



OFFICIAL REPORT

OF THE

STATES OF DELIBERATION

OF THE

ISLAND OF GUERNSEY

HANSARD

Royal Court House, Guernsey, Tuesday, 7th November 2023

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Present:

Sir R. J. McMahon, Esq., Bailiff and Presiding Officer

Law Officers

M. M. E. Pullum, Q.C. (H.M. Procureur)

People's Deputies

S. E. Aldwell	J. P. Le Tocq
C. P. A Blin	M. P. Leadbeater
A. H. Brouard	D. J. Mahoney
Y. Burford	A. D. S. Matthews
T. L. Bury	L. J. McKenna
D. de G. de Lisle	C. P. Meerveld
A. C. Dudley-Owen	N. G. Moakes
J. F. Dyke	R. C. Murray
S. P. Fairclough	V. S. Oliver
S. J. Falla	C. N. K. Parkinson
P. T. R. Ferbrache	R. G. Prow
A. Gabriel	L. C. Queripel
J. A. B. Gollop	P. J. Roffey
S. P. Haskins	H. J. R. Soulsby
M. A. J. Helyar	A. W. Taylor
N. R. Inder	L. S. Trott
A. Kazantseva-Miller	S. P. J. Vermeulen
C. J. Le Tissier	

Representatives of the Island of Alderney

Alderney Representatives S. Roberts and E. A. J. Snowdon

The Clerk to the States of Deliberation

S. M. D. Ross, Esq. (States' Greffier)

Absent at the Evocation

Deputies H. L. de Sausmarez and G. A. St Pier (*relevé à 9h 36*);

Deputy A. Cameron (*relevé à 10h 51*)

Business transacted

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States of Deliberation

*The States met at 9.30 a.m. in the presence of
His Excellency Lt Gen Richard Cripwell, C.B., C.B.E.
Lieutenant-Governor and Commander-in-Chief of the Bailiwick of Guernsey*

[THE BAILIFF *in the Chair*]

PRAYERS

The States' Greffier

EVOCATION

CONVOCATION

The States Greffier: Billet d'État XVIII of 2023. 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 Courthouse on Tuesday, 7th November 2023, at 9.30 a.m. to consider the items listed in this Billet d'État, which have been submitted for debate.

Procedural –

**Motion to suspend Rules of Procedure to permit debate on motion to bring forward
a Vote of No Confidence to this sitting – Carried**

Motion under Article 7(1) of the Reform Guernsey Law.

To suspend the Rules of Procedure of the States of Deliberation and their Committees to the extent necessary to permit the following Motion to be debated.

Deputy Meerveld: Thank you, sir.
On behalf of the Committee of SACC – *(Interjection)*

The Bailiff: Is it your wish to move a motion –?

Deputy Meerveld: Yes, sir.

The Bailiff: Under Article 7(1) of the Reform (Guernsey) Law, 1948, with a view to then being able to move a procedural motion?

Deputy Meerveld: Yes, sir.

The Bailiff: Do Members yet have copies of the motion? Can that be circulated, please?
Does every Member now have a copy of the motion? Can I explain to Members that this is different from the motion that was circulated to you yesterday, which was just plain wrong. So this is the motion under Article 7(1) and therefore there is also the wording of the procedural motion.

Before we go any further, Deputy de Sausmarez, Deputy St Pier, do you both wish to be relevéed so that you can participate in what is about to happen?

25 **Deputy St Pier:** Yes please, sir.
Thank you.

30 **Deputy de Sausmarez:** Yes please, sir.
Thank you.

The Bailiff: Thank you very much.
Deputy Meerveld, do you want to address the motion under Article 7(1) and only the motion under Article 7(1) at this stage, please?

35 **Deputy Meerveld:** Yes, sir.

I am laying this motion after careful consideration by the Committee for SACC at several meetings, where we looked at the governance issues. The SACC Committee was very clearly –

40 **The Bailiff:** Deputy Meerveld, I am sorry to interrupt you but you cannot propose this as if it were a Committee matter. It is you and Deputy Queripel that are proposing this. It is nothing to do with the Committee. In my view it falls outside the mandate of the States' Assembly & Constitution Committee to even be considering this. (**Several Members:** Hear, hear.)

So, it is your motion.

45 **Deputy Meerveld:** Okay.

I am of the opinion, after consideration, after long discussion with colleagues, including fellow Members of the SACC Committee that we face an issue of good governance. Whether or not the motion of no confidence should be debated before or after the Budget.

50 After that consideration, we are bringing this motion. I am doing that, representing a Committee that is actually divided, some of the Committee Members support Policy & Resources, some do not, so it is definitely not, as some people have tried to suggest in emails, a partisan move. It is purely looking at governance issues.

The Committee believe that there are great risks in debating, sorry, I believe and the Committee –

55 **The Bailiff:** Deputy Meerveld, once again, this is simply the motion under Article 7(1), not the procedural motion that you are addressing at this stage.

60 **Deputy Meerveld:** Okay, sir.

Well, Members, I would encourage you to support this Proposition simply so that we can talk about what we consider, or I consider after consultation with others, to be serious governance issues and therefore I encourage Members to vote for this motion so that we can actually then go to the substantive discussion on whether or not the motion accompanying should be discussed today or we should go into the Budget discussion.

65 Thank you, sir.

The Bailiff: Deputy Queripel, do you formally second the motion under Article 7(1) of the Reform Law.

70 **Deputy Queripel:** I do, sir.

The Bailiff: Thank you very much.

75 I do not see anyone rising to debate that so I will simply put the motion, proposed by Deputy Meerveld, seconded by Deputy Queripel, which is to suspend the Rules of Procedure of the States of Deliberation and their Committees, to the extent necessary to permit the following motion to be debated, where the procedural motion which is then set out below. Those in favour; those against?

Some Members voted Pour; others voted Contre.

80 **The Bailiff:** I think we will have a recorded vote. We will just pause briefly. Wave your hand in the air if you have not managed to log in. I think the song has *If Nobody Cares* or something like that, which might be inappropriate at this point!

I will invite the Greffier to open the voting on this motion under Article 7(1).

There was a recorded vote.

Carried – Pour 19, Contre 17, Ne vote pas 2, Did not vote 0, Absent 2

POUR	CONTRE	NE VOTE PAS	DID NOT VOTE	ABSENT
Blin, Chris	Aldwell, Sue	Brouard, Al	None	Cameron, Andy
Burford, Yvonne	Dudley-Owen, Andrea	Leadbeater, Marc		Taylor, Andrew
Bury, Tina	Dyke, John			
De Lisle, David	Ferbrache, Peter			
De Sausmarez, Lindsay	Haskins, Sam			
Fairclough, Simon	Helyar, Mark			
Falla, Steve	Inder, Neil			
Gabriel, Adrian	Kazantseva-Miller, Sasha			
Gollop, John	Le Tocq, Jonathan			
Le Tissier, Chris	Mahoney, David			
Matthews, Aidan	Moakes, Nick			
McKenna, Liam	Murray, Bob			
Meerveld, Carl	Oliver, Victoria			
Queripel, Lester	Parkinson, Charles			
Roffey, Peter	Prow, Robert			
Soulsby, Heidi	Roberts, Steve			
St Pier, Gavin	Snowdon, Alexander			
Trott, Lyndon				
Vermeulen, Simon				

85 **The Bailiff:** So the voting on the motion under Article 7(1) of the Reform (Guernsey) Law, 1948, proposed by Deputy Meerveld, seconded by Deputy Queripel is that there voted in favour, 19 Members; against, 17 Members; 2 Members abstained and 2 Members were absent at the vote and therefore I will declared that carried.

I will invite Deputy Meerveld to open the debate on the procedural motion.

**Procedural –
Motion to Re-Order Business –
Not carried**

Motion to Re-Order Business

To permit the Motion of No Confidence in the Policy & Resources Committee submitted by Deputy Parkinson & six others (see Article 2 on Billet d'État No. XX of 2023 published on 3rd November, 2023 – P.2023/118) to be laid and debated at the start of the Special Meeting convened to consider the Annual Budget of the States and the policy letter of the Committee for Employment & Social Security on the uprating of non-contributory benefits for 2024 and to remove the item from the business of the Meeting to be held on 22nd November 2023.

Deputy Meerveld: Thank you, sir.

I believe there are great risks in debating a Budget from a Committee that is under threat. If the MoNC is successful and the Policy & Resources Committee is replaced the new Committee may have a different option or wish to make different recommendations on the Budget. If the MoNC debate took place on 7th November and was successful, the new Committee would have the option of deferring the Budget debate until 22nd November, something that is not unprecedented, considering only a few years ago the Budget was debated in December each year.

They would have the ability to carefully consider the Budget and which Propositions they agree or disagree with and to potentially submit their own amendments. The Policy & Resources Committee is the most senior Committee of the States and a motion of no confidence could potentially cast a shadow on the debate of the States of Guernsey Annual Budget for 2024.

I fear that references to the precarious nature of the senior Committee's position may dominate debate and the Meeting will descend into an unhelpful debate where the Budget will not be the focus. There is a danger that the Budget debate will become a mini motion of no confidence debate.

This has potential to be reputationally damaging to the States and risk bringing the States of Deliberation into disrepute. The States of Deliberation has to ensure that good governance is adhered to. I consider it to be poor governance to hold a Budget debate when a MoNC has been lodged or will be debated two weeks later.

Imagine a different scenario, we have the most senior Committee of the States is facing a motion of no confidence, and yet they are bringing arguably their most important policy letter of the year, the Annual Budget, to be debated now. Imagine if Health were bringing a policy letter on the future of healthcare but were facing a motion of no confidence and, in two weeks' time, there might be a different Committee who might not agree with that direction that was being proposed in the policy letter now. Or Education were bringing a policy letter on the future of education. That is the scenario we are in now.

We have a significant number of amendments to this Budget. If a new Policy & Resources is elected, would they support different amendments to the current Policy & Resources? If the Policy & Resources Committee is replaced, the new Policy & Resources Committee would be lumbered with a Budget in which they had no input at all, for 12 months out of their first 19 months of service, therefore not being able to pull the financial levers by themselves. They would inherit the previous Committee's Budget.

So the reason this is being laid is simply because of these governance issues. Personally I have issue with the governance. I will support this Proposition and I ask Members to do so. It has been done in consultation with a number of Members who are not signatories of the MoNC. This is not a partisan move, this is purely trying to put towards the States a governance issue, should we or should we not deal with the issue facing the States where the role of the most senior Committee in the States is in question? Surely that is the most pressing issue to deal with today, not to talk about the Budget? We need to get that resolved before we move forward, in my opinion.

Thank you, sir.

The Bailiff: Deputy Queripel, do you formally second the procedural motion?

Deputy Queripel: I do, sir.

The Bailiff: Does anyone wish to speak on the procedural motion?

Deputy Ferbrache.

Deputy Ferbrache: Sir, Deputy Meerveld speaks about good governance and financial prudence, really. Now, this Budget has been in issue for some time. Finances of the States are paramount. This Budget sets out the finances of the States for the next 12 months and is subject to 15 or 16 or however many amendments we may end up debating in the next period of time. This is not a P&R Budget in the sense that this is a States' Budget. It sets out what the finances of this

Island should be. We are a fiscal community. We base our finances on fiscal prudence, fiscal sustainability.

145 If this motion is successful then the practical results will be that it would unlikely that any Budget will be debated till December. That is the practicalities of it. Probably just before Christmas at the earliest. And the finances and the relevant legislation that has to be implemented and enacted will not be able to be done by January 1st.

It will look ill-judged, it would be ill-considered and this motion should be dismissed summarily.

150 **The Bailiff:** Deputy Matthews.

Deputy Matthews: Thank you, sir.

155 I thank Deputy Meerveld for bringing this motion but I do not think it is one that I will vote in favour of. The reason is, I understand entirely the concern that this debate has the potential to become a mini debate on the motion of no confidence. I hope that does not happen. I am seconding two amendments. It does not make any difference to me, the speeches that I have made would be exactly the same regardless of whether this procedural motion went ahead or not.

160 And I would ask that Members do debate the Budget just as they find it and on the facts that are in front of them and that is what I will be doing, I hope everybody else would be doing so. For that reason, although I think it is a timely reminder from Deputy Meerveld that there is an upcoming motion of no confidence, I do not think it makes any difference to the debate on the Budget today and so for that reason I will not be voting for it.

Thank you.

165 **The Bailiff:** Deputy Gollop.

170 **Deputy Gollop:** I am likely to abstain on the final motion because, although I am a very conscientious supporter of SACC and the consensus and I listen to my colleagues and do not want to hijack the Meetings, I also support Deputy Meerveld particularly in thinking he needs and deserves perhaps more of a strategic position of leadership outside SACC.

175 I also believed on balance that the States could have a choice as to whether to move the motion of no confidence now or later. But I was uncomfortable about the decision on various reasons. One is that Deputy Meerveld is right, we do as an Assembly, need to consider governance, but maybe this is not really within our mandate and we do not want to be seen, perhaps unfairly, as being partisan.

But I also know that Members and especially you, sir, the Presiding Officer, always keep us in line and relevant and diligent and if any of us were to stray onto issues like discussing no confidence, that would be very quickly curtailed. So I did not perhaps have quite the concern that we would go off course.

180 Of course, there might be amendments that slip through or get rejected that would not in other circumstances. That is a risk. But I do take the advice, I think, of Deputy Ferbrache, and maybe legal advice too that if we delayed the Budget until the vote of no confidence was laid, that assumes that there would be a change in the membership of Policy & Resources in any event.

185 The chances of a new Committee making a meaningful restructuring of the Budget, because I think Deputy Helyar and others would agree it takes months to bring the Budget to the table, the chances of them doing it in a week or two, pre-Christmas parties, is not that great. Then we would go back to a December Meeting, we have also got the ESS issues to resolve, which work in tandem a bit with the Budget. I sit on the Scrutiny Legislation Panel with Deputy Dyke and others, we have already been through some elements of the legislation for ESS. We have not gone through, obviously, the Budget legislation because that is done in a different way.

190 But the thought of it being delayed, we would not want a shutdown like the American Government seems to have from time to time. We want to very much keep an impeccable reputation and my point would be examples have been given of what would happen if Education

195 or Health were in this situation. Well I was on an Education Committee that faced a vote of no confidence and I jumped before it happened, actually. But the point is I think the States, we come here not just to support individuals or Committees but we come to support the issues and it would not matter in a way if a Committee did face a vote of no confidence, a Principal Committee, because we would decide on the issue.

200 If we have many Members in this Assembly who do not agree with the current direction of Policy & Resources, I would anticipate that they will speak for or against the Budget and they will support amendments, maybe my amendment, as being better than Policy & Resources' Budget – I hope they do – Deputy Le Tissier might agree with me there as well! – but that is for the Budget debate and I think we have come here prepared this week for a four-day Budget debate. We have not come with all the arguments for/against motions of confidence.

205 I would also make the point that perhaps our decision on the future of all or some of Policy & Resources' Members may depend on the Budget, on the quality of debate, on the outcome of the reaction. So it is fairer both to ourselves and to the senior Committee to maybe give them every opportunity to work this week on what might be a swansong or might be the beginning of a new joy and a new life.

210 That so, I very much prefer to abstain on this question, but I do agree that although this is procedurally awkward, perhaps, Members in the unique circumstances can now choose whether to support Deputy Meerveld's speech, which was done certainly on the majority of SACC, who took enthusiasm for that, or oppose it.

215 **The Bailiff:** Deputy Dyke.

Deputy Dyke: Thank you, sir.

I thank Deputy Gollop for his speech. He has made a few of the points that I was going to make. The one other point that I would make, I am going to vote against this motion, is that the people
220 out there are expecting a Budget now. I think if we do not do it now and things are disrupted, it could take us up to Christmas to get something done.

There are a couple of amendments in here that are quite worrying to large sections of the population, important sections of the population. I think we need to sort this out this week and not defer it. I share Deputy Meerveld's view that we need good governance but I think his proposal is
225 sub-optimal and it would be better to deal with this as the Bailiff had suggested.

Thank you.

The Bailiff: Deputy Gabriel.

230 **Deputy Gabriel:** Thank you, sir.

I will be relatively brief. We have to remember that as Deputy Gollop says, the Budget is not just drawn up on the back of a fag packet. It does take a few months and it has wide-ranging connotations if we get it wrong. We need to get it right, we need to debate it and I am assuming that the seven signatories of the motion of no confidence will not be supporting the Budget if it is
235 drawn up by P&R or supported by P&R and effectively that is seven signatories or votes that will either be abstaining or voting against and effectively should not be counted, effectively, in the Budget debate, therefore weakening our decision making.

We have to remember what this looks like to the outside world as well. We are effectively in-fighting and to me the weapon is loaded with just choosing which foot to shoot and I will not be
240 supporting this.

The Bailiff: Deputy Trott.

Deputy Trott: Sir, I rise only to make one comment. I do not think my friend Deputy Gollop was
245 seeking to mislead the Assembly when he referred to a US-style shutdown. Let us be very clear,

whether the Budget is debated today or later on this month, or in December, there will be no shutdown. All of our employees will continue to be paid. We do not fund our revenue budget through borrowing. We have more than sufficient assets to ensure that everyone is paid.

250 I make no other comment, sir, other than to ensure that Members do not vote expecting there to be some sort of cataclysmic event should the Budget be deferred until December.

The Bailiff: Deputy Parkinson.

255 **Deputy Parkinson:** Sir, I am brought to my feet by the comments of Deputy Gabriel. I do not think the Assembly should assume that the signatories to the motion of no confidence are likely to vote against this Budget. I intend to vote on the merits of each of the Propositions as I see fit. I do not see any advantage in bringing forward the motion of no confidence to today. A new P&R, if there was to be a new P&R, would need considerable time to get its feet under the desk and prepare an alternative Budget.

260 I think the reality is that for the next year we are going to have to live with the Budget that we agree this week and, frankly, if a new P&R does not like any of the provisions in the Budget they could bring an emergency Budget to change those provisions as they see fit. So I will not be supporting this motion. I think the Budget and the motion of no confidence should be regarded as separate issues. They are not linked in the way that Deputy Gabriel has suggested and I think it is
265 important for good governance that we get on and deal with the Budget issues in the timetable that has been laid down a long time ago. So I would just urge Members to oppose this motion and we will come back and deal with the separate motion of no confidence on 22nd November.

Deputy Burford: Rule 26(1), please, sir.

270

The Bailiff: Can I invite those Members who wish to speak on the procedural motion to stand in their places. Deputy Burford is it still your wish that I put a motion pursuant to Rule 26(1)?

The motion is to curtail debate on this procedural motion, subject to hearing from Deputy Meerveld in reply, those in favour; those against?

275

Members voted Contre.

The Bailiff: I will declare that lost, I think.
Deputy Inder.

Deputy Inder: Members I am going to ... *[Inaudible]* the start –

280

The Bailiff: There is no explanatory note, Deputy Inder on this.

285 **Deputy Inder:** That is true. I am going to touch on such of the explanatory notes that we have received from Deputy Meerveld over the last week or so, most of it being essentially repeat to fade and some of which he has mentioned in his opener.

The proposer and seconder of the motion have asserted that the Committee has received other representations from States' Members. Deputy Meerveld has stated that his Committee has met several times on the matter. So this is a specific question and bear in mind, when I was President of SACC, I made sure all of my Committee saw absolutely everything that came into the Committee,
290 so I have a specific question for Deputy Meerveld and I do want him to answer this. I would like him to confirm whether the President or officers have furnished the Committee with the names or numbers of those making representations. That is a specific question I want to hear an answer from him.

295 For the avoidance of doubt, just to repeat, the Committee has received other representations. Was the Committee, were the Committee shown those names and numbers? It is a very specific

question because he has stated the whole Committee has received that. I probably know the answer to that, through you, sir, to Deputy Meerveld.

Deputy Meerveld has stated that this is not a partisan move and I accept that Deputies Fairclough, Gollop, McKenna and Queripel will have come to their own judgement on the matter. However, would the proposer and seconder agree that the likelihood of a successful MoNC would mean that the Budget would be delayed to December, not November, as stated in the explanatory notes and mentioned I think by Deputy Ferbrache.

And I would like to put a direct question to Deputy Meerveld. Does he understand that it is likely not to be November, more likely be December, and as Deputy Parkinson has mentioned, even though a future P&R may have an ability to bring an emergency Budget, the likelihood of a Budget coming in November is very slim indeed.

Now, Deputy Meerveld has referenced in the explanatory note, or the letter, or the email, very similar, the Committee fears reference to the precarious nature of the Committee's position. Now Deputy Meerveld has stated that he will be supporting the MoNC. So he has said that publicly in the past.

Does that part of the paragraph suggest either has he no confidence in Policy & Resources but he has no confidence in the Presiding Officer to manage the Budget debate and keep the Budget debate on track? So a specific question to Deputy Meerveld, as the President of SACC, as the keeper of the Rules, does that statement, 'the committee fears reference to the precarious nature of the Committee's position' does that mean not only that he has no confidence in Policy & Resources, his stated position, does he then say that he has no faith in the Members to hold the line, to read the Rules, and whether he has confidence in the Presiding Officer to manage the Budget debate. Specific question, specific answer, through you, sir, Deputy Meerveld, and I expect a response.

I thank Deputy Gabriel for his last response. The world is watching and has been watching for quite a while and, of course, finally sir, would Deputy Meerveld agree, if you think the Budget is in jeopardy, would he not agree that the Government Work Plan is also in jeopardy?

Thank you.

The Bailiff: Deputy Queripel.

Deputy Queripel: Thank you, sir.

If I had a motion of no confidence hanging over me, I would want it dealt with sooner rather than later. But this is not about me. It is about good governance and doing things the right way around. As Deputy Meerveld has already explained.

In fact he covered more or less everything we need in his opening speech but when Deputy Ferbrache spoke he said the Budget debate would not be happening until at least December if this succeeds but why wouldn't we debate it at the end of November? Deputy Ferbrache did not give his reasoning for saying. He simply made a statement that we would not be debating the Budget at the end of November. We would be lucky to debate it in December.

Sir, that argument just does not make any sense. When Deputy Matthews spoke, he said he did not see a problem with debating the Budget first, as originally planned. And he said he hoped the Budget debate would not turn into a debate of no confidence, which I think, with the utmost respect to Deputy Matthews, he is being completely unrealistic.

History has proven time and time again that debates can get really nasty. As former Vale Deputy the late Graham Guille often said, it is not always about what it is supposed to be about. That is my fear, if we do not debate the motion of no confidence first. Debating the Budget will not be about what it is supposed to be about.

