the 1st April, 2021, within 21 days of the date of the change of use.

(2) The notification referred to in subparagraph (1)(c) must include, or have included -

(a) the name and address of the land,

(b) brief particulars of the use within use class 1, use class 2 or use class 5 to which the use of the land has changed, and

(c) the expected duration of the use to which the use of the land has changed.

Changes of use from certain residential uses to a visitor economy use.

2. Change in the use of any land, including of any land which is, or is within the curtilage of, a protected building or a protected monument, from an

existing use within use class 1 (dwelling house), use class 2 (flat) or use class 5 (use of part of dwelling for business purposes) to a use falling within use class 7 (use as serviced visitor accommodation) or use class 8 (use as non-serviced visitor accommodation) where the change of use is to revert to the previous lawful use immediately before 25th March, 2020 in compliance with the proviso in item (b) of paragraph 1(1).

Changes of use from use as non-serviced visitor accommodation to use as a dwelling-house.

3. (1) Change in the use of any land, including any land which is, or is within the curtilage of, a protected building or a protected monument, from an existing use as non-serviced visitor accommodation within use class 8 (non-serviced visitor accommodation) comprising a self-catering unit to an existing use as a dwelling-house within use class 1 (dwelling house) or 5 (use of part of a dwelling for business purposes), provided that -

(a) the land formed part of a single dwelling-house,

(b) the change of use of the land is for the purpose of allowing the land to revert back to use as part of the original, single dwelling-house,

(c) the land comprises a maximum of two self-catering units,

(d) the Authority is notified of the change of use within a period of one month starting on the date of the change of use.

(2) In this paragraph -

"**self-catering unit**" means premises -

(a) categorised as such under a boarding permit granted in respect of those premises, or

(b) of such a description which would be categorised as a self-catering unit under the Tourist Law, 1948 were a boarding permit to be granted in respect of those premises, and

"**single dwelling-house**" means a single dwelling-house, and land within the curtilage of that dwelling-house, the use of which fell within use class 1 (dwelling house) or use class 5 (use of part of a dwelling for business purposes) immediately before its use as visitor accommodation.

Change of use from a visitor accommodation use on certain sites to use for certain residential uses.

4. (1) Change in the use of any land, including of any land which is, or is within the curtilage of, a protected building or a protected monument, from an existing use falling within use class 7 (serviced visitor accommodation) or use class 8 (non-serviced visitor accommodation) to a use within use class 1 (dwelling house), use class 2 (flat), use class 3 (sheltered housing) or use class 4 (specialised housing) provided that -

(a) there has been no valid boarding permit in effect in respect of the visitor accommodation since 31st December, 2020,

(b) the visitor accommodation has not been advertised or promoted for use as visitor accommodation since

31st December, 2020,

(c) the change of use takes place within two years starting on the date of the coming into force of this Ordinance or such later date as the Authority may by Regulations prescribe,

(d) the Authority approves in writing any impacts arising from the change of use on highway safety and neighbourhood amenity before the change of use occurs,

(e) the land comprises the whole or part of a site described in Schedule 2.

(2) An application for an approval under subparagraph (1)(d) must -

(a) be made on a form supplied by the Authority and must include the particulars specified in that form, and

(b) be accompanied by one copy of -

(i) a plan which clearly and accurately identifies the location of the site to which the application relates,

(ii) a block layout plan which clearly and accurately identifies the site to which the application relates, and

(iii) any other plans, drawings and information necessary to describe the impacts arising from the change of use on roads and traffic and highway safety and the reasonable enjoyment of neighbouring properties,

and in making an application the applicant must have regard to any guidance in relation to the making of such an application issued by the Authority from time to time.

(3) The form supplied by the Authority shall include a statement to be signed by the applicant -

(a) that the applicant is the owner or has the consent of the owner, of any part of the land to which the application relates, to the application being made, or

(b) if the applicant does not know who any such owner is, that the applicant has made all reasonable enquiries to identify any such owner and obtain that owner's consent.

(4) In determining an application under subparagraph (1)(d), the Authority must have regard to -

(a) any significant adverse effects on roads and traffic and highway safety or on the reasonable enjoyment of neighbouring properties, and

(b) any relevant Development Plan or Local Planning

Brief to the extent it relates to the matters in item (a),

and the weight to be given to the Development Plan or Local Planning Brief and the matters in item (a) shall be for the Authority having regard to the particular facts and circumstances of the case.

CLASS 13

DEMOLITION

Demolition of a shed, glasshouse, temporary or garden structure, fence, gate, relevant domestic structure or exempt structure etc.

1. (1) The demolition of any -

(a) shed, freestanding glasshouse, temporary structure, garden structure, fence or gate,

(b) relevant domestic structure for which planning permission was granted for the construction, erection, creation, placement or installation of the same,

(c) exempt structure, or

(d) structure required to be demolished in accordance with a compliance notice issued under the Law,

but not including the removal of an earthbank or hedge and provided that the provisos in subparagraph (2) are fulfilled.

(2) The provisos referred to in subparagraph (1) are that -

(a) the structure is not substantially constructed before

1900,

(b) the demolition work would not create a vehicular access to premises,

(c) in the case of partial demolition, the remaining structure is made good,

(d) the structure to be demolished is not a wall which forms a field boundary or adjoins a highway,

(e) the structure to be demolished is not within a site of special significance,

(f) any waste arising from the demolition must be removed from the site in question within two months of the completion of the demolition,

(g) any matter not comprising waste arising from the demolition must be reused on site or removed from the site within six months of the completion of the demolition,

(h) in the case of the demolition of a relevant domestic structure, the demolition would not result in a breach of a term or condition of the planning permission under which the structure was constructed, erected, created, placed or installed.

(3) In this paragraph -

"**exempt structure**" means a structure or other feature the erection, creation, placement or installation of which would be exempt development,

"**garden structure**" means a structure, designed and used for the support of plants, not falling within subparagraph (1)(c), which is -

(a) located within the curtilage of a dwelling-house, flat or a building containing flats, and

(b) used primarily for the domestic purposes of that dwelling-house, flat or building containing flats, and

"**relevant domestic structure**" means a freestanding outbuilding, not falling within subparagraph (1)(a) or (c), which is -

(a) located within the curtilage of a dwelling-house, flat or a building containing flats, and

(b) used primarily for the domestic purposes of that dwelling-house, flat or building containing flats.

SCHEDULE 2

Paragraph 4(1)(e) of Class 12 of Schedule 1

VISITOR ACCOMMODATION CHANGE OF USE
DESCRIPTIONS OF SITES FOR THE PURPOSES OF PARAGRAPH 4(1)(e) OF CLASS 12 OF SCHEDULE 1

PART I
DESCRIPTIONS OF PROPERTIES

1. All of the land comprised in Cadastre land parcel D006900000, the name and address of which is La Roche, Les Rohais de Haut, Castel, Guernsey GY5 7NA.

2. All of the land comprised in Cadastre land parcel D003220000, the name and address of which is Wisteria, King's Mills Road, Castel, Guernsey, GY5 7LS.

3. All of the land comprised in Cadastre land parcel E009370000, the name and address of which is Les Rouvets Farm, Bas Rouvets, St. Saviour, Guernsey GY7 9ND.

4. All of the land comprised in Cadastre land parcel F000860000, the name and address of which is L'Eree Hotel, Route de la Rocque Poisson, L'Eree, St. Pierre du Bois, Guernsey, GY7 9LG.

5. All of the land comprised in Cadastre land parcel F007610000, the name and address of which is Mille Fleurs, Rue du Bordage, St. Pierre du Bois, Guernsey, GY7 9DW.

6. All of the land comprised in Cadastre land parcel J013390000, the name and address of which is the Bon Port Hotel, La Rue Gros Jean, La Rue des Clotures, St. Martin, Guernsey, GY4 6EW.

7. All of the land comprised in Cadastre land parcel J002270000, the name and address of which is the Forest Park Hotel (formerly known as St. Margaret's Lodge Hotel), Route de la Forêt, St. Martin, Guernsey GY4 6UE.

8. All of the land comprised in Cadastre land parcel J016230000, the name and address of which is the Idle Rocks Hotel, Route de Jerbourg, St. Martin, Guernsey GY4 6BJ.

9. All of the land comprised in Cadastre land parcel J010600000, the name and address of which is Coconut Grove (formerly known as Sunnydene Country House Hotel), Rue des Marettes, St. Martin, Guernsey GY4 6JH.

10. All of the land comprised in Cadastre land parcel K005570000, the name and address of which is La Brigade Farm, La Brigade, St. Andrew, Guernsey GY6 8RQ.

PART II

INTERPRETATION OF SCHEDULE

11. (1) In this Schedule, "**Cadastre**" means the Cadastre prepared and for the time being in force under the Cadastre Law, 1947[x] (called "**the 1947 Cadastre**" in that Law).