I remind colleagues, when we debated the Privileges Panel findings against Deputy St Pier recently the Proposition was to note, yet the opportunity to get at Deputy St Pier was welcomed with open arms and jumped on by some Members of this Assembly, who did their utmost to bring Deputy St Pier down.

That really brought this Assembly into great disrepute. The debate was actually, in my view, a disgrace. It was the worst debate I have been involved with in 11 years as Deputy. I was ashamed to be a Member of this Assembly. (**A Member:** Hear, hear.) Where some Members behaved so disgracefully, in an attempt to bring Deputy St Pier down, when the Proposition was to note.

So I ask colleagues to think very seriously about what the Budget debate will be about if we do not debate the motion of no confidence first. My great fear is it will not be about what it is supposed to be about. I ask colleagues to bear that in mind, sir.

Thank you.

The Bailiff: Deputy St Pier.

Deputy St Pier: Thank you, sir.

I am moved to respond to the couple of comments, which Deputy Ferbrache has made. He quite rightly described this as the States' Budget. That indeed is the name on the face of the policy letter. But of course it has been prepared by and it is in the ownership of the Policy & Resources Committee. So I think the idea that the Budget might be restructured by a new Committee, as Deputy Gollop has suggested, or that an alternative Budget, as Deputy Parkinson has suggested, might be prepared by a new Committee, I think is fanciful. There simply is not time between now and the end of the year for that to happen.

However, a new Committee might have different views in relation to the 15, now 16, amendments, which have been lodged, and indeed may wish to bring amendments to the Propositions, which have been presented to the Assembly by the present Policy & Resources Committee. I really make those observations, that it is the present Policy & Resources Committee's Budget recommendations on the States' Budget to this Assembly.

The second point I wish to make is the matter of timing, because I am much more relaxed about the timing of the debate of any Budget because I am one of a handful of Members who of course remembers the days when Budgets were always debated in mid-December, just before Members departed for Christmas lunch. And in those days, often the debates were perhaps shorter, they faced fewer amendments and were less contentious. But nonetheless, certainly in my days as Treasury Minister, they did remain contentious, there were amendments and it was still debated in December.

So there is sufficient time between now and the end of the year for the legislation to be enacted, not least because Policy & Resources have those powers available to them to enact what is needed before the end of the year, if required. So I am much more sanguine about the timing of a Budget debate, given that there is, within very recent memory, history of always debating it in December in any event.

It is worth just noting that the reasons of course it was brought forward was the desire to try and tie it in with the contributions debate, recognising that contributions are in effect a form of taxation. It is taken out of people's pockets and therefore should be debated at or about the same time. Also the non-contributory policy letter from Employment & Social Security –

Deputy Roffey: Point of correction.

The Bailiff: Point of correction, Deputy Roffey.

Deputy Roffey: I think it was tied in with the non-contributory benefit debate because that came out of general revenue, rather than that contributory debate, which continues to happen earlier in the year.

The Bailiff: That is correct.
Deputy St Pier.

Deputy St Pier: Yes, I accept that there was a desire to ensure that the States' Budget was set before the non-contributory budget of policy letter and recommendations from the Committee for Employment & Social Security was debated because previously it was done the other way around. So, if you like, ESS had first bite of the cherry. Their budgets were determined and then the general revenue budget was debated and had to pick up the responsibility of the decisions made in the previous debate.

However, the point I was seeking to make in relation to contributions was a desire to have it recognised that they needed to be debated at or about the same time, albeit that I accept that the contributory report is debated earlier, because there is a greater lead-in time for the contributions in terms of the administration that is required within Employment & Social Security to amend any contribution rates.

So that is the reason that the Budget was moved. There is sufficient time, should it be the States' will to defer debate on the Budget to later in the year, it will not imperil anything, really. There may be expectations for some issues to be debated this week, as Deputy Dyke has suggested, but certainly there is no major risk or danger were the States to decide to defer this debate into later in the year.

The Bailiff: Deputy Kazantseva-Miller.

Deputy Kazantseva-Miller: Thank you, sir.

Deputy Meerveld started his speech by constantly, several times referencing that this issue has been debated, several times at SACC and has been brought as a SACC motion. I think the Presiding Officer hinted at the communication that himself and the Committee and Deputy Meerveld have had on this matter and the understanding this is not within the mandate of SACC to bring these kinds of motions and be a policeman of live issues that are happening in the Assembly.

So in my view, first of all, bringing this motion basically as a SACC Committee is completely misguided because they are being active policemen for what is happening in the Assembly. This is not within the duties and powers of the Committee and frankly I would really hope SACC was focussing on other more pressing matters that they could be bringing to the Assembly, which I am sure they have a whole list of, in relation to their duties. So I would really like to see more of that, actually, coming to the Assembly, rather than this kind of motion.

Absolutely, then, Deputies Meerveld and Queripel and others can bring a motion as individual Members and Deputy Meerveld scrambled for being able to present this motion as such so we have to debate it as actively an individual motion from the two Deputies. Fine. I think we are at the point of being a kangaroo court that Deputy Fairclough was referring to during the last debate.

We have had a clear indication that the seven Deputies who have brought this motion are absolutely relaxed about this being debated on November 22nd. It has been adjudged by the Presiding Officer that this motion, which was only submitted last week, should be going into the debate on the 22nd. I do not understand, I do not see how this is good governance to be knocking out a new Budget or new points of view within a week or two on such an important and really important policy paper.

I really think there is not going to be any time to consider anything new or appropriate by December if there is a new P&R but, more importantly, this is going to be another joke on how we will be viewed as an Assembly, as an Assembly that is incapable of debating the Budget and with the risk of further delays because the Government Work Plan might get delayed, something else might get delayed, some other motions might come in.

I mean, seriously, this is just a complete joke. Ultimately whether Members of P&R support certain amendments or not or whatever amendments might be brought, it is going to be the same 40 people voting for the same amendment, so whether they are sitting on the top bench of sitting on the bottom floor, who cares? Because they will still have one vote. It really does not matter. Please, Members, let us stop continuing being a kangaroo court and get on with the agenda of this Special Meeting. (**A Member:** Hear, hear.)

450 Thank you.

The Bailiff: Deputy Blin.

Deputy Blin: Thank you, sir.

455 I would like to thank Deputy Meerveld, well I voted to suspend the Rules of Procedure because I think it was important that, from the point of governance, irrespective of SACC or Deputy Meerveld, that this should have been brought up to here. I spoke with various individuals to see the perception, how people feel about it.

460 However, I also support the comment that Deputy Ferbrache made that this is a States' Budget. I cannot see much difference. It is not a P&R Budget, it is a States' Budget, it is the officers, everyone working towards the same goals. Now one of my biggest concerns is the funding of ESC and just in that particular area, we have already gone past the point of no return. So I am not a supporter of trying to delay the Budget irrespective of the seven signatories of the MoNC.

465 But what I would like to hear and we have already heard from Deputy Ferbrache, but I would really appreciate if another Member of P&R or a couple more could actually talk about what the consequences are of a delay in the Budget. It has been to a certain extent made clear by Deputy Ferbrache, I would be keen to hear it from others.

470 The key part for me, as a Deputy, is what will be the consequence of a delay to the Budget, what will be the consequence of not debating it now to go through the points? What difference will it truly make? Everyone who has the amendments, they are already making their decisions there. So, yes, I am pleased that this has been raised and we are debating it, but we need to get this out of the way so we get on with the real importance is of debating the Budget.

Thank you, sir.

475 **The Bailiff:** Deputy Roffey.

Deputy Roffey: Thank you, sir.

480 There has been a lot of focus on one of the items in the Special Meeting Agenda, which is the Budget. I would just like to point out there is another item, which is the uprating of the non-contributory benefits. Now I really do not care what order the motion of no confidence or the Budget is debated on. I think I could make a sophist argument that whichever way we go down is fraught with problems and probably we ought not to be doing it that way. But we have to do it one way or the other.

485 The only thing I would say and I would like Deputy Meerveld to address this in his summing up, is that I have not had time to consult with our operational staff at ESS. My understanding is it may well be that the Budget could be debated in December, although I do not see why it could not be 22nd November, but it could be, Deputy St Pier is quite right, it was the second Wednesday in December was the traditional date for the Budget debate.

490 However, I think that at the very outside, the 22nd November debate, and I am not even sure of that but I think that is the last possible date that we could have in order to bring in the changes to the contributory benefits on 1st January. Now the universe would not end, I know, if that was delayed and it was February or March, but I think it would be incredibly regrettable, we are in a cost of living crisis and people will be expecting to have their benefits uprated to reflect that.

495 I am not saying that this motion will stop that happening. I just want to be absolutely clear that we will be able to have the debate on the Uprating Report some time during this month because otherwise I need to tell Members that I think there is a real risk of delay in implementing the operating to the non-contributory benefits.

The Bailiff: Deputy Prow.

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Deputy Prow: Thank you, sir.

Deputy Kazantseva-Miller has brought me to my feet. I think she summed it up brilliantly, for me, and I agree with every word she said. I take exception to being lectured to about good governance. (**A Member:** Hear, hear.) We hear those words bandied about in this Chamber so much.
505 Good governance is a whole set of principles and I think perhaps if you are going to major on a speech on good governance, you need to read the Nolan Principles.

On the question of procedure, for me the Bailiff has issued a Billet for the debate and I, as President of a Committee, have prepared over a considerable time, and I am also laying an amendment I have had time to prepare, for the Budget, which is scheduled for today and that is
510 really what we should be doing. Everything else is in train.

Also, all Members have had a chance to look at the policy letter and bring any amendments that they wish to bring so I really do not understand the point that is being made. Deputy St Pier is right, it is a States' Budget but of course the Principal Committees and the delivery Committees, those who have to sit in Committee and make decisions around delivery need certainty. Those
515 Committees have contributed to this. We have set out our stall in our Budgets and we really need to get on with delivering things for our community.

Thank you, sir.

The Bailiff: Deputy Fairclough.

Deputy Fairclough: Thank you, sir.

The fact that the majority of Members supported debate on this motion has justified SACC's bringing it. I do not think it is a joke. Far from it. By the time the Assembly gets to debate the motion of no confidence in the Policy & Resources Committee, 33 days will have passed since Deputy
525 Parkinson announced he was going to bring it. Months after he warned he would bring it if the outcome of the Funding & Investment Plan debate was as it was.

So more than a month when we have not known who is going to be leading this Assembly for the last 20 months of this political term. Uncertainty and instability. Now I know we have Rules and due process, time to gather signatures, five days for the Committee to respond and decide they are
530 not going to resign. Time to put the Billet together. Too long.

But apparently those bringing the motion of no confidence are happy and P&R is content that debate waits until 22nd November and that is fine. But at that debate on 22nd we are supposed to be debating the Government Work Plan. It has already been referred to by another Member. The new GWP. The refresh.

Well that debate, that Plan will probably be about as refreshing as having a bath of baked beans when we get to it. The whole process of restructuring the Government Work Plan, linking it with the funding and investment programme and then setting the Budget has now fallen completely out of
540 order, if it made any sense in the first place. It makes the GWP of the first two years of this Assembly look like a resounding success, setting as it did our priorities, which we now seem to have lost sight of.

The sequencing of what we are debating has been thrown into chaos by delays in releasing the Funding & Investment Plan, spanning the summer recess, delays in getting through business despite extended and longer sittings, and now a backlog of work. All the public seem to be hearing, apart from soundbites about GST or which capital programmes are still feasible, is the infighting
545 between States' Members. Of talk and then silence about whether we will have an earlier general election. Who can tell me if we are or even if we want to look into it? I sit on the Committee that has to organise the next General Election and I am none the wiser.

The only reason I support this motion is so that we can get our house in order, quite literally, and decide what we are going to achieve and prioritise in the remainder of this term. I know a lot
550 of work has gone into the Budget but not so much work as to render unnecessary some 15 amendments and no one is saying all that work will be undone if the Budget debate is delayed by a few weeks, a few days even,

Right now the only reassurance I have as a States' Member as to the direction we are going in is the work we are getting on with through Committees and I know that a lot of work is going on by
555 Members and indeed the staff supporting them. So let us please address the herd of elephants in the room.

I will of course respect the democratic will of the Assembly when it comes to the outcome of this motion. Members of the States' Assembly & Constitution Committee had Members contacting them to ask whether debates could be re-ordered. No list that I am aware of. It then faced criticism
560 for attempting to give Members that choice and if Members really want to debate the Budget first they can simply vote against this motion. The States' Assembly & Constitution Committee simply wanted to give Members the choice and I make no apology for that.

Thank you, sir.

565 **The Bailiff:** Deputy Moakes.

Deputy Moakes: Thank you, sir.

First of all I fully respect your decision to hold a vote of no confidence later this month. Personally, I think that bringing a vote of no confidence in P&R is wrong but that is my opinion.
570 Some people will agree and others will not. My concern about bringing a vote of no confidence now is that we are supposed to be debating next year's Budget. Budgets are not developed in a week, a day or even a month. They are carefully considered, extensively modelled, consulted on and most likely amended a number of times before they are actually published.

Sir, we have a Budget proposal in front of us now. We also have 15 amendments. So a great deal
575 of time left has gone into not just the Budget itself but the amendments as well. This tells me that people have had time to consider the Budget and lay amendments. Deputy Meerveld knows this but still thinks that the vote of no confidence should proceed ahead of the Budget on the basis that, were the vote of no confidence successful, a new P&R might want to submit a completely new Budget proposal for debate on 22nd November. As a number of people have already said, that is
580 highly unlikely for all the reasons I have just given.

Deputy Meerveld then goes on to state that this has the potential to be reputationally damaging to the States and risk bringing the States of Deliberation into disrepute. All very dramatic. However, what could be more reputationally damaging is delaying a Budget at a time when we are under
585 intense international scrutiny, with people looking at us to show some leadership. Delaying the Budget debate and effectively stopping things moving forwards, to me, shows a complete lack of leadership and accountability. We need to get on with the substantial business of the day as previously proposed.

Thank you.

590 **The Bailiff:** Alderney Representative Roberts.

Alderney Representative Roberts: Thank you, sir.

Two things worry me above all. One is how we are going to look, looking to the rest of the world. And two is delaying the Budget further. There will be more than five casualties of P&R, should a
595 vote of no confidence proceed at this time. Guernsey will contain many more casualties because of that. This follows war, COVID, financial inflation not seen in years. So any Government would have been bound to have struggled at this time. So it was always going to be difficult in my view.

Before you go down this path you need a planned alternative and I see nothing but potential chaos, which worries me and which is what the rest of the world are watching at this time. The
600 Budget has to be agreed as soon as possible and, to conclude, it is just a short speech, yes sir, the world, including the UK and our competitors are watching us closely.

Thank you, sir.

The Bailiff: Deputy Taylor.

605 **Deputy Taylor:** Thank you, sir.

I just want to start, just on bbc.co.uk, just to update everyone, there is a daily pill to prevent breast cancer that has been approved, Benjamin Netanyahu says Israel to have security responsibility, King Charles to make his first speech as he opens parliament. I have scrolled up and down and there is no mention of this debate. (*Laughter*) I am sorry to my good friend Alderney Representative Roberts, but I do not think the world is looking. Let us have a reality check here. (**A Member:** Hear, hear.)

The outcome of this debate is not going to change anyone's impression of Guernsey. It is a parliamentary process. That aside, I sit in a funny position because I disagree with most of Deputy Meerveld's –

615 **Deputy Kazantseva-Miller:** Point of correction.

The Bailiff: Point of correction, Deputy Kazantseva-Miller.

620 **Deputy Kazantseva-Miller:** I am checking my BBC app and in the news from Guernsey, there is a specific entry that says, 'Live States of Guernsey debate.'

Thank you.

The Bailiff: Deputy Taylor.

625 **Deputy Taylor:** I am not sure I am going to concede on that. I am sure if we looked under Guernsey People Have Your Say there might be a bit more talk about this but that is a macro level of the news and we are talking about the world is looking in. I am not sure how many of the world is looking specifically at BBC Guernsey. Most of them go onto bbc.co.uk and then it is irrelevant.

630 I will not give way to Alderney Representative Roberts because we have been talking about this for long enough.

The real point I want to make, sir, is some advice that you always hear churned out at weddings, normally from the father of the bride. It is do not go to bed on an argument. I do not think that advice was given to me but absolutely my wife and I have it on board. If we have had a dispute about something in the day you can feel the atmosphere. You get into bed and you can just feel, 'I do not want to be the one, I do not really want to discuss this.' You sit there, you lie there, neither of you asleep and you are facing the other way and eventually –

No, I am not going to give way to Deputy Roffey just now.

640 You face your fears, you discuss what was bothering you and then you can move on and get on with it and that is how I see this debate here. If this motion was not brought we would not be having this debate. [But the motion was brought, the Rules were suspended. There was a majority voted for that. There was an attempt to curtail debate and that was voted against. So there is political will to have this discussion with a view to then having the discussion on the motion of no confidence. (**A Member:** Hear, hear.)

645 So I do not think it is fair for Deputy Inder to accuse Deputy Meerveld of somehow undermining you, sir, or going against your view because the way I see it –

Deputy Inder: Point of correction, sir.

650 **The Bailiff:** Point of correction, Deputy Inder.

Deputy Inder: And I would like him to withdraw that because I did not accuse Deputy Meerveld of anything. I asked him to confirm whether, who is someone who has stated his position that he has no confidence in Policy & Resources, then goes on to suggest that the debate would descend into a mini motion of no confidence.

My question to him was not an accusation, Deputy Taylor, but I am expecting a response, whether Deputy Meerveld, it gives me a chance to repeat again, whether Deputy Meerveld has confidence in the Members to debate and whether he has confidence in the Presiding Officer to manage that debate. That is what I said, I accuse no one. Please withdraw it.

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The Bailiff: Deputy Taylor.

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Deputy Taylor: For the purpose of *Hansard* I can change the word in my last few minutes of speaking from accuse to infer, because the Rules are there, sir. You have to follow the Rules and the Rules also say that Members can suspend those. So it is pretty black and white. From your point of view, this is a Special Meeting, it was not the right time for you to put the motion of no confidence. I accept that but it is free for Members to not necessarily challenge the Rule but to use the Rules and the procedures available to us to bring forward this motion.

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So I do not see in any way, I do not think Deputy Meerveld has questioned anyone's integrity here. (**A Member:** Hear, hear.) Members should be supporting this motion. I am not for one minute thinking that if this motion is successful and there is a motion of no confidence that is successful that then the world is going to collapse because the Budget will be completely torn up.

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I do not see any potential candidate for P&R standing here tearing up the Budget, setting fire to it. It is just not going to happen. I mean, I do not know that for sure, they might, but hopefully during the course of question time for a vote on the new Policy & Resources, Chief Minister, call them what you want, we could ask that question: do you intend to tear up the Budget, do you intend to delay the Budget? That could potentially play into who takes the chair; if the chair became available.

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Finally, just to pick up, Deputy Parkinson has come through on the signatories' views here. I make it absolutely clear that I do not have an issue with the Budget. I did not sign the motion of no confidence because I was unhappy with the Budget. I would be happy to have a motion of no confidence, change P&R over, and then stick with the same Budget, potentially, as amended.

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I have just read Deputy Roffey's note! I will just sit down, sir, because I think we should just be getting on. There is not really much more to discuss. If we are going to get on and vote for this and get to what we should be discussing, if that is the motion of no confidence, let us just get on and do that. But otherwise, if we do not do it, we are just going to leave this Meeting, we will have some bad feelings in the air, no one will quite know where we are and then we will come back to the next Meeting, as Deputy Fairclough has pointed out, we have still got an awful lot to do.

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There is never going to be a good time to have a debate on whether or not you have got confidence in a Committee. That is a fact. It does not matter if we do it today, in a month, in six months' time. There is never going to be a good time. It is always going to be awkward. That is the nature of the beast. So let us just get on and do it.

Alright? Thank you.

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The Bailiff: Deputy de Lisle.

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Deputy de Lisle: Sir, there is an issue of good governance here. It is sufficient, actually, to warrant the procedural motion that has been put forward. I think it is extremely difficult when the senior Committee of the States is under a motion of non-confidence to then risk really a debate of such an important dimension as the Budget.

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It would enable the new Committee to look again at the Budget and make adjustments to it. Because there is much concern over this particular Budget for change to the Budget, given the fact that there are 15/16 amendments to it currently. From my point of view it is not a people's Budget. It is hard, very hard on the individual, the local person. That is not what I expect a Budget to contain against the people of Guernsey to that extent.

So I do not have any concern about the Budget being delayed somewhat, so that it can be looked at again. From my point of view it is very important to get the non-confidence vote dealt with, first and foremost, and then the Budget can follow after that decision has been made.

Thank you, sir.

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The Bailiff: Alderney Representative Snowdon.

Alderney Representative Snowdon: Thank you, sir.

I am listening to this debate quite carefully. I am getting more concerned the more we listen to it because it seems to me we have got this motion, which has been put forward, which SACC has been apparently having meetings with, so it would be quite interesting to get minutes on all the meetings and what has been discussed. But then it is not from SACC. But then it is from SACC because it is referred to in the debate several times. Then we heard another speech that it is not part of the mandate from SACC.

If we are talking about good governance I think we need to sort the good governance out with SACC first before we look at other areas. (**Several Members:** Hear, hear.) Because it is a little bit concerning. There was a referral to, 'it is not on the news today', 'it is not in the media today'. It might not be today but it definitely was yesterday. I saw on ITV, they had 'exclusive' at 39 minutes past two yesterday about the exclusive that this was going to be coming to the States, but I do not think the Deputies, we have had talk about it, a few emails, but it went away, and then we have got an email from the Civil Service, I am not sure if it was on behalf of SACC or was not on behalf of SACC, still got to clarify that one, at 27 minutes past five, where the motion was put there, which ITV had already seen and it was the coverage on the TV.

Of course this would not be grandstanding because this would not be the right thing to do so of course that would not be happening. But I am very concerned that the governance is actually failing with the process of how this is going to be put forward. So I think this does need looking into and I would like clarification about how the President of SACC feels that the process has been totally above board and that it has not all gone to the media first before it went to the Deputies and that we are following the correct process and we are getting on with real business.

I think it is very important we get on with the Budget now. As Deputies have highlighted, the outside world is watching. I think we are in a mess already and we are wasting more time with this and we will get on with the motion of no confidence, unless Deputies choose otherwise, on 22nd November. So I would like some clarifications and I would actually like those minutes, actually, from SACC, if they are available because I would like to go into the detail about what has actually happened with all of this.

Thank you. (*Interjections*)

The Bailiff: Deputy Mahoney.

Deputy Mahoney: Just very brief, sir.

Following on from Alderney Representative Snowdon there, also just we talk about good governance. Give me a break. If this is about good governance then I do not know what that looks like at all. He mentioned about ITV, Channel TV, whoever it was, that seemed to know about this before everyone else. We do not know whether this is Deputy Meerveld and others or whether this is SACC. Again I would like to see those if that is possible.

I am just reading from today's *Guernsey Press* when in fact you, sir, are in there. 'Bailiff Richard MacMahon said late yesterday he had not received any formal Proposition for the Assembly's Rules of Procedure' to be suspended to allow votes this morning on bringing forward the motion of no confidence.

If that is good governance, where even yesterday afternoon, by the time this went to print, even you did not know about it, sir, then I do not know what is.

We have had various people telling us how can we possibly have a normal and relevant Budget debate when there is a motion of no confidence hanging over P&R and I just cannot see, for the life of me, what difference it makes whether how 40 people would think about the stuff that is in print in front of us today, whether Deputy Ferbrache is sat there or sat there. I just do not see how that is relevant.

The Bailiff: I will turn back to the proposer of the procedural motion, Deputy Meerveld, to reply to the debate, please.

Deputy Meerveld: Thank you, sir.

It is interesting how, you do not like the message, attack the messenger. (**A Member:** Hear, hear.)

Right, first let me respond to Deputy Kazantseva-Miller. SACC is not the policeman of the States. She is. Every one of us here are. We are the ones who should be policing ourselves and making decisions on what is good governance and what is not. As for SACC, it is the Assembly Committee that looks after the Rules and tries to ensure the smooth running of the States by recommendations to this Assembly, for the Assembly to decide how to change those Rules.

Rule 9(3) is the Rule at issue here. Rule 9(3) says you can only debate the Budget at a Special Meeting. You are restricted on the agenda. That is why the Bailiff had no choice but to defer the motion of no confidence to the 22nd. The SACC Committee, what did we discuss and why? We had way more meetings than we normally have, about eight times as many meetings this as we normally have. For various reasons.

The motion of no confidence has come up. The suggestion of an early election has come up. Various things has been discussed because SACC looks at it and we look at it apolitically and try and say what is in the best interest of the States, how should this operate. In fact, if the motion of no confidence is successful, SACC will be putting proposals to States for how we implement the process thereafter in the interest of good governance. But I will not go into that now.

No, we sat there and said, okay, if there is a motion of no confidence, if it is successful, you have a Budget with 16 amendments. Now there has been scaremongering about, 'Ah, the Budget will fail, we will have no civil servants being paid in January if we do not debate it today.' That is a complete nonsense.

If the Budget is deferred from today it will go to the next Ordinary Meeting on 22nd November, all of two weeks away. As Deputy St Pier pointed out, in the past, the Budget was quite happily debated in December for implementation in January. So it will go ahead. What will have changed, though? The motion of no confidence, what impact will have?

Let me see. You have 16 amendments. If the current Policy & Resources will be standing up and debating an amendment at the Budget and making recommendations on which amendments are to be adopted and which ones to be rejected, on the basis of their philosophy. Remember, of course, Members, the reason the motion of no confidence was brought was because they have failed to convince this Assembly of their financial policy twice, or three times if you include a green paper.

Bearing this in mind, what happens if P&R does fall? Proposers of amendments they may be opposing might now actually be on P&R. I do not expect –

I will not be giving way.

I do not expect the Budget will be rewritten, given it takes six months to compile and in consultation with each Committee. That is not going to change. But what may change is P&R's position on which amendments they support and which amendments they do not support.

It may change their opinion on which Propositions in the original policy letter they want to support and if they want some amendments of their own. The fact is in two weeks a new Committee could sit down and consider that. So we looked at it purely from a governance perspective of should the motion of no confidence be heard as soon as possible, as somebody has mentioned about getting our house in order. Yes you have got an axe hanging over the most senior Committee in

the States and the whole direction the States is going. Should that axe be dealt with earlier or left hanging?

810 SACC was of the opinion that it should not be left hanging. Now, as of this morning, the Bailiff has pointed out that the SACC cannot bring this as a Committee but I can certainly bring that as an individual and as a representative, not just of that Committee but of the others who approached the Committee and discussed this with the Committee as well.

815 So, as far as being a policeman, we are all the policemen and all that SACC can do is, through me as a vehicle, present this Proposition to the States and let the States decide whether or not they believe there is a governance issue or whether we should prefer with the Budget.

820 Other points. Deputy Roffey's point about the contributory benefits. Again, all of this stuff, if you are looking at a delay of two weeks, probably, in the process. As Deputy Fairclough has pointed out, we are already completely going cart before horse and all the rest of it, with the Government Work Plan, Financial Investment Plan and the Budget. There are multiple issues at play here but all that SACC has done, through me as a vehicle, is present its thoughts on good governance, and I think that is our responsibility as a Committee. It is a responsibility of all of us but of any Committee that should be considering it and, as I say, specifically Rule 9(3), which prevents the MoNC being heard at this Meeting, should be presented to Members as a choice.

825 Now it is going to be your decision and ironically I actually think, personal opinion, that if the MoNC is delayed it has a greater chance of succeeding. I will not bother going into my logic.

Deputy Inder insisted on his questions being answered. My answers are no, no and no. Now the more devilish side of me would like to leave it at that but I will go into the specifics –

Unless it is a point of correction, I am not giving way.

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Deputy Inder: He did not answer the question, sir.

Deputy Meerveld: I am not giving way.

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Deputy Inder: Okay.

Deputy Meerveld: Thank you.

840 Right, so the specific questions: were numbers of individuals given or names of individuals given at Committee? No. Different Members of the SACC Committee had conversations with other Members concerning this and raised it as a concern and brought it to the Committee. It was not a case of a shopping list of protestors was presented to the Committee. It was the Committee sitting down and saying, 'Look, this is a process that is happening. Do we think there is a governance issue here that the Assembly should be aware of?' And that is how it was handled.

845 No I do not agree that the Budget will be pushed to December or will not be debated this year if this Proposition is heard. What I would anticipate happening is the four days dedicated to this Budget would be taken up with the MoNC and the election of a new Committee. That new Committee would then probably convene a meeting and decide whether they want to delay the Budget or not, for consideration and it would be moved to the 22nd and they would be able to come back with further comments if they wished.

850 If P&R did not fall then P&R would go straight into the Budget, within these four days because I do not think the MoNC, because it has got no amendments to it, can be debated for four days. We would go straight into the Budget. But either way, the acts will be dealt with, we would know where we are going and who was at the helm.

855 Final one, Deputy Inder's question, do I lack confidence in the Presiding Officer? Of course I do not but as Deputy Queripel pointed out, debates in this Assembly can descend into a more personal contest where personalities rear their head and angst is aired in ways that is no ideal. But also let us go back to voting on these amendments. We have got 16 amendments. I wonder if, potentially, because of the angst in the Assembly over the MoNC issue, whether amendments will be voted in

favour or against depending on whether P&R supports them or not because of the others issues going around and we need to sit in the room, There is a danger –

Deputy Inder: Point of correction, sir.

The Bailiff: Point of correction, Deputy Inder.

Deputy Inder: It is subtle but Deputy Meerveld has made great store in the number of amendments and he is locking this into some kind of confidence, it is worth reminding him that in the 2018 Budget there were 42 amendments to the Budget; 42 amendments. So I think it is unreasonable for him to put any weight on the 15 amendments to the Budget. That is what Budgets are here for.

The Bailiff: Well, Deputy Inder, it is not strictly speaking a point of correction because you are not saying that Deputy Meerveld made an inaccurate or misleading statement.
Deputy Meerveld.

Deputy Meerveld: Thank you, sir.

Yes, the number of amendments is irrelevant, it is how they are dealt with and whether P&R is supporting them, who is P&R, who is supporting them. The SACC Committee prompted me to bring this Proposition purely because it is a case of governance. This Assembly needs to decide how it wants to handle that and as I say, ironically, I think delaying the MoNC is probably increasing its chances of success.

I will not bother expanding on the logic but I will leave it to Members. You are the policemen. You have got to decide whether or not you think it is okay to proceed with the Budget and –

Deputy Haskins: Point order, sir.

The Bailiff: Point of order, was that, Deputy Haskins?

Deputy Haskins: Yes, sir.

I apologise for bringing it and it is slightly ironic but 17(1), sir, where one should be addressing the Presiding Officer and not Members directly.

The Bailiff: Yes, well, Deputy Meerveld I just remind you that you do not address any Member directly, even collectively.

Deputy Meerveld: My apologies, sir.

It is up to the Members of this Assembly to be the policemen to decide whether or not there is a governance issue. I get the feeling that probably the Proposition will fail but at least it has been brought to the attention of the Assembly, on behalf of the SACC Committee who thought about this and considered this from different perspectives in a non-partisan, an independent way. Personally, in my opinion, performing exactly the role it should do on behalf of this Assembly.

Thank you, sir.

The Bailiff: Deputy Cameron, is it your wish to be relevéd?

Deputy Cameron: Yes please, sir.

The Bailiff: Thank you very much. You can now participate in the vote.

This is a procedural motion, proposed by Deputy Meerveld, seconded by Deputy Queripel, that is set out on the sheet of paper in front of you. Those in favour; those against?

Members voted Contre.

The Bailiff: I will declare that lost.

Deputy Queripel: A recorded vote, sir, please.

Deputy Inder: Sir, a recorded vote, please.

The Bailiff: No Member had requested a recorded vote beforehand but now we will have a recorded vote. Will you open the voting, please, Greffier?

There was a recorded vote.

Carried – Pour 12, Contre 24, Ne vote pas 4, Did not vote 0, Absent 0

POUR	CONTRE	NE VOTE PAS	DID NOT VOTE	ABSENT
Burford, Yvonne	Aldwell, Sue	Brouard, Al		None
Bury, Tina	Blin, Chris	De Sausmarez, Lindsay	None	
De Lisle, David	Cameron, Andy	Leadbeater, Marc		
Fairclough, Simon	Dudley-Owen, Andrea	Roffey, Peter		
Le Tissier, Chris	Dyke, John			
McKenna, Liam	Falla, Steve			
Meerveld, Carl	Ferbrache, Peter			
Queripel, Lester	Gabriel, Adrian			
St Pier, Gavin	Gollop, John			
Taylor, Andrew	Haskins, Sam			
Trott, Lyndon	Helyar, Mark			
Vermeulen, Simon	Inder, Neil			
	Kazantseva-Miller, Sasha			
	Le Tocq, Jonathan			
	Mahoney, David			
	Matthews, Aidan			
	Moakes, Nick			
	Murray, Bob			
	Oliver, Victoria			
	Parkinson, Charles			
	Prow, Robert			
	Roberts, Steve			
	Snowdon, Alexander			
	Soulsby, Heidi			

The Bailiff: In respect of this procedural motion, proposed by Deputy Meerveld, seconded by Deputy Queripel, there voted in favour, 12 Members; there voted against, 24 Members; 4 Members abstained. Everyone participated and therefore that is why the procedural motion has been declared lost.

Greffier.

Billet d'État XVIII

POLICY & RESOURCES COMMITTEE

1. States of Guernsey Annual Budget – Debate commenced

Article 1.

The States are asked to decide whether, after consideration of the States of Guernsey Annual Budget for 2024, they are of the opinion:-

- 1. To approve provision within the 2024 Budget for the transfer of £4.0m to Guernsey Ports to fund its 2024 cash requirements.*
- 2. To authorise the Policy & Resources Committee to make a transfer from General Revenue to Guernsey Waste equivalent to the operating losses for Guernsey Waste as at 31 December 2023; and to approve provision within the 2024 Budget for a transfer of £0.5m to Guernsey Waste to fund its 2024 operating losses.*
- 3. To rescind Resolution 7 b) on item 4, entitled "Future Waste Charges P.2022/63", of Billet d'État No. XIII dated 18th July 2022.*
- 4. To authorise the Policy & Resources Committee to make a transfer from General Revenue to Guernsey Dairy equivalent to the balance of Guernsey Dairy's short-term loan facility as at 31 December 2023; and to approve provision within the 2024 Budget for a transfer of £0.7m to Guernsey Dairy to fund its 2024 cash requirements.*
- 5. To extend the period for the withdrawal of mortgage interest relief on a Principal Private Residence so that relief will be available for an individual on interest not exceeding the following amounts:*
2024 £3,500
2025 £2,000
2026 £1,000
2027 and subsequent years of charge £nil
- 6. To increase the limit on the amount of income tax payable by an individual resident in Guernsey in respect of qualifying income from £150,000 to £160,000 and, in the case of such an individual in respect of both qualifying and non-qualifying income, from £300,000 to £320,000; and in paragraph 1 of the Sixth Schedule to the Income Tax (Guernsey) Law, 1975 –*
(a) for "£150,000" in both places appearing to substitute "£160,000"; and
(b) for "£300,000" in both places appearing to substitute "£320,000".
- 7. To increase the limit on the amount of income tax an individual resident in Guernsey can pay under paragraph 3 of the Sixth Schedule to the Income Tax (Guernsey) Law, 1975, (the "Open Market Tax Cap") from £50,000 to £60,000 for 2024 and subsequent years.*
- 8. To approve that, with effect from 2024, where an individual pays a minimum of £50,000 in Document Duty (Anti-Avoidance) Duty on the purchase of 100% of the shareholding of a company that holds an open market property on Part A of the Open Market Register, that individual will be eligible for the Open Market Tax Cap, provided that the conditions as to residence and the permitted period are also met.*
- 9. To increase the limit on the amount of income tax an individual resident in Alderney must pay in 2024 or 2025, in respect of Alderney qualifying income under paragraph 2 of the Sixth Schedule to the Income Tax (Guernsey) Law, 1975, from £50,000 to £65,000.*
- 10. To agree that the annual tax-free lump sum limit for a pension scheme remains at £203,000 for 2024.*
- 11. To exempt from income tax payments made to private householders for accommodating officials/competitors/performers or other accredited persons participating in, or*

providing necessary support or ancillary services to, a large event. The events to be regarded as "large" shall be designated by a Statement of Practice issued by the Director of the Revenue Service.

12. To increase the annual exemption fee paid under the Income Tax (Exempt Bodies) (Guernsey) Ordinance, 1989 from £1,200 to £1,600 with effect from 1 January 2024.

13. With effect from 1 January 2024, to reduce the amount of tax relief in respect of interest paid on money borrowed for the acquisition, construction, reconstruction or repair of a let commercial property, situated in the Bailiwick of Guernsey, allowable under section 2 of the Income Tax (Tax Relief on Interest Payments) (Guernsey) Ordinance, 2007 as amended, as follows:

% of interest paid eligible for tax relief

2024, 75%

2025, 50%

2026, 25%

2027 and subsequent years of charge, 0%

with no such relief in respect of a let commercial property available to be carried forward to the first year of letting (should that be after 2027).

14. To change the basis of assessment for investment companies to align with that of trading companies, noting that the detail of the transitional and anti-avoidance provisions is to be developed during the finalisation of the legislation.

15. That,

(a) subject to the provisions of the Income Tax (Guernsey) Law, 1975 and to the provisions of this Proposition, the allowances claimable for the Year of Charge 2024 by an individual solely or principally resident in Guernsey by way of relief from income tax at the individual standard rate, shall be the allowances specified in the First Schedule to this proposition;

(b) the allowances specified in the First Schedule to this Proposition shall only be granted to an individual who has made a claim in accordance with the provisions of the Income Tax (Guernsey) Law, 1975 and who has proved the conditions applicable to such allowances and prescribed in the Second Schedule to this Proposition have been fulfilled;

(c) "Family Allowances" means Family Allowances payable under the Family Allowances (Guernsey) Law, 1950 as amended; and

(d) "the Income Tax (Guernsey) Law, 1975" means that Law as amended, extended or applied by or under any other enactment and includes, where relevant, any Ordinance, regulation or Resolution of the States made under that Law.

The States' Greffier: Article 1. Policy & Resources Committee – the States' of Guernsey Annual Budget for 2024.

930 **The Bailiff:** I invite the Vice-President, Deputy Helyar, to open debate.

Deputy Helyar: Thank you, sir.

It has been an interesting morning so far. I was just reflecting to myself I felt a bit like the best man at the wedding, sat in the front row, having prepared a nice speech for the reception but knowing that the groom had second thoughts! But here goes.

935 In opening the Budget, I wish first on behalf of the Policy & Resources Committee, and the wider Assembly, to thank very many individuals across the public sector, the Third Sector, and the wider community who have so ably supported our Bailiwick throughout Storm Ciaran and the significant recovery activity since then. We have experienced one of the worst storms for very many years whilst
940 at the same time witnessing the very best of the community spirit, which defines our Islands.

Our emergency services and all those who have supported them, be that in the extensive preparations which were undertaken, through the storm itself or in the clean-up magnificently rose to the occasion. Similarly, so many of our operational teams faced considerable challenges in their work and ensuring that Government services were able to operate safely. Our traffic and highways service, in conjunction with external parties responded very quickly to the disruption across our road network, with over 200 roads affected at various times and we thank them for all their work and support.

Whilst I am conscious that a number of Islanders have suffered damage to their property and of course there has been a significant number of trees lost, we will recover and I am heartened to see the pace of the clean-up already, noting that some 350 trees have been lost and with the full support of the Committee *for the* Environment & Infrastructure, Policy & Resources will be providing £15,000 to the Nature Commission in order to invest in and enhance our public woodlands and green infrastructure, including replacement tree planting.

I wish to close by extending our thoughts and best wishes to both our French and Jersey friends. We are all acutely aware of the challenges that they have faced over recent days and the fortitude of their respective communities. We wish them the best as they too seek to recover from the storm.

Now, turning to Budget matters, on behalf of Policy & Resources Committee I am honoured to present the Annual Budget for 2024 to the States' Assembly. Before I outline and comment on some of the proposals in the 2024 Budget, given the likely quite broad content of this debate, I would first like to take a step back and put the Budget in the context of the States' underlying financial position.

In doing so, I refer to the report of the Independent Fiscal Policy Panel, which was published on 9th October this year. Although that report was timed to coincide with the debate on the Funding & Investment Plan and provide commentary on it, it is a useful reference document and provides some stark conclusions, which should be borne in mind, not only during this Budget debate but when other policies are being considered by this Assembly.

These are not my words, the highly qualified and independent findings will still stand whoever is presenting the next Budget. The problems are not going to change simply because there is someone else standing here. I will start by reading the report's conclusion in full.

Guernsey's economic position – high income, low growth, highly concentrated within a single sector, and an ageing population – warrant a cautious fiscal stance. Fiscal sustainability entails ensuring that net Government assets as a share of GDP do not fall over time. In the Panel's view, this would entail maintaining capital investment at 3% of GDP – in line with the OECD average. This is higher than Guernsey's current 2% target. Overall, we find that Guernsey – which has historically had a strong fiscal position – has recently been travelling on an unsustainable fiscal path. Financial reserves are on a downward path, investment in the capital stock is very low by international standards and the substantial shortfall in revenues has recently grown. While it will take many years for the full consequences of fiscal erosion to come through, it is generally easier to return to sustainability early, rather than waiting until second round effects begin to accelerate the process. These second round effects include slower growth (due to declining public infrastructure), worsening credit conditions (such as falling credit ratings) and a declining tax base (as citizens become increasingly aware of fiscal deterioration). The F&IP (specifically Scenario 3) goes a considerable distance toward rectifying the situation and means any necessary further adjustments may be relatively small and can be implemented after due consideration of the F&IP's impact. However, the less aggressive fiscal action is now, the more costly it will become in the future.

The Panel reminded us also, of several important things. That the changing and ageing demographic means that the Government income will decline as more of the population reaches retirement and that Government spending will need to increase, particularly when large cohorts reach their eighties and nineties.

That we need to plan to run a fiscal surplus after allowing for capital investment commitments That our reliance on a single industry to drive our economy, whilst not unusual in small economies, makes us highly susceptible to economic shocks. That we therefore need sizeable financial buffers, which they calculate should be between £1 billion and £2 billion. That we take a low amount of tax from our economy. This makes significant expenditure cuts harder, since a higher share of

980 expenditure goes on essential Government services than in a high tax economy and that Guernsey appears to offer a larger extent of public services than its tax base would suggest it can afford.

That our declining reserves, anticipated to be 16% of GDP in 2023, compared to 19% of GDP in 2012, reflect the fact that in-year revenues are not sufficient to cover both day-to-day operational requirements and to meet the average level of capital spend. That we have a declining public asset stock due to low levels of public investment in the recent past and finally that we should be aiming
985 for fiscal sustainability, which means that Government financial assets, plus Government physical assets, minus Government debt should remain as a stable share of our GDP.

Sir, all Members of the States need to reflect on these observations and conclusions. This Budget Report contains a report on the structural deficit in paragraphs 1.56 to 1.61. This has been added as a standard requirement in this and future Budgets, as a result of a useful Resolution following
990 the Tax Review debate.

The structural deficit is defined as a Government deficit that is independent of the business cycle and is created when a Government is spending more than the long-term average tax revenues it is receiving. The adjustments and calculations made show that the overall structural deficit in Government finances, including both general revenue and Social Security, was £63 million in 2023
995 and is budgeted at £64 million 2024. That is a sizeable gap, which this Assembly has now resolved that the next States will need to address. We cannot simply explain this away by setting lower targets for capital expenditure, as we have been expertly advised this will make things more expensive in the future.

As set out in the foreword to this Budget Report, the Annual Budget is not the moment to
1000 address the long-term sustainability of our Island's finances. The Budget has a short-term focus, which sets the financial policy for the year ahead, not for the long-term. The objective is to balance income and expenditure in the near term and we set out to do so, given the significant constraints on our revenue options.

Starting, then, with expenditure. The Committee set out to try and deliver no overall real terms
1005 growth in revenue expenditure in 2024. By that I mean no more than that which would be expected as a result of inflation. For many observers and even some Members of this Assembly, that sounds like an easily achievable target. It meant that the majority of Committees were asked to deliver a 2.5% saving against indicative cash limits. I emphasise the word *asked* because the Policy & Resources Committee has no executive authority to demand or impose restrictions. Although this
1010 exercise resulted in the identification of cost reductions of £5.4 million in total, despite much pressure being applied, they still fell short of the target.

So this difficulty in identify savings is consistent with the Fiscal Policy Panel's observations that we effectively provide too many services for our level of taxation. The Policy & Resources Committee met with every Principal Committee to discuss their requirements and better understand Budget
1015 submissions, including the numerous measures put forward for funding, including inflation-linked and other cost pressures, as well as service developments.

The construction of the expenditure Budget is always a balancing act, full of assumptions subject to varying degrees of uncertainty. This year it has resulted in the Policy & Resources Committee making recommendations, which are £7.2 million less than Committees actually requested.