(2) In this Schedule a reference to -

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[x] Ordres en Conseil Vol. XIII, p. 78; this enactment has been amended.

(a) land comprised in a Cadastre land parcel number is to the land comprised in the specified land parcel number, and

(b) the name and address of land is to the name and address of that land,

at the date of commencement of this Ordinance.

THE STATES OF DELIBERATION
of the
ISLAND OF GUERNSEY

DEVELOPMENT & PLANNING AUTHORITY

REVIEW OF THE LAND PLANNING AND DEVELOPMENT (EXEMPTIONS) ORDINANCE, 2007

The President
Policy & Resources Committee
Sir Charles Frossard House
La Charroterie
St Peter Port

3rd January, 2023

Dear Sir,

Preferred date for consideration by the States of Deliberation

In accordance with Rule 4(3) of the Rules of Procedure of the States of Deliberation and their Committees, the Development & Planning Authority ("the Authority") requests that the Policy Letter titled 'Review of the Land Planning and Development (Exemptions) Ordinance, 2007' be considered at the States' meeting to be held on 15th February 2023.

Amending the Land Planning and Development Ordinances to provide for further planning permission exemptions has been a priority action of the Government Work Plan ("GWP") since 2021 and, in 2022, it was given Category 2 status. The Authority believes it is important that the States agree the amendments to be made to the above Ordinance and that a new Ordinance be brought in to repeal and replace it at the next available meeting so as to provide clarity to a number of existing exemptions and introduce new ones thereby enabling opportunities for regeneration.

Yours faithfully,

Deputy V S Oliver
President

Deputy A W Taylor
Vice-President

Deputy C Blin
Deputy J F Dyke
Deputy A Kazantseva-Miller

P.2023/4

THE STATES OF DELIBERATION
of the
ISLAND OF GUERNSEY

STATES' ASSEMBLY & CONSTITUTION COMMITTEE

STATEMENTS AND QUESTIONS – RULES 10-15

The States are asked to decide:-

Whether, after consideration of the policy letter entitled 'Statements and Questions' dated 9th January 2023, they are of the opinion:-

1. To amend Rule 10(2) to read:

"Any Member holding the office of President or member of a Committee who has tendered a resignation from that office who wishes to make a statement regarding that resignation may do so at the next Meeting after tendering the resignation or during the meeting at which a successor to the vacated office is to be elected:
a) at the time prescribed in Rule 9; or
b) at such other time as the Presiding Officer may direct.

Provided that the Member has supplied the Presiding Officer with the text of the statement in advance and that the statement shall not exceed 15 minutes in duration.

2. To amend Rule 10(3) to read:

"Any Member who has obtained permission from the Presiding Officer to make a statement on behalf of, and approved by, a Committee or otherwise relating to States' business which, in the opinion of the Presiding Officer, should be made may make that statement:
a) at the time prescribed in Rule 9; or
b) at such other time as the Presiding Officer may direct.

Provided that the Member has supplied the Presiding Officer with the text of the statement in advance and that the statement shall not exceed 15 minutes in duration (which may be extended at the discretion of the Presiding Officer in exceptional circumstances). In respect of (3) only, after the Member has made the statement, the Presiding Officer shall allow a period not exceeding 15 minutes (which period may be extended at the discretion of the Presiding Officer) for questions to be asked within the context of the statement.

3. To amend Rule 10(5) to read:

> "Any statement made under the provisions of paragraph (4) shall not exceed 15 minutes in duration and shall be approved by the Committee. In respect of statements made under the provisions of paragraph (4) only, after the statement has been made, the Presiding Officer shall allow a period not exceeding 20 minutes (which period may be extended at the discretion of the Presiding Officer) for questions to be asked on any matter within the mandate of the Committee, or in the case of any statement made on behalf of the States of Alderney any matter for which the States of Alderney has responsibility, except any topic which is part of another item of business at the Meeting in question.
> Provided that:
> after any question asked further to a statement made under Rule 10, the Member to whom questions are addressed may decline to answer a question if, in his or her opinion, any answer given might be inaccurate or misleading but shall provide the answer to the said question in writing not later than five clear days (excluding Saturdays, Sundays and Public Holidays) following the date of the Meeting. Each individual question shall not exceed one minute in duration and the answer thereto shall not exceed one and a half minutes in duration."

4. To create a new Rule 10(5)(a) to read:

> "A Member asking or replying to a question or a supplementary question who:
>
> (a) has a direct or special interest in the subject matter of the question; or
> (b) is aware that his or her spouse, co-habiting partner, infant child or any company in which her or she has a controlling interest on his or her, or their, behalf has such an interest
>
> shall, without prejudice to the requirements of Rule 29, before he or she asks or replies to the question declare the said interest by disclosing it to the Meeting."

5. To amend Rule 11(2)(c) to read as follows:

> "shall not relate to the business of the day, with the exception of general update statements made during the meeting in question;"

6. To amend Rule 12(2)(d)to read as follows:

> "shall not relate to the business of the day, with the exception of general update statements made during the meeting in question;"

7. To amend the first sentence of Rule 14(1) to read as follows:

> "A Member may at any time place a question on any subject in accordance with this Rule for written reply by addressing the same to the President of a Committee and by furnishing a copy thereof to the Presiding Officer, His Majesty's Procureur, the States' Greffier and to the official postal or email address of the relevant Committee."

8. To amend Rule 14(3) to read as follows:

> "The States' Greffier shall cause to be published within one working day, or as soon as possible thereafter, on the States' website and in such other form as he or she may determine, a copy of every question and of the reply thereto deposited in accordance with this Rule."

THE STATES OF DELIBERATION
of the
ISLAND OF GUERNSEY

STATES' ASSEMBLY & CONSTITUTION COMMITTEE

STATEMENTS AND QUESTIONS – RULES 10-15

The Presiding Officer
States of Guernsey
Royal Court House
St Peter Port

9th January 2023

Dear Sir

1 Executive Summary

1.1 The propositions and policy letter suggest minor amendments to the Rules of Procedure of the States of Deliberation and their Committees ("the Rules") further to a review of Rules 10 – 15 relating to statements and questions.

2 Introduction

2.1 In January 2022, the States' Assembly & Constitution Committee ("the Committee") agreed to review specific Rules during 2022. The first review focused on Rules 10 to 15, 'Statements and Questions'.

2.2 Statements in the States of Deliberation have evolved over the last ten years. The ability for Members to ask questions after what are now known as Rule 10(3) statements was introduced in 2012. In 2017, the States introduced Rule 10(4), commonly known as 'General Update Statements', followed by a period of questions.

2.3 Parliamentary questions – oral and written - have been a longstanding feature of the proceedings of the States of Deliberation. Such questions have an important role in the States in enabling Members to hold Committees to account: asking questions after statements delivered; oral questions to Presidents or a nominated Member of Committees during Meetings (Rule 11 or 12); or written questions (Rule 14).

2.4 Statements and parliamentary questions play an important role in parliamentary proceedings to enable scrutiny from Members on the work of

Committees and for specific matters to be raised in a public forum. They also provide an opportunity for Presidents to explain publicly the work of their Committees. The purpose of the review has been to consider – from Committees' and Members' experiences – whether improvements can be made to Rules 10 to 15.

2.5 A consultation document was issued to all Committees and Members on 15th February in respect of suggestions put forward this political term regarding Rules 10 – 15. Members were also invited to raise any further matters they wished the Committee to consider. The consultation closed on 15th March. The following sections will address the points raised as part of the consultation and other matters that the Committee has identified when reviewing the Rules.

3 Rule 10: Statements

3.1 Rule 10(1) to (4) sets out the provisions relating to the types of statements which can be delivered in the States of Deliberation and the questions that can be asked after certain statements. This is summarised in the table below:

Rule	Type of statement	Length of statement (maximum)	Time period for questions after statements
10(1)	Personal Nature/Correction	15 minutes	*Not permitted*
10(2)	Resignation	15 minutes	*Not permitted*
10(3)	States' business	15 minutes*	15 Minutes**
10(4)	General Update	10 minutes	20 minutes**

* *the time period for this statement can be extended at the discretion of the Presiding Officer in exceptional circumstances.*

** *the time period for questions can be extended at the discretion of the Presiding Officer.*

3.2 The Committee was asked to consider proposing an increase in the time allowed for 'General Update Statements' to 15 minutes to allow sufficient time for a comprehensive statement to be given, in line with the other statement lengths permitted under Rule 10. The consultation responses showed a slight majority of respondents were in favour of this change, and the Committee is proposing changing the Rule accordingly. In proposing this change, it is important to note that the time allowed is the maximum length permitted, and there is no obligation to deliver a statement of that length.

3.3 The majority of respondents to the consultation favoured retaining the current time allowed for questions, and the Committee could see no reason to change the status quo; consequently, it is not recommending any changes to the Rules in this respect.