Although we know that this creates challenges for Committees, we appreciate that in general,
1020 the obligation to tighten belts has been understood and accepted. Overall, this means that Committees have not been able, or in some cases willing, to meet the proposed cuts and, as a result, the expenditure budget represents a 1% real terms increase. Whilst this does not match the ambition of no real terms growth, the call for savings has undoubtedly helped to offset some of the
1025 significant inflationary and demand challenges being experienced. But it of course does not get us anywhere near the sort of revenue required to meet near and middle-term expenditure.

Turning to revenue income, in putting forward its proposals, the Committee is balancing the need for additional revenues to be generated within the existing tax system and the ongoing desire to make the system more progressive, protect those on the lowest incomes and also recognise and
1030 respect the fragile and over-exposed structure of our economy.

The Budget proposals are therefore not put together easily or lightly. We have spent many hours and studied much analysis in coming to these recommendations. It is not practical or desirable to include all of this analysis in the Budget Report but we are always happy to discuss ideas with States' Members and to reflect suggestions.

1035 Sir, I will not go into the content of amendments but what certainly is not helpful is when very far-reaching amendments, which impact the entire structure and basis of our tax system and which could impact significantly on our economy, are put forward with no discussion and no detailed analysis whatsoever. That is not the proper way for any organisation to make safe or reasonable and well-considered decisions. It is dangerous and irresponsible to over-simplify important
1040 decisions about the structure of our tax base and our economy, based purely on populism and soundbites.

I will not go through the Budget proposals in detail as they have been presented in several environments to several audiences. But in summary the Budget measures put forward would increase our revenues in real terms by £2.2 million, leading to a forecast for 2024, which is about
1045 3%, or £18 million more than the forecast outturn for this year.

Even these limited proposals could not be described as popular, evidenced by some of the amendments submitted. But we have as an Assembly to try and balance the books within the existing tax system. That must inevitably involve difficult and unpopular decisions.

I do want to talk about two of the proposals in the Budget, sir, before finishing. Firstly paragraphs
1050 2.26 and 2.27 on page 27 make a proposal to withdraw tax relief on interest paid in respect of let commercial property over a three-year period. This proposal was being made to ensure consistent treatment between domestic and commercial property. However, it has resulted in much detailed feedback from the business community, raising concerns that this step would act as a significant disincentive to investment and could be the different as to whether a project is commercially viable
1055 or not.

We already have a situation where there have been years of significant under-investment in our public infrastructure. A lack of investment in Guernsey's infrastructure generally undermines growth in the economy and we do not want to deter investment, supports local industries, provides new business and social facilities. Therefore we will be urging the States to vote against Proposition 13.
1060 **(A Member:** Hear, hear.)

I hope that is relatively memorable, being number 13, please do not vote, Members, for Proposition 13. We believe having telegraphed the issue last year the proposals to charge a penal rate of TRP on unoccupied properties is the right thing to do. The public can readily see the large number of derelict properties left to decay, whether they be burned out hotels or greenhouses left
1065 to rot.

This policy is aimed at reducing the number of unused properties, rather than raising specific revenue. We will discuss this more when we get to the amendments but we have been persuaded again, after listening to feedback, that the period of time a property should be unoccupied before this rates applies should be extended to one year, rather than the six months proposed in the
1070 Budget Report and we are laying an amendment, with the support of Deputies Oliver and Roffey, to that effect.

Following many hours of deliberations and careful consideration, the Policy & Resources Committee is putting forward the Annual Budget for 2024, which sets the financial policy for the year ahead. As I said earlier, it is not the tool to address the long-term sustainability of our Island's
1075 finances but must be considered in the context of those fiscal challenges and of course requiring some difficult decisions to be taken.

Subject to the exceptions I have outlined, sir, on behalf of the Policy & Resources Committee, I commend the 2024 Budget Report to the States.

(Applause)

1080 **The Bailiff:** Well, Members of the States, as you are aware, there are now 16 amendments to the Propositions on the annual Budget for 2024. Normally, I would take any Committee amendment

– and Deputy Helyar has just referred to one – first. But I am not going to do so for the simple reason that when you look at the amendments, what I have attempted to do is to group them thematically and therefore a TRP-related amendment, which is what Amendment 16 is and we do not have paper copies of those yet in any event, will come at the start of the TRP set of amendments, so I am going to put it between Amendment 15 and Amendment 14, just so that you are aware of when that will come up.

So the first amendment to which we will turn is Amendment 6, to be proposed by Deputy Gollop. Is it your wish to move that amendment now, Deputy Gollop.

[Amendment 6.](#)

To insert the following Propositions:

"5A. To introduce a higher individual standard rate of income tax at 22% on taxable income above £80,000 per annum from 1 January 2025.

5B. To direct the Policy & Resources Committee to submit to the States by the end of 2024 proposals to increase the higher individual standard rate of income tax from 22% to 25%, setting out the economic impacts of those proposals."

Deputy Gollop: Thank you, Presiding Officer, sir.

Yes, I understand now that they are arranged thematically. I hoped it was because maybe my amendment was the most important of them! I certainly think it is potentially the most far-reaching and I thank Deputy Matthews for seconding it, even though it went through one or two drafts.

I want to address a few points. The first is, in an excellent Budget speech, Deputy Helyar identified changes subsequent to original thinking on commercial property and under-used property, Proposition 13, for example. That is an example where you put an idea across and then feedback comes back and you change. Now I changed this a bit but perhaps the point was being made that some of the amendments are far-reaching. There is an example of Policy & Resources changing according to feedback from society and industry, and of course my amendment, such as it is, would be subject to feedback both now and later.

I know Deputy Dyke is afraid some of these amendments might frighten the horses or upset the apple cart a bit and he expressed concern at the beginning of the Meeting about some of the amendments but let us put it this way, this amendment should not come as an amazing surprise to anybody on Policy & Resources or the Assembly, because Deputy Trott put forward with great oratory an amendment not entirely dissimilar at the long-term financial planning debate and taxation.

Actually, weirdly enough, although the political rhetoric of this is slightly different, or at least the pleading, his amendment went further than mine, which I seconded at the time because the amendment that was put forward at the time spoke about a 23% Income Tax rate from 2025, off memory, 22% from 1st January 2024 and it would be more or less for everybody above minimum taxation amounts.

Whereas this is actually targeted. This is not 22% or 23% across the board, it is 22% on taxable income, above £80,000 *per annum*. That of course excludes [inaudible]. It has got nothing to do with the tax cap and it would apply to taxpayers up to the tax cap, the tax cap would stay in this amendment. But because I did consult a little bit with Policy & Resources, not a lot but a little bit, I would say I changed it from my original preference, which was money to raise from 1st January 2024.

Now on the one hand it is a bit unfair to introduce change as quickly as that for people who plan their accounts, although of course we are free to do what we like in this Assembly and some taxes are going to go up probably today or tomorrow. But the other reason was a technical reason that the systems, weirdly enough the more IT we get the longer it seems to take because Deputy St Pier and others reminded us Deputy Trott used to do his Budgets over the Christmas lunch, or before the Christmas lunch, and now we do them a lot earlier but IT seems to make them harder. I will come back to that point.

So you are not deciding on this anything today that would affect taxpayers today or in 2024. The two points are clear. First of all, to introduce a higher individual standard rate of Income Tax at 22% on taxable income above £80,000 *per annum* from 1st January 2025. And it only applies not to everybody's whole income but income that an individual gets either in earnings or in rents or in some other way above £80,000 and 5B, to direct Policy & Resources, this Committee hopefully or maybe a future one:

... to submit to the States by the end of 2024 proposals to increase the higher individual standard rate of income tax from 22% to 25%, setting out the economic impacts of those proposals.

Now, that is precisely where the analysis that Deputy Helyar and other Members have alluded to should come in. The effects it has may be positive may be negative. It has been a clear warning to me, if you like, from advisers, that these changes can impact upon personal choice and financial instruments and, of course, on behaviour. So it is not necessarily easy to identify what behavioural changes that might lead to. That can apply to other things as well, like when we change care charges and so on but that is another topic.

The information on this is it is estimated that the first Proposition, that is to say raising taxation from 2025 to 22% for those earning above £80,000 *per annum* may raise £5 million or £10 million *per annum*. That is a big, bit varied. I am surprised it is as unclear as that but I do accept Policy & Resources' and Revenue advice, that it could lead to behavioural change or adjustments or the way people are paid. So it is variable. But it is at least £5 million.

If we adopt this amendment we will have an additional £5 million *per annum* maybe by the end of this term. If we do not we lose another £5 million to £10 million from our Exchequer that we could otherwise have got and as we heard today from Deputy Helyar we are running really in a long-term, structural deficit when you take into account capital infrastructure, depreciation, investments and other factors.

So this gives us money, it does not take money away. Most amendments I second or propose seem to take money away from the Treasury. This definitely does not. This would raise money. So that is an important point.

The amendment seeks to raise additional revenues through the introduction, I call it a temporary 22% higher rate. I know people said Income Tax was temporary in the UK in 1797 and it proved not to be so, although it did come and go. But the point is that I would hope it would be temporary because, like Deputy St Pier, Deputy Soulsby, and I think all the P&R, we know that tinkering with the tax system is not for itself ideal and we do need a longer term restructuring and reset. We failed to agree on the GST reset or other models last month but this really would be a revenue raising measure in the shorter term.

Now I went to the Green Party conference a month ago, because I am a Member of it, rather than representing the States, and of course a lot of the people who go there are very keen on higher taxes and they have a philosophy of life that perhaps would not appeal to many people in Guernsey because they do not have an offshore sector. They do however also believe in things that we do support, like keeping water and electricity under state control, for example, and having higher welfare payments for those with larger families.

But I mention the Green Party at one level but I am not, unlike some of my colleagues in Jersey, although I have a lot of time, the Reform Party there and Deputy Mezec and so on, I am not particularly keen on the politics of envy or raising taxation for the more affluent people for the sake of it. It has not been the Guernsey way and it has not been the secret of our success and I think I am right in saying in all the 20 years I have been a Member, 20-plus years, I have never actually brought a Proposition quite like this before.

But we are in difficult times and Deputy Trott was quite right in saying that during the last year of stress that we have all had with comments about GST and other solutions, a very large number of middle Guernsey, the public, have thought that the easiest way out would be a little raise in Income Tax. Then if you drill that down a bit further, Deputy Roffey hit the nail on the head, and others, in the last debate, the snag with the well thought out Deputy Trott/Deputy Gollop

amendment was of course it was blunt. It went across the scale from those on the lower income rungs right upwards.

1180 Deputy Roffey and others said how can you, as a Social Security Member, support something that widens the gap between the relatively well off and the relatively not? And I thought, well, yes, that is a bit inconsistent. So this is specifically targeted at the better off. I started at a starting rate of £60,000 and then thought that was a bit low for Guernsey, strangely enough. I do appreciate there are nuances and once you get into the £80,000 category there is marginal taxation, which can be a burden, there is obviously higher Social Security charges than in other jurisdictions and we do
1185 remove tax allowances and there are various other things that make this not entirely a walk in the park.

But one area where I have always respected the leadership of Deputy Trott is he rates one case very well. Deputy Ferbrache often says there is no better place than the world to live in in Guernsey and I am sure he is probably right on that but Deputy Trott says there are few places in the world
1190 where the taxpayer gets a better deal than Guernsey.

I know it goes a little bit further than what we are doing but if I had been more diligent I might have given more explanatory notes but we look across at Uncle Sam, United States of America, and I do take back any idea of shutting down our Government, I did not mean to see no one would get paid, I just thought that we would have extra work to do with the Budget and maybe people would
1195 not get their increments as quickly as possible.

But look to America. This is a bit crude. American tax rates have come down a bit in recent years but you pay 22% Federal Income Tax on salaries between \$44,000 and \$95,000 a year and 24% above \$95,000. So actually probably £80,000 maybe. Now that is a bit higher than Guernsey and on course in America you have numerous sales taxes and state income taxes as well. Everybody says
1200 America is the lowest tax place in the western world but we are a bit lower than that.

Look to France. I should really be turning to Deputy Parkinson here because he is the acknowledged expert on French taxation, but it is not a pretty picture in France. Very complicated tax situation. But in a nutshell, if you are earning between 78,000 Euros and 169,000 Euros, just to round up, which is roughly £80,000, 41% tax, 30% tax under 78,000 and above 27,000. So a lot
1205 higher than Guernsey again, it is double.

Just to –

Deputy Parkinson: Point of correction, sir.

1210 **Deputy Gollop:** Sorry.

The Bailiff: Point of correction, Deputy Parkinson.

Deputy Parkinson: The French tax system is very complicated but the income of the family is divided by something called the Family Coefficient, which represents the number of dependants in the household and the tax is applied only to that fraction of the income and then multiplied up.
1215

The Bailiff: Deputy Gollop.

1220 **Deputy Gollop:** I concede, Deputy Parkinson, there, because if you looked at other analysis from what you actually pay there are numerous differences according to the numbers in the family. It is more sophisticated. I would still argue that people in the upper middle categories are generally on significantly higher taxes there and they pay wealth taxes as well.

But then we go onto Britain and despite 13 years of Conservatism, if you like, or coalition
1225 Conservatism, the higher rates of Income Tax in the UK start at £50,271, that is 40%; and the 45% rate above £125,000. Now a higher rate, £50,271 in parts of England maybe the regions, the north of England, would be probably quite a good salary but it is not in London. But nevertheless people in any part of the UK above £50,000 are expected to pay 40%.

We in Guernsey, although I admit we have differences with Social Security, have a nice round 20%. So my argument is we are always saying we want to raise more money. We are always saying we do not want to hit middle Guernsey. We are always saying we want, to a certain extent, taxes that are not harmful to the elderly, nor are they harmful to inter-generational equity and I would argue that generally speaking, persons earning over £80,000, admittedly, Deputy Parkinson's point, this is a bit crude because it does not include family dependencies, but I would argue that probably the majority of people earning over £80,000 are of middle years.

And they could be anybody. They could be senior public servants, they could be professional people, they could be entrepreneurs, they could be in the local market and they could be in the open market. This is not targeted at any group, just people who are a bit more fortunate than others.

So, when you look at it and compare what a higher earner in Guernsey gets in terms, what a good phrase Deputy Helyar used, that we are providing more and better public services than our tax base can reasonably provide.

I am saying here that anyone who benefits from the public services, whether they be better off or less well off, needs a greater income stream and I do not think 22% will be particularly harmful when you compare our position with almost anywhere else in the world.

What I would also add is, do I think there are disadvantages to this amendment? Yes, I do. I think there is a possibility of making us seem mildly uncompetitive compared to our nearest competitors and of course it does not necessarily reward aspirational success and it might lead to some behavioural change but then other things we do can lead to that as well.

I go back to GST and think we missed certain elements of the GST debate. One was that Policy & Resources was suggesting a 15% lower rate and secondly in the logic of things, people who spend more, especially on cars, boats, or school fees or services, tend to be higher earners, so had we implemented GST actually the more successful in society and generally those with higher incomes would be giving more in taxation with GST. But we have not gone down that route. So, for the foreseeable future, as I say a temporary until perhaps we restructure taxation in a more radical way, or perhaps introduce a health tax or who knows what, I think this is a useful way to go.

One thing I would also say, that even if this idea does not succeed today, if we fail over the next few years to find a way forward of investing in our Island, raising sufficient revenues and developing our economy sufficiently to accommodate that, we will be having more uncomfortable debates like this and maybe on Deputy Le Tissier's amendment later.

But I do urge people to look at this with an open mind and support it because we will at least get an analysis of the pros and cons of this for it to come back next year and maybe put it on the table to raise revenue or raise revenue in a different way.

The Bailiff: Deputy Matthews, do you formally second this amendment, numbered six?

Deputy Matthews: I do sir and I would like to speak to it..

The Bailiff: I am just going to pause to see if anyone wants to bring any procedural motion. No. In that case if you want to speak now then please do.

Deputy Matthews: Thank you, sir.

I am happy to second this amendment from Deputy Gollop, which seeks to raise the rate of Income Tax for income over £80,000 only by tuppence to 22 pence. So just to be clear, that is just the income over £80,000, so if you earned £81,000, you would only be paying that 22% rate on £1,000 not on the £81,000. So it is a higher band.

This measure is proposed as being temporary, whilst other revenue raising and cost savings are introduced. The expected income this will raise is estimated between £5 million and £10 million, although this does depend on behavioural changes, which are very hard to predict. This will introduce a new band of Income Tax for higher incomes but it is much lower than the UK's higher rate, which is 40%, as Deputy Gollop, I think, has already been through, 40% for income over

£50,000. So this amendment is absolutely not introducing a higher rate of Income Tax at anything like the rate that the UK has. Guernsey would remain very much a low tax jurisdiction with considerable competitive advantage over high tax jurisdictions.

The increase will not –

Deputy Mahoney: Point of correction, please, sir.

The Bailiff: Point of correction, Deputy Mahoney.

Deputy Mahoney: I fear, perhaps inadvertently, Deputy Matthews might be misleading the Assembly when he talks about the rates of taxation in the UK and here. Because you have to take it all in the round with Social Security as well. So once you become a higher rate taxpayer in the UK, your Social Security drops off dramatically on that Social Security above the £50,000-odd at which you start paying the higher rate of tax, something like 2%, I believe.

So we have to be very careful about saying, 'Look how cheap we are.' When in fact once you get above £50,000, the higher rate tax band in the UK, your Social Security payments drop off dramatically, which they do not here.

The Bailiff: Deputy Matthews.

Deputy Matthews: Thank you.

I accept the correction to the extent that it refers to Social Security. I think that it is clear, though, that Guernsey would remain a low tax jurisdiction and would remain at a competitive advantage over the UK.

But this increase will not close the gap between revenue and expenditure that produces our projected deficit but it would go some way towards doing so. With increased borrowing to fund our hospital modernisation phase two and a need to continue to fund NICE TA treatments from General Revenue from 2025 onwards, such measures are very much needed.

Now Members may remember that during the last Meeting, during the Funding & Investment Plan debate, I supported an amendment from Deputy Trott to increase Income Tax to 23%. This was a flat rate increase and it was not successful as many Members expressed concern at the effect on those on low and middle incomes would be very detrimental. This amendment will have no effects for those earning under £80,000 and so those concerns fall away and there is no requirement for those sorts of mitigations that were present with the GST proposals.

It would not raise sufficient revenue to support the scenario two capital projects but it would go some way towards bringing the requirement for our current capital programme closer to a sustainable position and so for that reason I urge Members to support it.

Thank you, sir.

The Bailiff: Deputy Brouard.

Deputy Brouard: Really a question for you, sir.

Would you be so kind to give some advice to Members with regard to declarations of interest? Not only for this particular amendment but for all the amendments coming forward, where we personally will either be better off or worse off? It would just be handy, sir.

The Bailiff: In relation to this amendment, numbered six, if anyone knows what they will be earning on 1st January 2025 they are a better person than me! So on that basis I am going to say there is no need for anyone to declare an interest in respect of this amendment, in terms of putting in those Propositions. Perhaps we can deal with the other ones as and when.

Clearly, when it comes to TRP, then again if anyone knows where they are going to be living from 1st January, fine, by all means declare an interest if you are going to be affected one way or the other.

Deputy Falla.

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Deputy Falla: Thank you, sir.

When we met last month, sir, to look at taxation issues I did vote in favour of having the Trott/Gollop amendment on the table as part of the smorgasbord. That is not to say I would have voted for it in the final outcome but I did want it to be there for consideration alongside everything else.

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But today, sir, I stand to reflect the view that has been expressed in a letter to all of us in this Assembly from GIBA, the Guernsey International Business Association. Now their point is that their members are in their words 'deeply concerned' because let us be honest, a lot of the people that are earning more than £80,000 are working in the financial services industry and we do not really know what the consequences that such a move could have on that very important engine of our economy.

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What we do know is that Jersey and the Isle of Man are aggressively recruiting. The Isle of Man in particular has got a cunning plan to increase the number of financial services employees by 5,000 new jobs and they have quite an attractive welcome package, really, for people to consider. So what GIBA wants is not to 'gift', in their words, 'competitive advantages to other jurisdictions'. They are not saying that this should never be considered but what they are saying is please let us look at a careful impact analysis of any unintended consequences this could have for our most important industry and let us be honest, we really need it right now.

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So I am saying yes we need to increase revenue. We all know that. But not at the expense of a body blow to our principal industry and therefore not today.

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Thank you.

The Bailiff: Deputy Ferbrache.

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Deputy Ferbrache: Sir, in relation to the comments made by Deputy Gollop, he spoke very well. He spoke in a balanced manner and he spoke consistently because, as he said, just a month or so ago, whenever it was, he seconded the amendment brought by Deputy Trott. Now Deputy Trott I know, because he said so both to me privately and he said to this Assembly publicly, he brought that amendment with reluctance. He brought it as a failsafe in case we did little or nothing.

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He did not, in his heart, I think, think it was the right way to go. That is the impression I got from his comments in relation to that. And his amendment was far more far reaching than Deputy Gollop's because it was to increase Income Tax by 10% i.e. from 20% to 22%, in January 2024 and a further penny or another 5%. And that would have brought either £32 million in 2024 and perhaps another £15 million, £18 million, whatever it might have been in 2025. And he explained that.

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He only got 10 votes. I do not mean that as a criticism because I think I said at the end of the debate that I commended him for bringing it forward and I saw the logic of having it debated and I see the logic of Deputy Gollop bringing this forward because Deputy Gollop had the courage to be one of those who voted for the full option three package at the end of the last debate. He had the courage to change his views because that had not been his view previously.

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Now we have had some historical facts, as we always do, interestingly from Deputy Gollop, and I would just mention one thing, a bit like Deputy Helyar's opening when he talked about all the services that we have had to provide and also commended all the public services and how they worked in the storm debate. Perhaps not quite relevant to the Budget debate but I am very grateful that he said it.

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But Deputy Gollop, perhaps I could just say this. We are now going to vote the motion of no confidence on 22nd November 2023. That will be exactly 60 years after John Fitzgerald Kennedy

was assassinated in Dallas. So I hope there is no direct analogy in that and even if we are ejected from office it is perhaps not as radically as poor President Kennedy.

1385 But Deputy Gollop referred to Pitt the Younger, who was Prime Minister for the first time around, from 1783 to 1801, if I remember my history, bringing in Income Tax in about 1797, and it was going to be temporary and effectively how could one now get rid of Income Tax in the context that it was. I think his father, who was Prime Minister during the time of the Seven Year War, also flirted with that and flirted with different taxes.