3.4 It was suggested to the Committee that the Policy & Resources Committee and Principal Committees should only be required to provide one 'General Update statement' annually, rather than biannually. The Committee is of the view that those Committees providing such statements biannually is useful in providing Members and the public with timely updates on the breadth of work being undertaken by those Committees, and to enable scrutiny of the work of Committees. The Committee strongly supports the continuation of biannual statements by those Committees and this position was supported by the majority of consultation respondents, with only two Committees in favour of changing the arrangements. The Committee is therefore not proposing any change to the Rules.

3.5 It was suggested the Committee consider whether general update statements should be scheduled in the first six months of the political term. The Committee agreed it was useful to have statements in this period, and this was supported by the vast majority of respondents, and therefore the Committee is not proposing any change to the Rules.

3.6 At present, the Rules require Members to provide advance copies of their statements to the Presiding Officer under Rule 10(1). It is convention for Members and Committees also to provide the advance text of statements under Rules 10(2) to (4) to the Presiding Officer. This also assists the Parliamentary Team, who publish the statements online immediately after they are delivered, on the 'Statements made in States Meetings'[1] webpage. There were no objections to the suggestion to amend the Rules requiring all statements to be sent to the Presiding Officer in advance of delivery and the Committee is therefore proposing the Rules are changed to accommodate this.

3.7 In January 2022, the Presiding Officer requested that any Member making a Rule 10(3) statement at a future States' Meeting circulate a copy to Members prior to the Meeting at which it is to be made to assist in ensuring that any questions asked in the period following the statement can be formulated in the context of the statement.

3.8 The Committee considered whether this request should be formalised in the Rules. It noted it could assist Members in formulating questions that are 'within the context of the statement'.

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[1] www.gov.gg/statementsandspeeches

3.9 Out of the five Committees which responded to this question, four did not support circulating Rule 10(3) statements in advance with one not expressing strong feelings. Likewise, individual Members did not support the proposal, and consequently the Committee is not proposing any change.

3.10 The provision under Rule 10(5) states that *"after any question asked further to a statement made under Rule 10, the Member to whom questions are addressed may decline to answer a question if, in his or her opinion, any answer given might be inaccurate or misleading".*

3.11 This does not include a requirement that the Member to whom the questions are addressed must provide the answer to the question in writing within a set timeframe, unlike Rule 11(4)(d), which reads as above but goes on to say that any Member declining to answer a question on the above grounds *"…shall provide the answer to the said question in writing not later than five clear days (excluding Saturdays, Sundays and Public Holidays) following the date of the Meeting".*

3.12 The Committee is of the view that this is a helpful addition to the Rule and, for the sake of consistency, is recommending that Rule 10(5) be amended to mirror the wording of Rule 11(4)(d) in this respect.

3.13 A Member asking or replying to a question after a statement is delivered is not required to declare whether they have an interest in the subject matter of the question, whereas they are under Rules 11 and 12 by virtue of Rule 11(7).

3.14 This requirement does not exist for questions asked or replied to further to a statement being delivered, or for questions submitted under Rule 14. In the interests of transparency and consistency, the Committee is proposing the introduction of this requirement with regard to questions asked further to statements.

4 Rules 11 - 15: Parliamentary Questions

4.1 A question to be answered orally at a Meeting of the States of Deliberation, may be addressed to the President of a Committee of the States, subject to Rule 15 and the conditions set out in Rule 11(2) and 12(2). One of these conditions are that the question 'shall not relate to the business of the day'.

4.2 The business at an ordinary Meeting includes 'statements'. It has been ruled that oral questions cannot be asked of a Committee if it is scheduled to deliver a General Update Statement under Rule 10(4), given the period of questions permitted after the statement enables a Member to ask questions on any matter within the mandate of the Committee.

4.3 Representations were made to the Committee to consider amending the Rules so that Members were not precluded from asking a question under Rule 11 or 12 by virtue of a Committee being scheduled to deliver a General Update Statement. It was highlighted that questions further to such statements did not allow a Member the same scope to scrutinise a specific topic and reduced the opportunity for supplementary questions to be asked by Members on the topic.

4.4 The Committee believes it is appropriate for the Rule to exist to prevent questions being asked relevant to propositions due to be considered, where Members are able to raise their questions and points in debate for response from the sponsoring Committee. It concluded Members should not be prevented from asking Rule 11 or 12 questions on matters because a general update statement was scheduled to be delivered at the same Meeting, given the limited nature of questions after a statement. It therefore proposes amending both Rule 11(2)(c) and 12(2)(d) to exclude 'statements' for the purpose of oral questions.