1390 So the concept has been around for a very long time. Now Deputy Mahoney has made the point about you cannot draw a direct analogy between the UK and Guernsey because above £50,000-odd when the 40% kicks in in the UK, Social Security contributions go down, or National Insurance it is called in the UK, to 2%, whereas in Guernsey, up to £168,000-odd, they are far more significant. If approvals go through in relation to contributions, the self-employed will be paying in Guernsey up to that rate of £168,000 over 13% contributions and the employed person will pay 8%. So there
1395 is not a direct analogy. But I appreciate the point that Deputy Gollop made and that he referred to others.

So Guernsey, although it will be a low tax, and Deputy Matthews' point was right, compared with the UK and France and other places it will still be a low tax economy but it will not be as low tax. Now what happened, again a third point of history in relation to this, is that when I first came back
1400 to Guernsey, my first senior partner was Advocate Percy Ozanne. Now Advocate Ozanne was called to the Guernsey Bar in September 1945, in his RAF uniform, and he reminds me a lot, and I mean this respectfully, of Deputy de Lisle. They were the old fashioned Guernseymen, who did not like spending money considerably. They did not like spending States' money and they did not like spending their own money!

1405 But in connection with that Advocate Ozanne said to me, 'Do you know I used to have to pay surtax in Guernsey?' Because until the early sixties Guernsey had two rates of tax. The basic rate of tax was four shillings in the pound, or 20p. But it also had a surtax of one and threepence, which I think was another 6pm. So therefore if you were earning the income that I assume that Advocate Ozanne was earning, he would have been paying 26p in the pound.

1410 Now what the three Crown Dependencies did in about the early sixties was join together and say that we should all pay Income Tax at four shillings in the pound, 20p. And it has stuck like that for the last 60 years or so. Now of course at that time there were no consumption taxes because very few places had consumption taxes. France had had a consumption tax since I think about 1954 but there was no UK consumption tax. VAT first came in in the UK, in any material form, when Britain
1415 entered the EEC in the early seventies, 1972, 1973, whatever the exact date was.

That is when the Isle of Man started to have some kind of consumption tax. So the Isle of Man has got a consumption tax, VAT, of 20%. Jersey has had a consumption tax, initially it was at a lower rate but for some years it has been at 5%. So they have consumption taxes on top of basic rates of tax. We do not have that.

1420 So they will not be under the same pressure that we are under in relation to Income Tax because they have other weapons in their armoury. Now, I am not re-arguing GST, that is not the point of it, I am just pointing out the factual difference. You cannot compare apples with apples in relation to where we are.

1425 We are in a position whereby we do need extra revenue but, as Deputy Helyar said in his opening, the purpose of the Budget is not to make substantive changes to the tax system, it is to make sure you have got enough money to pay the electric lights and your bills for next year. The other more radical reforms take a little time.

1430 Now, I am not waiting forever and ever and I do not want to frighten the pigeons, scare the horses or whatever metaphor we use, in relation to the tax situation, but it may be in due course the Crown Dependencies will have to move away from their current basic rate of tax. It may be. But that should be considered over a period of time. I do not necessarily mean years and years, but certainly over more than bringing a Budget amendment.

So I am not in any way criticising Deputy Gollop because is bringing it to say look, we have got to look at it, and he has given some figures, £5 million or £10 million are the figures he set out. Those he got not from P&R but from the Treasury. We have not in any way sought to say, 'Actually Deputy Gollop has put it on the low side.' What he has got is from the Treasury and we all accept they are independent and they will give independent advice to any States' Member that he or she may request.

So the position in relation to this amendment is I am going to ask Members to reject it, sir, but without any criticism at all for Deputies Gollop and Matthews for bringing it because they are saying think about these positions, we have got to address the situation and in one way Deputy Gollop has always been the most responsible of all the States' Members because he accepted the position last time, he was brave enough to second the Trott amendment., he was brave enough to vote for the Option Three proposals and he is brave enough to bring this back for consideration.

So I commend him for it and I hope we are not going to fall out when I vote against.

The Bailiff: Deputy Inder.

Deputy Inder: Yes, sir, briefly.

I am just going to, through you, sir, hopefully it should not take too long. I concur with Deputy Ferbrache. I do not think Deputy Gollop particularly comes from any particular ideology. He is a Member of ESS. They have got an incredible amount of spending power and he recognises the financial difficulties that the Island can be in. So there is absolutely no criticism there at all.

But there are two important issues to consider when making changes to tax rates and I am afraid it is a bit repeat to fade because I mentioned some of this in the last debate. The effect on the economic competitiveness of Guernsey and the impact on business confidence of any changes or likely changes in the future and my V-P, Deputy Falla, has made reference to the letter that we received from GIBA.

Now when these professional bodies write to us they write in a certain style. When I read that letter, that is not the normal style that I am used to. It is a lot more considered, it gives people options. This looked more like fear to me and I will read a couple of lines.

When a body such as GIBA said, 'members are deeply concerned about the potential adverse consequence' of Amendment 6, we need to be listening. When they say, 'The threat of Jersey and the Isle of Man should not be underestimated.' We need to be listening. And when they say we cannot afford to gift any competitive advantages to other jurisdictions, we need to be listening.

Now we know what industry keeps telling us. Our stability and our competitiveness is what keeps businesses investing in Guernsey and it is what will generate future growth in Guernsey and it has been the bedrock of our economic growth and success for the last 50 years and we simply cannot introduce changes that will imperil our current position or that future growth.

Now appearances and perceptions are vital and there was some mirth made in the previous debate about the world is not looking at us. Well I am afraid it is. Our small world, it does look at us, and they make specific choices on political sentiment and steer. It may not be the case that we will ever find out if X business or X person never came to Guernsey because of that sentiment or because of that Tax Strategy, because they do not tell you. I have never been told why I have never won a presentation. I just did not get it and I knew they went somewhere else.

So I would be very careful, Members, I accept Deputy Gollop's position, because I know he does not come from an ideological background, but we have been told by the professional body, which is responsible for effectively the largest single industry in the Island, and I will repeat again, they are deeply concerned. Make light of it if you will. I would not.

They have said that the risk to the gain of other jurisdictions should not be underestimated. Make light of it. We cannot afford to gift any competitive advantages. Make light of it. As I stand here, as President of Economic Development, I am grateful for my V-P and other Members who I assume are going to reject this. Take these letters seriously.

Thank you – and reject this amendment.

1485 **The Bailiff:** Deputy Trott.

Deputy Trott: Sir, I would just like to make a few comments about the history of our tax system, in much the same way as Deputy Ferbrache did. Before we made substantial changes to our corporate tax system, we used to tax individuals at 20%, we used to tax companies at 20%. A simpler system, it would have been hard to design. It made life very simple in the sense that whether you
1490 were receiving dividends or not, you paid effectively the same amount.

Now that all changed with corporate tax reform but something else changed at the time. We shifted the insurance system that we had, the Social Security system, we moved away from an insurance system to another form, and we have incrementally, over the years, increased our Social Security rates.
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Now people are not stupid. Whether you are changing the basic rate of personal Income Tax or Social Security, particularly if you are self-employed, the consequences are obvious. Now Deputy Ferbrache referred to the amendment that Deputy Gollop and I brought during the last debate was a failsafe and it absolutely was and I want to make clear that I told my Policy & Resources friends and colleagues that if we walked out of there without a GST, which I was fairly certain we would, without an alternative, we would find ourselves, am I allowed to say bugger's muddle, sir? Is that parliamentary language? (*Laughter*)
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The Bailiff: I do not think so, Deputy Trott.
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Deputy Trott: On reflection, I agree with you sir. But I think we all know what I mean and that is exactly the position we find ourselves in, which is I have to say very annoying indeed for a number of reasons. Now where I take slight exception to my esteemed colleagues on GIBA, all of whom I know and respect, some of whom I sit on a Committee with, they know as well as I do that whether
1510 you are having to leave this Island or you are looking to come to this Island, you look at the cost of living here in a multi-dimensional way and I can assure you that average house prices at 16 times median earnings is one of the most significant drivers. They will also look at interest rates and the cost of borrowing and so on, all of which are factored in.

In other words, it is a multi-faceted approach, including of course whether the employer offers health insurance, whether there is an impressive pension scheme and all those other factors but what employees are, and I think sometimes we do them a disservice, is that they are capable of doing the calculation themselves. How much tax am I going to pay on my income and how much Social Security am I going to pay? In other words, they will throw everything into the melting pot and determine what their disposable income is.
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So I do think we need to bear in mind it is the overall package distilled down, which is what drives both the retention of our industry and our ability to attract. Also there is a factor which the Isle of Man frankly cannot compete with, despite its push for growth, and that is our standard of living and the beauty of the Island we live in. These are very material factors. (**A Member:** Hear, hear.) And they must not be misunderstood in driving those important matters.
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So I suppose what I am really trying to say is I understand the concerns of GIBA and the concerns that have been expressed by others but I do think the reaction to any suggestion about raising the personal rate of Income Tax is somewhat hysterical and I have to say the most hysterical of all was Deputy Roffey during the last debate. I really thought that was quite foolish. I mentioned it at the time and I think it is appropriate to mention it again.
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Because we are in a situation where we are not going to have the Goods and Services Tax this term and yet we have a funding problem and really and truly we all know that the majority in our community believe that the use of the existing tax base is a far more practical and sensible approach.
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So I am not seeking to destroy GIBA's arguments. What I am seeking to do is provide some balance. The rate of personal Income Tax for those earning above £80,000 is a factor but it is one of numerous factors and we ought to give our business community and those who come to work in it and stay within it the credit they deserve for being able to do some fairly simple arithmetic.
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Thank you, sir.

The Bailiff: Deputy Mahoney.

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Deputy Mahoney: Thank you, sir.

Deputy Gollop asked after some feedback as others have given on various things. Just I think it is a terrible idea and that is my feedback for Deputy Gollop. It is certainly a game-changer, that is for sure, if the Assembly approves this today, hopefully. Some time today, not that they approve it hopefully.

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It is rather odd because we have an amendment coming up from Deputy Dyke, Amendment 15, the point of which is that the group at £80,000-plus have been hard enough hit and it is trying to roll back Proposition 15 from the policy letter, when this of course is the exact 180, saying that we should hit those people a little bit more.

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Deputy Gollop, I accept what Deputy Ferbrache says. This is entirely well-meaning, well-meant. Deputy Gollop started by giving us various rates for the USA and France and the UK, all of which I am afraid are fairly pointless and irrelevant when we are dealing with little old Guernsey and he says that we are a low tax jurisdiction in respect of each of those places, we are much cheaper than all of those so what is the problem?

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But in summing up I would appreciate if he could just give his genuine opinion whether in fact Jersey and the Isle of Man are the two jurisdictions we should perhaps be concerning ourselves with rather than the 350 million people that live in the USA.

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The original tax subcommittee did look into the introduction of a higher tax band. EY do not recommend going down that road. GIBA has already been mentioned by various people so I will not go into that again. I think we dismiss their fears at our peril. Deputy Trott quite rightly says there are various things that anyone takes into account either staying here or coming here but I would argue that the money in your pocket is probably one of the biggest ones and when you are going to rob me of another 2% now and another 5% in 2025/26, then that is quite a big difference to me.

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I would imagine Jersey are hearing/listening to this debate with a tin of glee ready with which to rub their hands. First 22%, then 25%. Both Deputy Gollop and Deputy Matthews in the last debate argued that GST of 5% is the thin end of the wedge, 'you watch them put it up' – I am not sure who 'them' were – it will only be the start. And then of course in the very next debate we have them saying let us raise the rate of Income Tax for various people.

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So it was all about tax rate creep, now they are trying to do exactly that for Income Tax. So I think we should be listening to the business groups. I think we should be listening to EY, that said do not do this, this will have a terrible effect for Guernsey if we go ahead with this. Please, I plead with my colleagues to reject this amendment.

The Bailiff: Deputy Parkinson.

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Deputy Parkinson: Thank you, sir. I just really want to underline some of the comments made by Deputy Ferbrache. Guernsey has tried higher rates of tax before; before the War and then onwards into the 1950's. After the War, of course, Guernsey was very poor and the economy was sluggish, to put it mildly, through the 1950's, and Guernsey was not getting wealthier, it was still in a desperate state when, in 1960, Guernsey along with the other Crown Dependencies got rid of the higher rates of tax and kept only the 20% basic rate of tax.

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It is really from that date that you can date Guernsey's more recent prosperity, I think coupled with in the early 1960's the creation of an open market in Guernsey, we started to attract what some people call high networth a term which I dislike, but wealthy migrants who are attracted by our low tax status and they were really the cornerstone of Guernsey's recovery.

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The financial services industry did not get going in Guernsey until the 1970's so it was through the 1960's, the creation of the Fort George Estate and so on that Guernsey started to attract people

who came here, brought activity to the economy and paid taxes here and economic growth started to recover.

1590 Now I think that 20% tax rate, basic rate of tax for resident individuals, has become a sort of totem and if we tinker with that we will do considerable damage to our reputation. I think people now look to Guernsey as a place where you can move to and pay what most people would regard as a reasonable rate of tax.

1595 We have had to moderate that, of course, by introducing tax caps and so on and I think I was the Treasury Minister who first introduced the tax cap into Guernsey and I have to say I did so reluctantly because I do think the consequences for equity amongst Guernsey taxpayers are disturbing. But, nevertheless, we were forced into it because Jersey and the Isle of Man introduced tax caps and we were in danger of missing out on ultra-high net worth migrants.

1600 But I think to the rest of the world our reputation will no doubt be mixed and some people will think of us as a paradise and some people will think of us as a fiscal paradise. But in reality everybody thinks they can rely on the fact that we tax individuals at 20% and I believe we would disturb that arrangement at our peril.

1605 The people who moved here are relatively immobile once they have made a decision to live in Guernsey, they have bought a house here and so on. The move tends to be relatively permanent. Some people of course go back to England or go back to other countries. But most of them stay here and contribute to our society in many ways, not just through the tax they pay.

1610 I really believe that if we start messing around with higher rates of tax again, a formula which was tried and failed over many decades, earlier in the 20th Century, then we risk frankly putting our whole prosperity into jeopardy. We need people to want to come to Guernsey and, in addition to the fact that it is a beautiful Island and we have a nice climate and the safety of the Island other attractions we can offer, that 20% tax rate is very much central to the planning that motivates people to come here.

I do not think we can support this amendment safely.

1615 **The Bailiff:** Deputy Gabriel.

Deputy Gabriel: Thank you, sir.

1620 I thank Deputies Gollop and Matthews for bringing this because we have heard about industry voices but we have not heard about the people that do not have a voice. The people that are on medium wage. If you went out into the street and said to anyone, a manual worker, anyone working, doing hard work outside, who is on medium wage or perhaps even someone in retail, could they afford another 2% on Income Tax, they would probably say no. Those earning a lot higher wages, double their wage, could afford it.

1625 Of course it is all about disposable income and I am not questioning how people spend their money at all but the GST debate that we have had three times now if you count the green paper, most people's views, most people standing outside lobbying us as we came in were saying that they could not afford it. They could not afford 4%, 5%, 6% GST and they were probably right because their chance of making themselves know was only to lobby us there in the street, as we made our way into the Assembly.

1630 So we have heard about people migrating here but these people they cannot afford to leave Guernsey for a better climate, perhaps, in Jersey, Isle of Man or even the UK because they are on medium wage. So I think I probably will support this and I thank Deputies Gollop and Matthews for raising it. Because it really does smack to me that those people who are earning significant amounts of money, over £80,000, and to me over £80,000 is a significant wage, again I am hopefully trying to listen to some of the people out there who have not got a voice.

Thank you.

The Bailiff: Deputy Dyke.

Deputy Dyke: Thank you, sir.

I thank Deputy Gollop for thinking through this amendment and bringing it. I think we probably approach tax issues from slightly different angles but I respect he is a man of principle. I do think this is a bad idea for most of the reasons already given. I just want to comment further on what Deputy Gabriel said about the thoughts of people slightly further down the economic ladder than this tax increase would apply to.

Of course we basically have one economy and it does hinge upon us bringing in the wealthier people, the finance sector, the entrepreneurs, who would be affected by this tax and likely be put off from coming here. The effect of these people not coming here will affect very badly those people that Deputy Gabriel is referring to, who rely on them for their businesses and their work. The people who look after the houses, plumbers, heating engineers, roofers in particular at the moment, will all be affected. Those people slightly below or considerably below who would be affected directly by this tax increase will be affected if we act in a way that damages and reduces the size of our economy.

So if they thought it through, they would also not be in favour of putting the entirety of our economy at risk with this sort of measure. So I think I will vote against this measure. Thank you.

The Bailiff: Deputy Blin.

Deputy Blin: Thank you, sir.

I suppose I am also standing up on the comments of Deputy Gabriel as well. I see his point of saying for individuals along the lower scale but just to make an observation, 20% of the taxable part of £80,000 is considerably higher than 20% of the taxable part of £30,000 or £40,000 so that is part of the economy. They are already paying higher and we all know that the majority of this tax is coming from a smaller part of our economy. It is the higher earners who are contributing already.

Also take into account that you have families working, in the sense that you could have the husband and wife on the higher salary and the family on the rest but this stipulates for the individual. So in other words if it is a couple with an accumulated £80,000, that is okay, or above. But if it is an individual on one they are paying all of it. So we are already taking the higher earners of society of and the economy who are already paying higher.

The other observation is that I was another Member who voted on the Deputy Trott and Gollop amendment on taxation, which again was not desperation but it was actually if we have to make some way of doing this that was another way. But in particular this amendment laid by Deputies Gollop and Matthews, look, they say will be raising somewhere between £5 million and £10 million. So it is not even a target, it is on the difference of the taxable part above £80,000. So it is not going to be a large part but, as GIBA said, it is going to affect Members.

Actually, by the way, it does not only affect members of GIBA it actually will affect the businesses because the businesses will feel they have to compensate by paying a higher salary to give them a competitive edge. Which means that the businesses will have their rates affected when they are working competitively with the other jurisdictions.

Then two smaller observations. It says in the explanatory note and Deputy Matthews did highlight it earlier that this is temporary. I would really like to understand what temporary means because until other revenue is raised.

And the last part that really concerned me on this amendment was 5B where it says 'to direct the Policy & Resources Committee to submit to the States by the end of 2024 proposals to increase the higher individual standard rate of Income Tax from 22% to 25%'. So as Deputy Mahoney was saying this is turning it up even higher (**A Member:** Yes.) on a small section, which is actually generating the largest (**A Member:** That is the idea.) matter of tax to the economy.

So for that reason I cannot support this amendment and I do hope that others do not either, It is a small amount of gain hit on a small section of the working society, even further so on individuals and will cause more damage than good to our economy.

Thank you, sir.

The Bailiff: Deputy Murray.

Deputy Murray: Thank you, sir.

1695 I just wanted to introduce a note of caution. It is often said that you cannot run Government like a business. That is absolutely true. But there are parallels. For example when a business has got a whizz bang idea to actually raise more revenue, they do not tell their competitors. They actually do all of their research, they look at the ramifications, they look at the implications of just what it might raise, actually where there may be tractions as a consequence.

1700 Sometimes when they want to actually reduce prices, as a loss leader so they can raise business in other areas, then they obviously research that as well. It is very rare, obviously, although we did try to attempt it in the GST situation, that we do reduce taxes. But when we increase them we need to be very sure before we announce what it is that we want to do that we have done the research.

1705 That has not happened here. This has been announced publicly to our competitors, to members of the public, to members of business, that we will and this is not actually a suggestion, it says here, 5A., 'to introduce a higher individual standard rate of Income Tax at 22% on taxable income above £80,000 *per annum* from 1st January 2025'.

It does say in the explanatory note there is a chance that this amendment may be replaced with another that seeks to investigate and report back rather than implement. But it did not.

1710 This is what we have got in front of us today, this is what we are voting on. Furthermore, it says in 4D 'there has been insufficient time to fully validate any modelling of the financial and economic impact this amendment might have'.

1715 Isn't this the point? And this is the note of caution. Why do we do this time and time again? Why do we scare the horses by actually introducing it into a debate. Why do we not do the research, be very sure of the ramifications, run the numbers and then, if it stacks up, if we have looked at the implications of what we are doing, positive and negative, then perhaps proceed and see whether the Assembly will accept it. We have not done that again and we do it time and time again.

1720 It is well-meaning, we know we are scrabbling around to get revenue, but you cannot just bring this to the Assembly without having done all of the research. We have got a subcommittee of P&R specifically looking at tax. Why is this not actually being put through that by the people who are bringing this amendment. That would be the logical thing to do. They are the people who know more about this than we all do, frankly, at the end of the day. They will get the research that they require.

1725 Deputy Mahoney mentioned that the consultants that we employed looked at every measure we could possibly do to raise revenue. But they also looked at the elasticity, the behavioural impact that that would have and they discounted moving Income Tax up. As Deputy Parkinson mentioned, this is something of a totem, 20%. It is something we are identified with and we seek to tinker with it right here and now. I do suggest well-meaning though this may be that we reject this outright.

Thank you.

1730

The Bailiff: Deputy Le Tissier.

Deputy Le Tissier: Thank you, sir.

1735 The average Guernsey taxpayer median earnings is £40,000. That is from the States' website. That is the median. Many people earn under that and this amendment only affects those taxpayers that earn twice, yes, *twice* median earnings. And only on that part over £80,000.

I would like to touch on something Deputy Gabriel said. He mentioned the people who do not have a voice. The people who do not have GIBA to speak for them. So I suspect that the vast majority of votes on this Island would agree to this amendment.

1740 I was listening to the BBC Radio Guernsey report this morning on my way here on this amendment and that well-respected report John Fernandez carried out what I think is called voxpops. Anyway it was little soundbites from people he spoke to in the streets. Now I did not count

them because I was driving but anyway the vast majority of those interviewed, they were very supportive of this amendment,.

1745 Now, turning to something Deputy Mahoney said, that we would be uncompetitive with Jersey, or words to that effect, but I think we all conveniently ignore the fact that Jersey has 5% GST. We do not. And you could say the same about the Isle of Man. Because they have 20% VAT. So I think if we are going to do a comparison, let us not be selective. Let us do a fair comparison.

1750 That is all I am going to say but I thank Deputies Gollop and Matthews for bringing this. Thank you.

The Bailiff: Deputy Moakes.

Deputy Moakes: Thank you, sir. I have just put a sweet in my mouth, I apologise!

1755 I am actually a little surprised that this amendment has been placed because as a few people have already said, a similar amendment was heavily defeated during the F&IP debate a few weeks ago and quite rightly so, frankly, because it would have placed us at a competitive disadvantage.

I think actually it is probably the most heavily defeated amendment in the entire debate. Common sense prevailed, so thank you to everybody here. Here we are again. Deputies are trying
1760 to tinker with taxation. Now this amendment is different in that it is trying to target a tax increase and earnings over £80,000 *per annum* and then it instructs P&R to submit proposals by the end of 2024, I think it is, to increase Income Tax on earnings over £80,000 p.a. to 25%.

But as I say that does not make this amendment any better because it is not and I do have a number of concerns. Under Rule 4(1) information it states the first Proposition, which is the 2%
1765 increase, may raise, *may*, £5 million to £10 million, *per annum* but goes on to say that there has been insufficient time to fully validate any modelling of the financial or economic impact this amendment might have. So, sir, we are being asked to increase Income Tax without any modelling of the financial or economic impact. That is what we are being asked to vote for today. It is irresponsible.

1770 I did have a load of questions but I think they have already been answered. What modelling is being done? Very little, it sounds like. Where are the numbers for the assumptions? What consultation has there been with P&R and what consultation has there been with Treasury? Very, very little.

My second concern, sir, is that if approved the first Proposition will put us at a competitive
1775 disadvantage with both Jersey and the Isle of Man so it will hinder companies' attempts to hire staff and could see sectors including finance and professional services move staff to more favourable jurisdictions and possibly even stop investment in Guernsey.

We are all aware that many businesses have offices in multiple jurisdictions and can choose where to be based and/or employ people. Where do you think it will be easier to hire and retain
1780 staff? Clearly it will be the most stable, the most certain and the most predictable jurisdiction. Everybody here is focussing on the £80,000. What you should also be focussing is the uncertainty that continually bringing amendments to the States to wash all this stuff in public, how can businesses plan? How can they know what is going to get through, what is not going to get through? It is a disaster and it should stop.

1785 If you do not believe me when I say that it would be bad for the Island, as I say, as a number of other people said, read the GIBA letter. I was going to mention the fact that once again it is all on Income Tax and we are not diversifying how we raise taxes but I will miss out that.

So in summary, sir, I wonder if, as part of their summing up, Deputies Gollop and Matthews might suggest that they simply wanted to put an option on the table to debate. As I said, the
1790 problem is that if you put options like this one forward, people start to wonder if or when one of those ideas might just slip through the net. They start asking where the stability and certainty has gone and they then start to question how serious politicians are about our economy.

Deputies Gollop and Matthews state there has been insufficient time to fully validate any modelling of the financial or economic impact this amendment might have. In that case it should

1795 never have been laid. And I can tell you what the impact would be. Potentially disastrous. In my opinion this amendment should never have been laid in the first place and I hope that not a single person supports it.

Thank you.

1800 **The Bailiff:** Deputy Leadbeater.

Deputy Leadbeater: Thank you, sir.

1805 I am going to speak about something slightly different, actually, because everyone has covered the basic of competitiveness, etc. £80,000 a year is a hell of a lot of money to be earning. But in certain circumstances it is not. In all depends on individual circumstances. You could have a large mortgage and lots of dependents, children. You might have parents to look after. I think we need to not lose sight of that.

1810 The couple that I talked about in the previous debate, where they have got one child, mortgage has gone through the roof, £1,500 a week on childcare. They would be falling into this bracket. They would be affected by this because one of the parents is a fairly high earner. She is the breadwinner, as he put it to me, and she would be falling into this category. But they have had to make the decision they cannot have any more children because they cannot afford it.

1815 So I just think we need to be mindful of that, as well. There are some people earning this sort of money that have got a hell of a lot to pay out and they are the single breadwinner in the family. I just ask people to be mindful of that before they cast their votes.

Thank you, sir.

The Bailiff: Deputy Taylor.

1820 **Deputy Taylor:** Thank you, sir.

1825 I am actually grateful that Deputy Leadbeater spoke in front of me just then. By my maths, which is not my strong point, looking at the facts and figures, I have estimated that this applies to about 7% of the Island's workforce, or would apply to about 7%. That actually amazes me in a way because I think you drive around Guernsey or you walk around Guernsey and you look at all the flash cars, you probably assume as a visitor that everyone here earns £100,000-plus. The amount of Porsche that you see in this Island is phenomenal. It is like an everyday car. It is not even impressive to see one on the street.

1830 Actually for only 7% of the Island's workforce to be earning over £80,000, I think that is a bit of a reality check and I think it does kind of put in perspective, in a way, maybe that £80,000 figure is not very high. But then the vast majority of the Island earn considerably less than that and so when prices go up they feel the pinch even more.

1835 Now I take that on board. I do not want to be squeezing people with £80,000 coming in because I can see that if they have pushed themselves in terms of mortgages or they have got finance on a vehicle, they might have a balloon payment coming up, there are all kinds of extra considerations they have accounted for on their £80,000 that that extra tax take could have quite a big impact on their lives.

1840 But if we are looking to raise revenue and you have got to get it from someone £80,000 is more than £40,000. As simple as that. Now the reason I will support this is really to fly in the face of the people that say this will absolutely decimate an industry and it will completely change the Island, and it is a really basic argument, sir, and it is looking at Rule 4(1)d. It is estimated that the first Proposition may raise £5 million to £10 million *per annum*. It has been mentioned, it is not in the scheme of things it is not really a lot of money, is it?

1845 I think we take £5 million to £10 million out of our economy and it is going to be devastation, businesses will not be able to cope with it. Someone pour some water on me because I just do not get it. Wake me up. Like £5 million out of the economy is going to close down finance overnight!

That is the worry –

Deputy Mahoney: Point of correction, please, sir.

The Bailiff: Point of correction, Deputy Mahoney.

1850

Deputy Mahoney: I am happy to pour some water on him! *(Laughter)* I do not think anyone so far has said the finance industry is going to be devastated and washed out should this go through today. So it is all very well indulging in hyperbole here but I do not think anyone has said that it is going to decimate industry. I think people have said that it will affect it. That is a very different thing.

1855

Thank you, sir.

The Bailiff: Deputy Taylor.

1860

Deputy Taylor: Sometimes we are all guilty of using a little bit strong words but I have referred to the speech that was just made by Deputy Moakes, the impact that would have on businesses. All I will say, I just do not see it. If we cannot take £5 million out of our economy without our competitors suddenly like stealing every single business, really taking over, we really have a negative effect on that, then I think we have got much bigger things to worry about.

1865

So I will be supporting this. I would ask other Members to support this and I just want to end with one question, Deputy Gollop, and it is to touch on 5B part of this Proposition. This is directing the Policy & Resources Committee to come back at the end of 2024 with proposals for an increase from 22% to 25%. Does Deputy Gollop envisage that it will be a private proposal that might come forward as a Proposition to a Budget, which Members could, based upon the economic impacts of those proposals, which are being set out, they could reject it anyway? So if this amendment is approved, it is not a guaranteed 25% Income Tax within a year or two. I would be grateful if he could give his view on that.

1870

Thank you, sir.

The Bailiff: Deputy St Pier.

1875

Deputy St Pier: Sir, I just want to introduce a few new comments to this debate. I am really disappointed about some of the technical flaws in this amendment, which I think point to it having been prepared, perhaps as Deputy Mahoney said, in haste. I think as a very minor point I think it is a contradiction in terms to refer to a higher individual standard rate. It is either higher or it is standard. It probably cannot be both. That is a minor point.

1880

The more serious point is it refers to making this change with effect from 1st January 2025 on taxable income. Well taxable income is a technical term that would normally mean net of allowances. So that would put you somewhere close to near £100,000 of gross income. However, if Members turn to the first Schedule of the Propositions, under Proposition 15, actually when it comes to the withdrawal of allowances we work with something called calculated income. Now calculated income is an individual's income net of deductions, so that would be things such as business expenses, but gross of any withdrawable deductions.

1885

So there is an inconsistency between what Proposition 5A says and actually what we currently do. So if the intention is to align this with the same £80,000 level at which allowances start to be withdrawn, I am not sure it quite achieves that. So I believe 5A is flawed.

1890

5B also directs that P&R will submit proposals by the end of 2024, therefore presumably in the 2025 Budget, this time next year, to increase the higher individual standard rate from 22% to 25%. So, before we have even introduced the 22% rate, P&R have been directed to raise it to 25%. There is no indication of when that will take effect. Will that take effect also from 1st January 2025 or some later date?

1895

There is sort of a caveat setting out the economic impacts, there is a sort of suggestion that there needs to be a cost benefit analysis of that proposal but that is not what the first part of 5B. It says to direct P&R to 'bring proposals to increase' the rate to 25%.

1900 So I think if the intention was to do a cost benefit analysis, so that the States could make an informed decision, I do not think 5B achieves that either. So I am afraid other arguments have been made and I do not intend to repeat those, they have already been repeated by others but I think there are some very good technical reasons why this amendment is flawed, sir.

1905 **The Bailiff:** As no one else is rising, I will turn to the Vice-President, Deputy Helyar, to speak to Amendment 6, please.

Deputy Helyar: Thank you, sir.

1910 I am mindful of the time but I have been doing this long enough now to realise when an amendment has got traction and when it has not and I do not believe this one has so I am not going to say very much in summing up.

1915 I do thank Deputy St Pier for his comments because he has stolen some of my thunder in terms of the calculations and so on. We really should not be doing things like this on the floor of the Assembly. They need proper consultation, they need careful thought and I think, as came up only three weeks ago, which Deputy Taylor mentioned during the debate, one of the reasons why an increase in Income Tax was not suggested in the Tax Review was because it did not comply with the boundaries that have been set for the Tax Review, in terms of a level playing field with our competitors, not making ourselves in competition with or competitive with them and so it was not possible, technically, for Income Tax increases to be levied.

1920 The States has, though, if you remember, back only three weeks ago, agreed that the next Assembly will have to return with recommendations for increasing revenue and that is not restricted. So it is not restricted by the same boundaries that exist in the Tax Review. It will be free, if it so wishes, with the right level of information and risk analysis, be able to recommend that if it feels that it should do so and Deputy Trott has several times mentioned Income Tax and I think he has very carefully been telegraphing that as an issue which may arise during the next term and I commend him for doing that. A very sensible way to start to approach it.

1925 But we should not do that today and not in here. We need to assess risk. There have been some comments about soundbites and people on the street and as I said during the last debate, pretty much everybody that I have spoken to over the last three years has always suggested some other person or thing that can pay for the tax rises that are necessary. It is a ubiquitous comment that somebody else can pay.

1930 Unfortunately there just aren't enough of those other people collectively for that to work. We need to find a solution, which is fair to everybody and, although people say, do not make the higher pay, make them pay, those people are not necessarily cognisant of the risk that may create to the economy and if we are faced with making that decision we should make it with all the proper information before us so that if we do decide to do it, we understand the risk that we are taking when we do so and today is not the day for that.

1935 So I would urge Members to vote against this Proposition.

The Bailiff: Finally, the proposer of Amendment 6, Deputy Gollop, to reply to the debate.

1940 **Deputy Gollop:** Hopefully I will get a move on.

Just a quick dash of history. I may have got confused because that year that Pitt the Younger introduced Income Tax in the UK. But I believe it came and went. It did disappear but it re-emerged and some of our taxes, maybe like vehicle tax, will be the same.

1945 I am also old enough, sadly, to remember the Labour Government when it was old Labour, in the 1970's and Dennis Healey was the Chancellor and he would take delight in saying, 'I want to make the pips squeak.' For well-off people. That did not do anything for the British economy but in those days you could be taxed up to 98p in the pound if you had so-called unearned income.

1950 The point I am making is when the Chancellor of the Exchequer even now gets up and makes a speech he does not have to go into the level of technical detail or analysis or modelling that perhaps Deputy St Pier and others would want.

1955 I will start with the GIBA letter, the Guernsey International Business Association that many Members have referenced. I am sorry if I have offended them and EY but I listen to the people and Facebook and voxpops too and I will hope that maybe myself and other Deputies, Deputy Matthews and others, can visit GIBA and discuss these points with them because I appreciate they are deeply concerned about the amendment and maybe one or two others but the point was made very well by Deputy Le Tissier that Jersey had a GST that finance and other workers are paying there. The Isle of Man, where I have just been, have a 20% VAT. So actually Guernsey is doing better than those places as a deal.

1960 I tell you an issue that we are not doing so well on competitively, we have quite high Social Insurance rates for employees who are from Guernsey but you do not necessarily hear that as a major disadvantage. It may well be. Deputy Trott and others could advise. The letter of course goes into some worrying trends about people leaving for Jersey. Hopefully it is the other way around. 'We cannot afford to gift any competitive advantages to other jurisdictions by raising Income Tax for our higher performing talent.'

1965 Well that argument could also be used for Social Insurance and some of our other taxes. How far we have modelled, we know we did not model some of the impact of the commercial property because that is being withdrawn, but how far are we modelling, say, TRP, as maybe Deputy de Lisle, or what the impact that might be.

1970 We need to raise revenue somehow and I think that perhaps they misunderstand that the amendment was immediately about things going to happen overnight. It was from 1st January 2025 and in replying to Deputy St Pier and others, yes, there may well be technical flaws. We did have expert advice that said there were flaws. There was not really time to iron them out, but taxable income to me was instead of paying 20% to any earning over £80,000, 22%. It was quite simple.

1975 Even the letter from GIBA was confusing because it mentioned salaries over £80,000. I was not talking about salaries, necessarily. It would apply to rents, it would apply to income from other sources. It could apply to dividends. It could apply to royalties. That was why I meant it was standard, it was not specifically related to wages or salaries.

1980 Now different Members made different points. Deputy Matthews made a good speech in which he mentioned that it was only temporary. There may be other ways of raising money. Of course he is a fan amongst other things at looking at rates for certain kinds of people. The point was made about historical tax. Not only did I think Guernsey had surtax but as Deputy Dyke reminded us a few months ago, we used to have a 40% tax. It was eight shillings in the pound, I believe, in the 1950's, at one point.

1985 That is true. But Deputy Matthews also spoke about NICE drugs and Health, which he sits on. My goodness me, the TV report last week, which shook me a bit, that we are not able to necessarily afford various tablets for people with eye problems, for example. Now that was saving £70,000. Put that in the context of macular degeneration. Put that in the context of £5 million to £10 million.

1990 And why is the modelling so vague? Well it is not me being vague, this is the answer we got back from Treasury, that it would be between £5 million and £10 million. Now common sense is that if you are paid over £80,000 a year, whether you are, you could be a civil servant or you could be a successful medical practitioner, you could be a dentist, who knows what, you are not going to suddenly have less income because the rate of tax has increased. Do you know how much you would be paying if you were on £100,000 per year, under my scenario? You would be paying an extra £200 a year. I would say that is a lot less than possible motor tax or possible rates increases in property rates or possible increase that might have come through GST or many others. That is the quantum. It was a small amount. It is not a game-changer, necessarily.

2000 We also spoke briefly about Education. Well if we are going to fund an improved Education offer, which I really believe in, we do need more income and this would apply to scenario two. I mentioned I would like to support GIBA but discuss with them, in fact this raises another broader point that

organisations have come out quite harsh on the States after our difficult financial planning and GST meeting. Why didn't those organisations perhaps lobby more about the need for us to come up with solutions that work for the corporate sector, the professional sector, the commercial sector? They need to work harder than that. Maybe they did but I think next time around, perhaps, they need to be more to the front.

I thank Deputy Trott for his support. Deputy Parkinson has a lot of wisdom and knowledge in these areas and maybe he is right in saying 20% is a totem that we have had for 50 or 60 years of success and we tamper with it at our peril. He did not say that about corporate tax or Zero-10. We have had that for 15 years and he has been a staunch advocate for radical change in that –

I will give way.

Deputy Parkinson: But prior to Zero-10 we had 20% tax on companies and we have had that for a lot longer than we have had Zero-10.

Deputy Gollop: Yes, very good. Thank you, Deputy Parkinson.

But my point is that if we cannot change one thing we will have to change another and I would be the first to encourage the offshore jurisdictions to work together more. But I think that my amendment was perhaps rather vaguely phrased but the point of it is obvious. We make a decision now to look at raising Income Tax. Over the next year the Policy & Resources Committee, whether the current one or another one, would listen carefully to all of the insight that they would get from economists, from accountants, from GIBA, from organisations. And then they would come back next year, probably at Budget time, with a follow-on from where we should go with this.

It is not putting a line in the sand. It is actually giving the States an option of raising money. We have kind of had quite a lot of defensiveness today that it is a very bad idea to unsettle people who are successfully working for our economy. Let us talk up Guernsey. But haven't we been doing that for some months with all these other tax proposals and things? As Deputy Helyar himself has said, everybody thinks it is a good idea that a different type of person pays the tax rather than themselves. I am perhaps proving the point today because I would not benefit, or suffer rather, from the £80,000 tax increase.

I thank Deputy Mahoney for his arguments but I think that the point is I am thinking of the competitors because I am thinking that Jersey and the Isle of Man, and he understands this, have different ways of raising revenue through their indirect taxation and therefore for us to remain competitive in terms of public services, we unfortunately might have to raise Income Tax because we are not raising indirect taxation and that is a problem perhaps to discuss on another occasion.

But I think it is important to have these debates, however uncomfortable, because in a way, if we do not have them now they will come back to haunt us in several years' time and I think not just Members but the wider public need to be acquainted with the uncomfortable options that we face. So I urge Members to support this amendment and get the workstream underway.

The Bailiff: Well, Members of the States I think we will go to the vote on Amendment 6, proposed by Deputy Gollop, seconded by Deputy Matthews, which seeks to insert two additional Propositions as 5A and 5B and I will invite the Greffier to open the voting, please.

There was a recorded vote.

Amendment 6.

Not carried – Pour 9, Contre 29, Ne vote pas 0, Did not vote 2, Absent 0

POUR

Cameron, Andy
Fairclough, Simon
Gabriel, Adrian
Gollop, John

CONTRE

Aldwell, Sue
Blin, Chris
Brouard, Al
Burford, Yvonne

NE VOTE PAS

None

DID NOT VOTE

Bury, Tina
Le Tocq,
Jonathan

ABSENT

None

Le Tissier, Chris
Matthews, Aidan
Queripel, Lester
Taylor, Andrew
Trott, Lyndon

De Lisle, David
De Sausmarez, Lindsay
Dudley-Owen, Andrea
Dyke, John
Falla, Steve
Ferbrache, Peter
Haskins, Sam
Helyar, Mark
Inder, Neil
Kazantseva-Miller, Sasha
Leadbeater, Marc
Mahoney, David
McKenna, Liam
Meerveld, Carl
Moakes, Nick
Murray, Bob
Oliver, Victoria
Parkinson, Charles
Prow, Robert
Roberts, Steve
Roffey, Peter
Snowdon, Alexander
Soulsby, Heidi
St Pier, Gavin
Vermeulen, Simon

2045 **The Bailiff:** In respect of Amendment 6, proposed by Deputy Gollop, seconded by Deputy Matthews, there voted in favour, 9 Members; 29 Members voted against, 2 Members did not participate in the vote and therefore I declare Amendment 6 lost.

2050 Now before we adjourn for lunch, can I just deal with one matter that has arisen in a number of people's speeches during the course of this morning? This Meeting will last for three days, not four days. There are only ever three days to a Meeting. That is clear in Rule 6 and, in any event, if anyone looks at what is happening on Friday, this courtroom is in use as a court and I am dealing with a matter, the Deputy Bailiff is dealing with other matters and therefore if you did want to adjourn into the Friday, exceptionally, you would have an acting Presiding Officer in the Chair. I will simply clarify that. You have only got three days as a matter of default position.

2055 We will now adjourn until 2.30.

*The Assembly adjourned at 12.38 p.m.
and resumed its sitting at 2.31 p.m.*

POLICY & RESOURCES COMMITTEE

States of Guernsey Annual Budget – Debate continued

The Bailiff: The next amendment, Members of the States, will be Amendment 2, which is to be proposed by Deputy Le Tissier, so Deputy Le Tissier, if you want to lay the amendment now is the opportunity to do so.

2060 **Deputy Le Tissier:** Sorry, sir, I missed that. I could not get my headphone working. Would you mind repeating that?

The Bailiff: Now is the opportunity if you wish to lay Amendment 2, to move it.

Amendment 2.

To delete Proposition 6 and substitute:

"6. To abolish the limit set out in paragraph 1 of the Sixth Schedule to the Income Tax (Guernsey) Law, 1975 on the amount of income tax payable by an individual resident in Guernsey in respect of qualifying and non-qualifying income with effect from 1st January 2025."

OR if that is not approved

To delete Proposition 6 and substitute:

"6. To phase out the limit set out in paragraph 1 of the Sixth Schedule to the Income Tax (Guernsey) Law, 1975 on the amount of income tax payable by an individual resident in Guernsey in respect of qualifying and non-qualifying income over a 5-year period commencing 1st January 2025 by reducing the proportion of the limit that may be claimed to 80% (in the year of charge 2025), 60% (2026), 40% (2027), 20% (2028) and 0% (2029 and thereafter), and to agree that no new such limit may be claimed or applied with effect from 1st January 2024."

OR if that and the amendment preceding it are not approved To delete Proposition 6 and substitute:

"6. To increase the limit set out in paragraph 1 of the Sixth Schedule to the Income Tax (Guernsey) Law, 1975 on the amount of income tax payable by an individual resident in Guernsey in respect of qualifying income from £150,000 to £250,000 and, in the case of such an individual in respect of qualifying and non-qualifying income, from £300,000 to £500,000 with effect from 1st January 2024."

2065 **Deputy Le Tissier:** Yes, I would like to move it and I would like the Greffier to read it out, please.

The Bailiff: Very well.

Greffier.

The States' Greffier read out Amendment 2

2070 **The Bailiff:** Deputy Le Tissier.

Deputy Le Tissier: Thank you, sir.

2075 Why? Well, contrary to what many people think, this is not primarily a fundraising amendment, although it is highly likely to increase our income, which is a good thing. In fact, P&R have repeatedly said if you oppose GST it is incumbent on you to say how you would increase income. So, P&R, please consider it done and I will look forward to voting in favour of this amendment.

2080 Now I sent a copy of this amendment to P&R before I submitted it to the Greffe, in accordance with the accepted guidelines. I told them I was happy to answer questions and the answer: there came none. Radio silence. Not a peep. However, P&R were not idle, they went to the media to trash this amendment and me personally. I am irresponsible, they said. Now I put that down to arrogance. They would prefer to practise megaphone conversations via the media rather than engage with an elected Member of this Assembly.

2085 Now Deputy Helyar said in his opening Budget speech that far-reaching proposals such as this should have been discussed. I presume he means this amendment and I would ask Deputy Helyar to explain that incorrect comment, in respect of this amendment, and I will give way if he wishes to correct his statement.