4.5 In December 2021, the Policy & Resources Committee requested that the Committee consider the suggestion arising from the Presidents' Meeting that the staff resource associated with drafting written responses to Rule 11, 12 and 14 questions be calculated for all Committees going forward. It was noted that a similar initiative was undertaken in the 2012 - 2016 term but was discontinued given it had no discernible impact on the number and type of questions submitted.

4.6 The Committee sought clarification as to the objective of such a proposal. The Policy & Resources Committee stated that it believed the provision of such information might help States' Members to make informed decisions when they were determining how best to obtain information. It stated that it considered that sometimes parliamentary questions were asked when an informal question or enquiry to Committee Members or staff would achieve the same result.

4.7 The Policy & Resources Committee considered that if States' Members were made more aware of the time and resources used to answer parliamentary questions, it might help ensure that they were better informed when deciding the approach they wished to take.

4.8 The Committee was not convinced that the objective of the proposal – to encourage different approaches to obtain information – would be met. If the question was asked and answered informally, it questioned why the staff resources and costs of providing the answer would differ significantly if the same information was being provided. It also questioned the benefits of bringing in an administrative process to cost staff time which would, in itself, have its own cost.

4.9 Responses to questions asked informally at staff or Member level will normally not be provided to all Members, or the public. A key motivation for asking a parliamentary question is that the question and the response will be in the public domain by being published in the 'Hansard' Report (Rule 11 & 12) or online (Rule 14) and then permanently recorded.

4.10 The Committee consulted on the suggestion. The majority of individual Members and Committees who responded were against the suggestion. The responses from Committees were mixed: the majority of Committees that responded did not consider this should be compulsory in the Rules of Procedure.

4.11 The Committee does not support the suggestion and is not proposing any change to the Rules. It is important to note that the Committees who wish to produce such information can – as some Departments did in the 2012 – 2016 political term – include the cost of responding to questions as part of their response without this being required by the Rules. It recommended that Committees minded to do so calculate the costs in line with the methodology used to estimate costs of responding to request under the 'Freedom of Information Code'[2] to ensure consistency across Committees and the States.

4.12 At present, in accordance with Rule 14(1), a Member submitting a question for written reply sends it to the President of the Committee in question and also provides copies to the Presiding Officer and His Majesty's Procureur. Given that the Parliamentary Team manages the administration of written questions, the Committee is recommending that Rule 14(1) be amended to require a copy also to be sent to the States' Greffier.

4.13 Rule 14(3) provides that *"*[a] *copy of every question and the reply thereto deposited in accordance with this Rule shall be available at the Greffe for public inspection whenever the Greffe is open for normal business."*

4.14 Questions for written answers have been published on the States of Guernsey website since 2012. Consequently, the Rule no longer reflects modern practices and the Committee is therefore proposing that it be revised to be more in line with Rule 3(5), which covers the publication of propositions submitted to the Greffier, as follows: *"On receipt of every question and reply provided in accordance with this Rule, the Greffier shall cause it to be published within one working day on the States' website, or as soon as possible thereafter, and in such other form as he or she may determine."*

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[2] The Freedom of Information Code can be found on www.gov.gg/information. Guidance on the Freedom of Information code can be found in the downloads section of that page. Pages 8 & 9 set out how to calculate the time and cost spent responding to requests.

5 Compliance with Rule 4

5.1 Rule 4 of the Rules of Procedure of the States of Deliberation and their Committees sets out the information which must be appended to motions laid before the States.

5.2 In accordance with Rule 4(1):

a) The propositions relate to the procedures, practices and practical functions of the States' Assembly, rather than policy and, as such, do not contribute directly to the States' objectives and policy plans.

b) In preparing the propositions, all Committees and States' Members were invited to respond to a consultation on the matter.

c) The propositions have been submitted to His Majesty's Procureur for advice on any legal or constitutional implications.

d) There are no financial implications to the States of carrying the proposal into effect.

5.3 In accordance with Rule 4(2):

a) The propositions relate to the Committee's duties and powers to advise the States and to develop and implement policies in relation to "the procedures and practices of the States of Deliberation and committees of the States".

b) The propositions have the unanimous support of the Committee.

Yours faithfully

Deputy C.P. Meerveld
President

Deputy L.C. Queripel
Vice-President

Deputy S.P. Fairclough
Deputy J.A.B. Gollop
Deputy L.J. McKenna