2090 Now I believe P&R want these cosy little arrangements swept under the carpet, kept under the radar, not discussed in an open and transparent way. Well, they failed, because I could have been persuaded to withdraw this. No, it is primarily about fairness. Our tax system is not fair or equitable. It discriminates against ordinary Guernseymen of modest means. It discriminates against pensioners and all who are not super wealthy. I will repeat that. The basic premise of tax capping is not fair and when it is explained to members of the public the vast majority of the public agree.

Since I proposed my amendment, many people have said, just get on and do it and, thanks to Deputy de Lisle, who agrees with me that we must correct this iniquitous situation, we are. Now I

2095 would like to add here, blowing my own trumpet, that I did have it in my manifesto that I would do something about tax caps. So I am not a recent convert. Therefore, I am fulfilling another one of my promises to the electorate.

Now although many people have praised this amendment, none of the 30 recipients of our generosity has bothered to contact me. Now I heard, third hand, that one member of the public, presumably not one of the 30, she did comment. She said, allegedly of course, it was third hand, 'Don't you think these super-wealthy pay enough tax already? After all, they probably do not use our services, like schools and health and so on, as they pay privately.'

Unfortunately, that does not wash, does it? I no longer have any use for schools, so can I have a rebate on that portion of my Income Tax? I do not think that is how it works, does it? Now it would not be so bad if we had adopted a system used in many other countries. Let me use Switzerland as an example.

You can move there if rich enough, and gain benefit of low Cantonal and federal tax arrangements. But one requirement is that you have to invest a minimum sum in the local economy. Now, it sounds a great idea, that little old Guernsey welcomes these super wealthy people in and all we ask is the super-rich pay a capped amount, which is generally, or always less than 20% of their income. Off they go. 'Thanks very much.'

In our dire financial state, I think that is crazy. The super-rich could be asked to finance something in our infrastructure, as I believe Deputy Brouard said last month, he would welcome money from anyone. So why not the tax count? But that is for another day, another Budget.

2115 I expect to be told, 'Well, they do invest. The super-wealthy do invest.' I am sure they do. But there is nothing in the tax capping social contract that prevents them from selling up tomorrow or moving the business to a lower cost jurisdiction, whilst continuing to benefit.

Now I know I am going to hear the next argument, probably from P&R but maybe from others. That is if you tinker with the tax caps, these super wealthy people will leave. Not that old chestnut again. I think our Island home has a lot more going for it than just its headline tax rate and tax deals.

2120 Tax deals, hmm. That is the sort of thing you find in a tax haven. And we all know we are not, and I repeat, definitely not a tax haven. We are an offshore financial centre. But hang on, for those 30 people, we are bordering on a tax haven because we give them special tax treatment.

It is one rule for the super wealthy and one for the rest of us. Low tax deals for the super wealthy and full rate for the rest of us. So I would like to say, to those that say these individuals will leave, where is the evidence? Has any tax-capped individual actually gone into writing on this? No. Or is it Chinese whispers? Someone told me, told my colleague, or 'I heard it down the pub' that they would leave. Maybe, maybe not.

2130 If those conversations did happen, it is simply lobbying. We have plenty of lobbying groups about GST and discrimination and numerous other matters that we had to discuss and do we listen to them? Yes, of course we do. But do we accept what they say unquestionably? No. We listen and then we decide what is best for Guernsey.

Is Guernsey such a terrible place that the wealthiest will immediately pack their bags and leave if we decide to adopt a slightly more aggressive and fair tax system. Personally, I do not buy it. If they do, there is now a shiny new Islander ferry leaving tomorrow. Or maybe not!

Now I have been warned by some that opponents will try playing the xenophobe card. A bit like others play the racist card. However this will not wash as no one outside the Revenue Service know who these individuals are. They could be black, white, other colour, locals, incomers, it just does not wash. It does not fit the definition in any way, shape or form. So please do not use it.

2140 Now I am going to turn to a gentleman I am sure you have all heard of, Joseph Stiglitz. He is an American, Nobel prize-winning economist and he is adviser to the US and Scottish governments. I am sure you all follow him. He suggested that unfairness in taxation poses a risk to democracy. He said:

If citizens don't believe that everyone is paying their fair share of taxes – and especially if they see the rich and rich corporations not paying their fair share – then they will begin to reject taxation.

Why should they hand over their hard-earned money when the wealthy do not? This:

Glaring tax disparity undermines the proper functioning of our democracy; it deepens inequality, weakens trust in our institutions, and erodes the social contract.

2145 To me you cannot put it in clearer terms. So I say to P&R, remember Mr Stiglitz when you ponder at length this winter, when you sit in front of the fire, with your hot cocoa, why the public did not back your GST. Why should they pay 5% on every purchase when the super wealthy only pay a fraction, percentagewise, of course, of their income?

2150 Now I do not want to go on too long, because I know time is going on, but I will go back fairness and inequality again. I do not expect anyone on P&R will understand this but it is an unacceptable situation. We have got the scenario where Mrs Le Page earns £35,000 a year and she is talking to her neighbour, Mr Big, millionaire, and she says, 'Aren't you pleased that the Deputy Trott amendment failed, because I could not afford to pay more tax?'

2155 Mr Big: 'Well, I do not care what the tax rate is. It could be 50% because I am tax capped.' 'Oh, that does not seem very fair.' 'Well, I pay my flat tax and I go off and do my own thing. I do not have anything else to contribute to Guernsey. I have got my arrangement.'

2160 So as a born and bred Guernseyman, I believe in fairness. How on earth can we all be in it together? That favourite saying of COVID times. Sure, we cannot all be millionaires but some of us are of more modest means but those 30, approximately 30 individuals, owe it to those less well-off to pay their fair share. Yes, their fair share. No more and no less.

I did engage with Treasury. A lot of detailed information I wanted is simply not available. But I did glean, as I mentioned, there were 30 individuals, and on average they pay £7 million a year. Which in the big scale of things is a drop in the bucket.

2165 If you believe in greater equality and fairness, this amendment gives you three options. Do away with tax caps after a year's grace, and I think that is fair notice. Phase out tax caps over a five-year period and I think that is very generous notice or, if you cannot bring yourself to vote for either of those, we will just increase them a little bit more. Now I do not see any evidence as to what is the correct level, so increasing it is neither here nor there. Evidence, that is what we need, evidence. And there has been no evidence if the tax cap has been set at the most appropriate level.

2170 So there we are. If you speak or vote against this amendment you are telling the rest of the world and – as I think it was Deputy Inder said earlier the rest of the world is watching – you approve of our discriminatory tax system, you have no regard for the poor and you favour the super wealthy. Or maybe you are the super wealthy. All I can say is good luck with that attitude at the next election.

2175 Now if this amendment fails, and it may do, some would say it probably will do, I will be back next year because I am not going to keep quiet about this until this anomaly is resolved.

Thank you, sir.

The Bailiff: Deputy de Lisle, do you formally second Amendment 2?

2180 **Deputy de Lisle:** Yes I do, sir.

The Bailiff: Thank you very much.

2185 **Deputy St Pier:** May I move 24(4)?

The Bailiff: Can I therefore invite those Members who support debate on Amendment 2, proposed by Deputy Le Tissier, seconded by Deputy de Lisle, to stand in their places?

There is clearly a greater number than seven Members and therefore, Deputy St Pier, the proposal under Rule 24(4) fails.

2190 Deputy Mahoney.

Deputy Mahoney: Thank you, sir.

Let us kick this off, then. I would be grateful to Deputy Le Tissier, when he sums up, I do not really understand the reductions stuff in part two if part one is not approved. I do not understand that and nor do Treasury so perhaps if he could spell that out in idiot guide, that would be really useful for me and I suspect a number of others sat here at the moment. So that would be useful.

I think he let the cat of the bag right at the end, didn't he? When he said at the next election, and there it is. Electioneering has begun. And 'in my manifesto, I promised I would do this and here I am standing up in front of the world doing it; vote Le Tissier, 2025'. He also said, and I find this offensive to me but a rather odd phrase to use, 'these cosy little arrangements'. That is how described this tax cap. Cosy little arrangements. That kind of smacks of tax caps as being some shady little nasty deal done in some smoke-filled pub somewhere, where the Treasury leads and our Treasurer have sat down and said, 'I will do you a deal if you buy me a beer.'

As he I assume knows from his history of the finance industry, I think I am right there, that tax caps are a well-known, well-used, practice in many jurisdictions, to do exactly what he warns against, which is, heaven forbid, attracting ultra-high net worth individuals to any particular jurisdiction. I believe Deputy Le Tissier spent years, I do stand to be corrected, as a compliance officer, a compliance function of some description anyway, in his things, what we used to in many years back call business prevention officers. People take a slightly different view now, but that is what we used to call them when this all first started coming in. So he well knows how this stuff works.

So I am kind of staggered to hear some of the language he is using. He mixes taxes as well, nice and conveniently. He talks of GST arrangements, Mrs Le Page, I think it was he said, why should she sit at home having to pay 5% GST when Mr Rich, Mr Super Rich I think was the word he used, is not paying his fair share of tax?

Well if we brought GST in, he would be paying his fair share of GST, wouldn't he, on his Jaguar that he buys, on his boat that he buys? But currently not but that is a debate that has long gone and the next Assembly can argue over that one.

While we are talking about Mrs Le Page, she does not mind sitting at home in front of a fire, knowing that she pays £7,000 a year in tax. She does not mind sitting at home, enjoying the goods and services that Mr Super Rich provides by paying his £300,000 in tax. That is a different matter, isn't it?

He talks that there is no evidence that anyone will leave. And he is right. How can there be evidence of something that has not happened yet. Equally there is no evidence to support that they will not leave. Also of course it is the missed opportunities that we have here as well. Who knows if we now do not have tax caps, let us say no one leaves, let us say we get very lucky. How many ultra-high net worth individuals are now going to come to the Island? We are effectively shutting that door to any ultra-high net worths now. It does not seem a wise thing to do to me, especially when they are picking up a massive amount of the tax burden, proportionally massive amount of the tax burden but we all get to enjoy.

He also, bearing in mind his history in the finance industry and mine now, part of anyone that is involved in the finance industry knows when someone changes a tax law somewhere, the clever guys get together and say, 'How do I get around that tax law? What do I change to legally mitigate my tax bill now?'

So when we do this, if this goes through, the first thing that I and many other trust directors in the Island will have is a bunch of people phoning us saying, 'I am going to turn all that income into capital now. So there will be no tax bill for me now, thank you very much.' People will just pay their accountants and their lawyers to structure their tax affairs such that they are suddenly not earning anywhere near what they were and now it is capital and I am spending capital rather than income.

The 7.2, I think is the number that I think is raised through these, the tax caps currently, but just for the record just in case anyone does not know, those individuals do not complete a normal tax return so we have no idea how much their actual income is. It may be a lot of these people, I suspect not, of course, but it may be a lot of these people are just over the limit of what creates them being able to take advantage of this tax cap.

So the advantage of then saying there is no tax cap could be absolutely minimal and those that are way over the tax cap, the earnings, rather, I suspect will do what I said earlier. They will phone their tax accountant and say, 'I ain't paying that tax, so someone sort that out for me.'

What else? Option two, I have asked him if he could explain because I do not really understand that so if he could sum that up for me when he finishes. Clearly, people notice I am against this amendment. I think this is extremely dangerous, it is ill-conceived. The note, he does say, he did mention at the start, 'I advised P&R'. That is not consulting P&R. I do not believe it was with very much time and certainly not enough time for something as absolutely drastic as making a very significant change to the tax laws, the tax practices in Guernsey. So I urge Members to reject this and reject it quickly.

Thank you, sir.

The Bailiff: Deputy Parkinson.

Deputy Parkinson: Thank you, sir.

I said earlier that I was the Treasury Minister who introduced tax caps in Guernsey back in the 2008/2012 States of Guernsey and we did so quite simply because of competitive pressure from the Isle of Man and Jersey.

Now, I also said that I am not morally comfortable, if you like, with the idea that very wealthy people in Guernsey can pay lower rates of tax effectively than the ordinary Guernseyman but nevertheless this was a pragmatic necessity at the time and I still think that is the case.

As Deputy Mahoney has just indicated, one of the main attractions for the super-rich in the tax cap is not just that it effectively lowers their effective rate of tax. The other main attraction is it means they do not have to fill in a tax return and that means they do not have to pay an accountant to compile the tax return and assemble all the information necessary to fill in the forms.

So actually a huge part of the attraction of this deal is its simplicity. From the point of view of the person paying the cap, they just write a cheque and the problem goes away. So it is actually quite a powerful attraction. Deputy Le Tissier asked if any of these people would leave if the caps were abolished and I have to tell him that I think some might.

He asked for specific examples but within my personal experience I know and individual of a longstanding Guernsey family who left Guernsey for Jersey before tax caps came in because he felt that the States of Guernsey Income Tax Office had reneged on an arrangement, which limited his liability to tax in Guernsey. Guernsey lost somebody who would have contributed significantly in tax to the Exchequer.

Other people would be likely to behave in the same way. People who have been attracted here because there was a tax cap would feel that Guernsey had reneged on a deal that brought them to Guernsey. On as much a matter of principle as anything else, they would say, 'Well we cannot trust the States of Guernsey. We had a deal and they broke it.'

Now I do have some sympathy with the motives behind Deputy Le Tissier's argument and I do entirely see the argument of fairness but I do not think it would be sensible for us to disturb these arrangements in a fundamental way. Also I have expressed some regret that we had to do this. I also did not anticipate, when we introduced tax caps, that Guernsey advocates might be able to benefit from them. I hear this only as a rumour and I do not name any specific individuals, I am sure colleagues on the upper bench would be familiar with some of the people concerned if they are engaged in such practices, but we thought introducing the tax cap was a method of attracting in new, wealthy immigrants, not getting Guernsey advocates off part of their tax bills.

So despite all these concerns and regrets, I do feel that I cannot support this amendment. I just want to pick up on something else Deputy Mahoney said. He said if the tax caps were not there, wealthy individuals would just go to their accountants and ask for other tax planning suggestions to reduce their bills.

Of course he is quite right. To save anyone paying their accountants a hefty fee in this situation, anyone who might be affected by it, I can tell them what they need to do is to form a company and

put their income producing assets in the company. The company would be taxed at 0% and they will not have to pay any tax on their investment income unless and until that income is distributed to them by way of dividend.

If they leave the Island before they take the distribution they will escape Guernsey tax entirely and that is a consequence of our Zero-10 system. I have said before in this Assembly that I think some 200 very wealthy people are using this loophole on Guernsey and that therefore our Zero-10 system is undermining our personal Income Tax base to a significant extent. But that is a problem that we need to address on another day.

For the time being, in the context of this amendment, I cannot support it. I have sympathy with Deputy Le Tissier's fairness arguments but the practical reality is that we will lose some existing high net worth individuals and, to the point made by Deputy Mahoney, we would be at a disadvantage in trying to attract further ultra-high net worth individuals in competition with places like Jersey.

So I urge Members to reject this amendment.

The Bailiff: Deputy de Lisle.

Deputy de Lisle: Thank you, sir.

Many people are trying to square the circle, which is one of very deep feeling throughout this community. P&R are consistently looking for avenues for tax revenues and many people are finding difficulty living on Island while the super-rich are not paying their equivalent share of the tax burden. They want fairness. They want our Government to actually stand up and provide that.

Deputies are being ingenuous to our people if they say anything other. How is it possibly fair to give the most wealthy in our society a way out of paying their fair share, their 20% to support the very fabric of the Island they live in? We are talking about contributions to the hospitals, health, welfare and education of the Island, which in many other jurisdictions those members, those very well off are contributing. There are whole wings of hospitals and education facilities.

Furthermore, they are taking advantage of the infrastructure provided on the Island to carry out their business in and out of the Island. Guernsey does not charge these individuals Capital Gains Tax, inheritance taxes and overly high Income Tax rates. In fact, already, we are seen as a low tax jurisdiction.

The ability to be at home or on the beach within minutes of leaving work, the absence of capital gains or inheritance taxes, low Income Tax rates and an enviable work/life balance are still key drivers for inward investment and decisions by high net worth individuals. That should be enough to attract high net worth individuals without caps on Income Tax payments. It is not as if attempts to attract high net worth individuals were not succeeding on this Island because figures from Locate Guernsey show that, just in 2022, 33 individuals and 13 businesses relocated to Guernsey. Locate Guernsey also received 273 relocations in that year, with 1,558 inquiries to date.

We are not, here, a Third World country. We offer a relatively safe and beautiful environment in which to live and have our being and work peacefully. There is enough incentive to be here without offering and soliciting relocation packages, which we do not even offer to our own people trying to relocate back home here. It is a disgrace. It is a total disgrace and we should be ashamed of ourselves in permitting it.

For the very few who have chosen to relocate to Guernsey, I say welcome and enjoy. However, we cannot afford to hand out financial incentives at the expense of our own people. (**A Member:** Hear, hear.) This must stop. It is unfair, it is unjust that the older generation has to grovel to maintain their heritage and their homes in Guernsey while others are subsidised to live and work on their Island.

Thank you, sir.

The Bailiff: Deputy Ferbrache.

Deputy Ferbrache: Sir, I do not think it is a disgrace to say to Mrs Le Page, and I have got more in common in my ethos with Mrs Le Page than I have with Mr Big, to use Deputy Le Tissier's phrase, because like Deputy de Lisle and Deputy Le Tissier, my family have been here for hundreds and
2350 hundreds of years. I am just as much a Guernseyman as both of them.

What I want, Mrs Le Page, I want her to be able to put the heating on during winter. I want her to be able to live a reasonable lifestyle. Now these 30 individuals, and forget the moral argument because morally should pay tax wherever they live, they should do all the things that they should, but you cannot handcuff people to this jurisdiction. Deputy Parkinson referred to an individual. I
2355 know exactly who he means. A principled Guernseyman who felt that he was being reneged upon by the Guernsey tax authorities at the time and he left this Island.

If he had stayed in this Island we would have had millions and millions of pounds of income from him but he felt that Guernsey reneged on a commitment it had given to him. I know him well. He is a very principled, decent person. So I believe him when he says that commitment was reneged
2360 upon.

Deputy Parkinson could not resist about these advocates and the tax capping. He is absolutely right. I agree with him. I absolutely agree with him. It was never brought in by him in 2009, 2010, whenever he brought it in, for that kind of person. I, in my way, I think it made it very clear both inside this Chamber and outside this Assembly, that I think they do very nicely. And if there was a
2365 way of making advocates and accountants and fiduciaries, because it extends to all of those, pay more tax in a different way without frightening the pigeons, or scaring the horses or whatever other phrase you want to use, I would do that.

Because they would not earn lots of ... that is not a criticism. I fall into that category. Never tax capping, I hasten to add, even in my golden days when I was an equity partner for over 30 years at a law firm, got to tax capping status. But I did very nicely and I earned more money here, if I am
2370 realistic, than I would have earned in a different jurisdiction when I would have had to pay a higher rate of tax. I did that because I am a Guernseyman and I have the benefit of doing that here.

Now using the figures, and whether it is £7 million or £7.2 million, I am not quite sure, I will take it at £7.2 million because I think that was the figure Deputy Mahoney gave, now my arithmetic, I
2375 have done it in my head and Deputy Trott and I have had a disagreement, I think I am better at arithmetic, we had a friendly discussion last time in the States about arithmetic. That would work out about £240,000 a person that they are paying in tax, circa £240,000 because there are some at £150,000 and some at £300,000. So, £240,000.

Mrs Le Page, the figure that Deputy Le Tissier gave at £35,000 and we should always help Mrs
2380 Le Page, would pay just at 20% basic tax. She has got Social Insurance on top of that if she is working. But let us just take Income Tax, she would pay about £4,000, £4,200 a year in Income Tax, roughly. Let us say she has got another £500 or £600 in Social Security contributions, let us say she pays £5,000.

Now, he talks about GST and all that kind of stuff available, all that. Deputy Aldwell highlighted the point in her speech last time, I am not rehashing the GST point but the point is if the package that had been put forward was approved, she would be paying tax at 15%. She would be saving
2385 herself £1,000 a year at least, perhaps more than that, on Income Tax under the current regime. She would be paying less tax that way.

But forget that. We put that aside. That is not an argument for today but that is the truth of it. Now, these people, so Mrs Le Page, if we take, say £240,000, these figures will go up and down, £240,000, so what is that? Forty-eight. So these super-rich people are paying 48 times the tax that Mrs Le Page pays. Now I wish they could pay 148 times. I wish they could pay 248 times. I wish they could pay all of that but it is like the law of diminishing returns, which I learned when I used to read Professor Keynes when I was doing my A-level economics, there comes a time when the balance is
2395 tipped.

I agree with Deputy de Lisle. We do not live in a pretty safe place in this Island, we live in a very safe place. We can be on the beach, I do not think many people would go to the beach today, but they would be on the beach in 10 minutes, I would take our dog for a walk at certain times of the

year on certain beaches, we could do all the kinds of things that they could not do if they live in Sunderland or in London or anywhere else. Of course, we can do all of those things but we have got to balance out and be pragmatic. We have got to have regard to where people are.

Also, Deputy Le Tissier said the word that is used in the explanatory note is that he 'advised' P&R. He never consulted P&R. He never consulted P&R at all and if he wants to use that verb rather than the verb to advise, I would be grateful if, when he sums up, he could say specifically and on a non-confidential basis, who he contacted, when he contacted and how he contacted and what discussions he had with the five Members of P&R. Because he did not consult with the five Members of P&R. He did not do that at all. He would not allow consultation with them.

He would not allow them being informed by the one Member of P&R he did tell that he might be bringing this amendment. He was not allowed to disclose that to the other four Members of P&R at the time. Now, I do not know why he wanted that but that was his exhortation. So we are in a position whereby, of course we want more income.

Now, he said he is not xenophobic. It is a long time since I have heard the phrase that if they do not like it, what was the phrase he used, if they do not like it they can 'get on the shiny boat' tomorrow or whatever the particular phrase was. If that is not xenophobic, it is pretty close to it. It was like saying, the old phrase that I heard a lot when I was a child, 'If these English people do not like it there is a boat and a plane every five minutes, they can get on it and they can go.'

I thought we were a bit more of a cosmopolitan society than that nowadays and that we were a bit more balanced in relation to such comments. Those are the comments from the 1950's and the 1960's. They are not the comments of this particular century, this particular minute, this particular second.

I am just as much a Guernsey person as anybody in this Assembly. When I entered the States in 1994 for the first time, I thought my job was to represent – and it is something I am going to say in the motion of no confidence in two and a bit weeks' time – my job is to represent people. The child who takes their first breath to the eldest resident who is sadly going to take their last breath very soon and everybody in between.

I believe everybody is in relation to that, whether they are poor or whether they are super-wealthy. But my responsibility and the ethos that has driven me in my life, but certainly in my two periods of time as States' Member is to look after the poor, is to make decisions to help the poor, to make decisions that look after those who are less advantaged. I may not have always got it right because we all make mistakes. I am fallible.

But that has always been my intent and if I thought that I could make the advocates pay more tax and if I could make the fiduciaries that perhaps the former partners of practice pay more tax, if I thought I could do all of those kinds of things I would do it and I would look into it because, as I say, those people have got a very good deal in Guernsey.

But those people, not everyone would go, and Deputy de Lisle, Deputy Le Tissier are right. Not everyone would go and some people would pay more tax but there would be some of them who would go. Even more importantly, and we have talked about the statistics that Deputy de Lisle gave, which I am sure are accurate and are being quoted from etc. But those people are different. They are not all tax cappers because clearly the arithmetic shows they are not tax cappers but it would show that we are an Island that is almost becoming an anti-wealthy – what is wrong with being wealthy?

What on earth is wrong with having lots of money? What is the harm of it? It is not an ill or a cure-all. It is nice. Deputy Trott, honest man that he is, said that he would love to be a tax capper and no doubt perhaps next year or the year after he might achieve it. There is no harm in that there is no harm in being (*Interjection and laughter*) – we lost last night!

There is no harm in being aspirational in connection with all of these things. It is not nice being poor. It is better being better off. We have got to protect the poor. That is our job. I can remember and I do not care if it offends Deputy Taylor and he raises his eyebrows, he will have to do that, I can remember being poor for a big chunk of my life. All my childhood. He is smiling now. It was not

2450 a smile when I was a 15-year-old, my mum was wondering whether she could pay the rent or whether she could pay the bills –

Deputy Taylor: Point of order, sir.

2455 **Deputy Ferbrache:** I am not giving way.

Deputy Taylor: Point of order.

The Bailiff: A point of order.

2460 **Deputy Ferbrache:** Sorry, sir.

Deputy Taylor: Rule 17(6). Sir, I am not sure of the relevance of this to the debate.

2465 **The Bailiff:** I think that is a fair comment. We have shifted away from the topic.

Deputy Ferbrache: I think it is too, sir. I will move on. I will come back. I still enjoyed saying it!

In connection with where we are, our job in this Assembly is to be realistic and pragmatic. We could be as dogmatic as we like. I am probably the only person in this Assembly who voted in three general elections in the 1970's in England, because I was living over there. On each occasion I voted for a Labour candidate, each occasion the Labour candidate lost, but never mind.

2470 That probably says where I am in relation to my political inclinations in relation to where the world is. So I do not want to be called a disgrace and doing the poor down because I think that this amendment is ill-founded. I do not want to be told that I do not recognise, I will be at risk at the next election if I stood the next election or not, because I am doing the poor down because I am protecting the super-rich. I think that is an unfair statement and if Deputy Le Tissier has the relevant integrity, I would ask him to withdraw that comment when he makes his closing speech.

The Bailiff: Deputy Vermeulen.

2480 **Deputy Vermeulen:** Thank you, sir.

I welcome Deputy Le Tissier and Deputy de Lisle's amendment. I looked at it initially with an open mind and I straight away did some research. Now my father used to build open market houses in the sixties, large clos, or estates, they were called. He would have four open market houses. The profit he made on those subsidised the cost on the eight or 10 local market. *(Interjection.)*

2485 It was a way of reducing the cost of local housing and providing housing, which we currently need. So from there he went on to large open market renovations and I could always remember watching the Budget in the UK to see how many people would be leaving the UK because things had changed and taxes and loopholes had been closed and so on and this was people inquiring to come and live in Guernsey, which they did with a regular occurrence.

2490 Deputy Parkinson alluded earlier this morning that this is how the economy was driven. Fort George, the construction companies on the Island was driven through this open market sector. So the first thing I did was drop an email to the officer that administers Relocate Guernsey and ask them what they thought the implications might be on this amendment, which these gentlemen are only trying to bring it in to raise extra revenue, so they have.

2495 The results which came back were not good, to say the least. There has been a bit of an injustice about people not contributing to the hospitals and health. Nothing really could be further from the truth, sir. This is so sad this is covered, unbeknown to most of us there, some of these people that live on our Island and I welcome them and their massive contribution they make in the massive tax they pay each year and if the truth was known I would welcome another 30 people like that, we would get another £9 million in just like that – twice what Deputy Gollop would get with his raising

the Income Tax. But we have not got that. We have got what we have and I am grateful, sir, for what we do have and those people that live on our Island that are on these tax caps and the contribution they make to our Island life and our society.

2505 They have given many generous donations to charity, to hospitals, scanners, X-ray machines, free PPE equipment for a whole year. To have people say that they do not contribute, they pay £300,000 they do not contribute anything in taxes towards the hospital is really very unjust. So I have got to correct that wrong and I think I have done that.

2510 Now when I look around the Island at these wealthy individuals, they are very welcome to live here. They are Islanders, as far as that goes, but many of them invest in the Island in setting up businesses and employ staff. There is significant investment in some very large, hundreds of jobs attributed to this sector of people.

2515 I know only too well how easy it is to upset a sector of our society, when we changed the immigration laws and we lost 1,000 Latvian staff virtually overnight and they went to Jersey. I do not want to do that again here and we hear about a gentleman from a couple of other Deputies, who went to live in Jersey. I would love to see that family come back to the Island. I certainly would. And many others too.

2520 So I think they play a really important part in Island life. They pay their taxes, plus, sir. They create, they generate wealth on the Island and we must not forget that, we really must not. They are very welcome to live here and I will not be supporting this amendment at all. It is likely to crash the open market as a sector and, sir, if there is one thing I know, we do not want to do that again, do we? I am not going to be supporting.

The Bailiff: Deputy Inder.

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Deputy Inder: I thank Deputy Vermeulen for his last speech and it just reminded me, when I first took this office, it was myself and Deputy Vermeulen. I think it was Deputy Moakes as well. We reminded ourselves there is one phrase you never use in Government or put it into one sentence, it is 'review of open market', in any way, shape or form! Because we know what happened last time.

2530 I am happy Deputy Vermeulen mentioned the actual real contribution because what we get both proposer and seconder, it is like these people live in glorious isolation. They come over here, they dump their money, pay some cheap tax and leave. Nothing could be further from the truth.

2535 You have got to be very careful because they are a minority and if we start mentioning actual places as such, we are sort of identifying these names and these individuals but the same note that we got from Locate Guernsey, which Deputy de Lisle actually first mentioned, who shared it with myself and Deputy Vermeulen, Deputy de Lisle mentioned all the good works that Locate Guernsey have done, I think he mentioned something like 137 here, 300 just over there. He is actually spot on. The bit, with the greatest respect to Deputy de Lisle, I think he has got wrong, if you want to stop all of that good work, carry on with this amendment because this could stop it dead, or at least certainly slow it down.

2540 Now Deputy Le Tissier said he is expecting, he did not necessarily mention the people, to get up and do some scaremongering. Well he is absolutely right, that is exactly what I am about to do. From Locate Guernsey, I will just highlight a couple of sentences, a fairly long piece, and I am going to read some of these sentences. Bear in mind these are the people, the small team we pay with public money something between half a million pounds and £600,000 a year, to go out and actually promote Guernsey as a destination. So it is real taxpayers' money going out and they are doing a good job and Deputy de Lisle again has got the maths in his pocket that as usual I have not got but I am going to read some pieces.

2545 As far as this proposal is concerned, I think it is deeply worrying. There is no doubt that this move would impact on those who are considering relocation as well as those who are already here.

2550 So bear in mind this small team have only seen this over the last few days or so, so this is almost a, I would not go as far as a visceral response, this is a response from someone who interfaces with the open market and some of these tax capped individuals on a daily basis. Already worried.

Without this carrot, in the vast majority of cases, they probably would not even bother to look at Guernsey at all.

Are we still going for economic growth, Deputy Le Tissier? Maybe explain to that. But this looks like stopping growth. This is exactly what it looks like.

Guernsey is popular because of our tax arrangements, our quality of life ...

Correct, Deputy de Lisle.

... safety and security, natural beauty and other elements, including the ease of being able to live here due to the simplicity of the open market. That is what makes a difference for a lot of them and why they choose to move to Guernsey over other competitor jurisdictions.

2555 Again, even the mention of this has started to worry people already. And I will go further than that. Now I have got to be a bit careful with what I say and I cannot read this verbatim, you are going to have to take it as read and Deputy Vermeulen has got the same paper I have and I want him to read paragraph five, I am sure Deputy Vermeulen will nod away to make sure that I am not making things up. There is an interested person looking at coming to Guernsey, going into the open
2560 market bracket, number of issues related around purchasing the property and the representative for Locate Guernsey has told us that they have always mentioned this amendment, effectively saying. 'What is this?'

Only a couple of amendments ago, I mentioned about sentiment and a political steer, what people look at. In the F&I Plan I said the same thing and I am going to say it again. What emanates
2565 out of this room is listened to time and time again. And steer and direction worries people. If you want to worry people, keep talking this through for the rest of the day. If you want to worry people, vote it through. If you want to get rid of people, vote it through. Because this is likely to happen.

It is not me saying it. It is the people that we pay to go out and market our Island to Guernsey and one of the things, I do not know why, when these wealthy people settle in the Island, they often
2570 get involved in local business and don't they just? Don't they just get involved in local businesses?

Without identifying people, two areas within the marine industry entirely dominated with these kinds of partners. They have invested in these operations and over the last, both of them, about 15 years have invested massively in the Island. They bought boats, they paid masses in mooring fees. Proper investment in the Island. Not living in gloried isolation as Deputy Le Tissier would have you
2575 believe. Not true in any way, shape or form.

I will make an offer here and now to Deputy Le Tissier, particularly Deputy Le Tissier, and Deputy de Lisle should already know because he was on Economic Development for four years. I will give a direct invite to Deputy Le Tissier to go and meet Locate Guernsey because that invite is there, day in, day out. He can go and meet the individual and talk through with that team and talk about the
2580 real contribution.

And let us talk about what else these people do apart from living in glorious isolation in Guernsey. They quite clearly buy open market properties, Think of the developments that we have seen around the Island. What does that contribute to? It contributes to the building industry. It contributes to cleaning services. It employs people. Let alone two of these people have got family
2585 offices here.

The family office is not just the family sitting in an office. Just to make that clear. Just in case anyone was not clear, it is not five or six people with the same surname sitting in an office called a family office. It employs local people. In fact, only recently, I was invited to see a building about another matter and the entourage that came up were four local lasses and two lads. I knew three

of them personally. So that person is employing those people through their family offices as an authorised manager. They do contribute, Members, and Deputy Le Tissier and Deputy de Lisle.

Like Deputy Ferbrache, it does concern me that the sentiment, and I do not know where this comes from, it is a real sort of us and them and I genuinely do not like it. Deputy Le Tissier can shake his head and he can shake his head all he wants because that is effectively what he said. He did not quite say it but it was almost as though, I am not entirely sure what he said and I would not want to misquote him because Deputy Taylor does that to me and I obviously tell him off, but quite clearly, there is a queer sentiment and I do not know what gallery he is playing to because it is not this one. It is not this gallery.

There is no real us and them. Those people who come to this Island, who bring their capital into this Island, investments. as far as I am concerned, are very welcome and long may it continue and Deputy Vermeulen is spot on, we could do with another 30. It would change everything and add another £9 million to our revenue overnight. Wouldn't that be fantastic?

What about the development in ... I will stop right there. We know there are a number of sites at the moment, they are being developed by exactly those people. Planning is likely to know who we are talking about and Deputy Kazantseva-Miller will have an indication. Philanthropy in the arts. The contribution that I have seen of people actually funding Guernsey arts, possibly, it is that kind of wealth that has been looking after those buildings. It is those kinds of people who do effectively, I would not say end of life, but mid-life passion projects. They are actually throwing money in Guernsey. They buy buildings, they give them peppercorn rents. That is what the real investment is and Deputy Le Tissier needs to understand that.

What Deputy Le Tissier needs to stop doing is saying something different via social media because it is incorrect and it is entirely wrong. Local businesses obviously benefit, as I have said before and, sir, Members, I do struggle with this. It is just too simplistic a view to create an us and them position on this matter because, as far as I am concerned, and I doubt there are many Members who would disagree with me, that every single person who comes to this Island, invests in this economy, buildings businesses in this economy, one of them even employing up to 500 people, they are welcome here and long may they continue and, as Deputy Vermeulen says, can we have another 30 please?

My view of those who have contributed to Guernsey is not the same as Deputy Le Tissier's. As a Guernseyman as well, I can entirely reject that sentiment that there is an us and them. It is the wrong thing to say and from an elected representative, I am very disappointed and he should be too.

Thank you.

The Bailiff: Deputy Le Tocq.

Deputy Le Tocq: Thank you, sir.

I will try and be brief because I think we have heard a lot of the other arguments but I did want to put on record that, like Deputy Parkinson, who said that he was, we were reluctant in ringing in tax caps, I think that was the word he used, the concept of tax caps for the very wealthy does not sit very well with me.

However, some of the arguments that we have been hearing so far have verged, sir, into what I would call the politics of envy and greed. (**A Member:** Hear, hear.) That does not sit very well with me, either. In fact, Deputy Ferbrache referred to xenophobia and the attitude, which I do hope has long gone, like he does, of treating certain types of people as if they can never become local, when in fact, actually, we have always, Guernsey has always depended on investment from our friends overseas, whether they come to live here or do business here, etc., So we need to be very careful.

I too, like Deputy Inder, would actually want to encourage more of this, more people to come over here and do business here. I think we have been enhanced in our Island by that sort of thing. But of course the biggest problem if this was to pass, sir, is that we might be putting off not only those who have moved here but those from here originally.

Deputy Parkinson referred to one particular individual family, in fact, I think most of us know who he was referring to, but I know of at least one other individual who in fact was at college with Deputy Trott and I, who at the time when we were out of synch in this respect with our main competitors, chose after he had made his wealth, to make his home elsewhere rather than come back to Guernsey.

So we have got to be very careful here doing something, which on the surface can look like it is fairer, we end up far worse, but the far worse position, sir, that I think we would end up in, if we went along with this and I think Deputy Mahoney has referred to it, is that, surely those laying this amendment should have as a motivation to raise more money? And yet it is very clear, and we know this from experience, that if this sort of thing was to go through, even if it resulted in no one leaving this for one of our competitor jurisdictions, the individuals concerned would rearrange their affairs so that they do not pay any more. In fact, they could do so now, to some degree.

One of the problems we have got, sir, is that we are living in a global community where we have to do business on that basis and so we cannot ignore what our main competitors are offering and we would be very foolish if we try and make ourselves, in any deliberate fashion, less competitive than those.

So, sir, I cannot support it and will not be voting for this.

The Bailiff: Deputy Taylor.

Deputy Taylor: Thank you, sir.

I feel most of the debate seems to have focussed around the first and second part of this amendment and I am certainly not supportive of either of those. I have got a question I would like to pose, through you, sir, to Deputy Helyar, on the third part, if it was adopted, which is to increase the amount from £150,000 to £250,000 and from £300,000 to £500,000. Looking at Proposition 6 that would be deleted it was only a £10,000 and £20,000 increase on the sums, respectively.

Could he give a bit of an explanation on how those figures were arrived at? Was it just a finger in the air? In the original Propositions, Proposition 6, a £10,000 increase and a £20,000. What kind of discussion, not with industry but with these people who are at these tax caps, what they might be willing to entertain? That part, I think, could be attractive, but the first two parts, absolutely not.

So if he could give a little bit of an explanation on those, a bit of talk about them and how the original Proposition 6, the increases on there were arrived at, that would be much appreciated.

Thank you.

The Bailiff: Deputy St Pier.

Deputy St Pier: Thank you, sir.

Again I just want to reference a couple of other points, which have not yet been made. Because this amendment seeks to address one tax cap. We do have a number of other tax caps and so it is odd, I think, for this amendment to come forward without referencing or at least explaining the interaction with those other tax caps.

Probably the first tax cap we had was something called the standard charge. I think it probably predated Deputy Parkinson's introduction of the tax cap that we are referring to here, which is under the sixth schedule of the Income Tax Law, paragraph one. The standard charge is under Chapter 1A of the Income Tax Law and it was last increased in the 2021 Budget and it was explained then that under the Income Tax Law a person who is treated as resident, but not solely or principally resident for Income Tax purposes, can elect to pay a standard charge, which satisfies their tax liability on non-Guernsey sourced income or bank interest. Such individuals are not entitled to any allowances, reliefs and deductions.

We were then told at that time that there were approximately 30 individuals who pay the standard charge and at the time the Budget increased the standard charge from £30,000 to £40,000,

with an expressed political commitment that they should stay at the level until 2026 to provide certainty to the marketplace.

So that is the first tax cap. Then we have the one that Deputies Le Tissier and de Lisle are referring to. But there are also two further tax caps that were introduced. There was one introduced in 2016, which is referenced in paragraph 2.19 of this year's Budget Report, which is the tax cap in respect of Alderney, which is dealt with under paragraph two of the sixth schedule. Paragraph 2.19 explains that a £50,000 tax cap was introduced from 1st January 2016 for residents of Alderney, provided that they had never previously claimed the Income Tax cap and available for an initial period of 10 years, i.e. up until the end of 2025. There are currently fewer than 10 claimants of this tax cap.

And then finally we have paragraph three, which is the open market tax cap. Since 2018, this is addressed in paragraph 2.15 of this year's Report, there has also been an open market tax cap of £50,000 applied for qualifying new residents who have paid a minimum of £50,000 in Document Duty on the purchase of the property on Part A of the Open Market Register. An individual is able to claim this cap for the year they take up permanent residence and then the three consecutive years, i.e. up to four years. Currently, there are approximately 30 claimants. Thirty does seem to be the magic number in relation to the various tax caps.

But the point is that there are a number of tax caps and this amendment really seeks to only address one. There has been no comment on the others. I think it would be entirely valid, at some point, for Policy & Resources, as of course was intended, they might wish to revisit the effectiveness of the Alderney tax cap or the open market tax cap. Are they achieving their objectives, do they remind valid, should they continue?

That is a piece of work that should be done with care and with time and with the appropriate consultation and then with recommendations brought back to this Assembly for consideration in the proper way.

Sir, I am not supportive of this amendment for the reasons which others have stated but just wish to point out the incongruity of it with other elements of our tax system, which would not be addressed even if this Assembly were minded to support the amendment.

Thank you, sir.

The Bailiff: Deputy Kazantseva-Miller.

Deputy Kazantseva-Miller: Sir, I think when we debate these things it is useful to put things into perspective and we say how the roof is going to fall because we will be completely uncompetitive to Jersey. So I have had a quick look at the situation in Jersey and what is interesting is they have something, which is similar but a little bit different, it is called the High Value Residency Scheme, which is linked to their immigration/population regime and the ability to move to the Island and get a housing licence. But it is linked to certain minimum taxation requirements, minimum property, etc.

So it is slightly different but it is effectively what is we, when we talk about comparable tax gaps in Jersey, this is in relation to the High Value Residency Scheme that Jersey have. Jersey's scheme is not a tax maximum cap, it is a minimum expected contribution. It is a minimum. It is not a maximum.

It is 20% on the first £850,000 of income globally, but it is then 1% on all other income. So a very different scenario to ours, where we just say the maximum you ever pay is this, nothing else to worry about. They have already had, for all this period of time, something which is actually quite different. It is a minimum expectation and they continue to charge 1% on all global income that you pay.

They have also had quite significant increases. They have increased the minimum expected contribution from £145,000 last year to £170,000. But what is interesting is that earlier this year, in May, Treasury lodged an amendment to the Income Tax, proposing that this minimum contribution is further increased and from what I see the debate took place in June and it has been approved and this has taken immediate effect.

This minimum contribution has now increased to £250,000. From what I understand there was a lot of outrage in the community saying Guernsey is going to get all the high net worth individuals,

etc. I do not think we were even aware here, or the Island was even aware, we had such an opportunity to go out and say, 'Do you know, guys, we are doing so well.' This is back into how terrible sometimes Guernsey is in marketing itself and forgetting what advantages we have.

So I know that there was quite a bit of hoo-ha in the industry in the community, saying that Guernsey is going to steal the competitive advantage. But it looks like there they went, real increase to the minimum contribution, expected contribution, to £250,000. So that is now a really significant, different shade to where we are now.

What was interesting to me is that if you look at the amendments submitted by Treasury they said that this is just less than a 50% increase on the current requirement. This is words from Jersey Treasury, which I am sure are watching Guernsey with an eagle eye and will always seize an opportunity to have a competitive advantage.

So here we are, we are talking here in this Assembly how any review of tax caps will completely destroy our position, while probably most of us, here in this Assembly, did not even realise that Jersey has significantly increased their minimum contribution and have a different type of scheme.

Having said all this, I will not be supporting this amendment in the way it is drafted. I think different people have illustrated the reasons for that. But I think this is an example of the types of issues we have to be looking in the whole. We cannot be just bringing an amendment, a week before debate, and tinkering with things here and there. I think we have to look at them in a rational way, in consultation and as part of a package of measures.

I think Deputy Le Tissier illustrated the points about perception of fairness. I do think that is pertinent and we should not underestimate the strengths of that feeling, perhaps, in the community. So I do share with him the concerns that there has to be a perception of fairness in the taxation system and I do personally believe, I think there is scope for looking further but we need to do it properly, rationally and without scaremongering.

So while I will not be supporting this amendment, I do think it is something we need to be considering in the future as part of the package. Thank you.

The Bailiff: Deputy Gollop.

Deputy Gollop: I am probably closer to the position Deputy Kazantseva-Miller has outlined. In a way I regret, I think I did not support an amendment that narrowly missed, of looking at the whole tax system again. Although, of course, we have been doing that with the GST and everything else. Because that is the elephant in the room, as far as I am concerned.

Deputy Kazantseva-Miller, I am sure, because she is very much involved with Economic Development and the digital economy and high net worth people, she is pointing out that the community saw something, an opportunity that maybe we missed when Jersey moved upwards. But there are different kinds of community in Guernsey. Members have outlined the entrepreneurial community, the charity community, the arts community, and for those reasons, I think I will not vote for this amendment but I do support Deputy Le Tissier and Deputy de Lisle for bringing it because of the three options, as Deputy Taylor has intimated, I think the third is the most acceptable, and if it was reconstructed, maybe went with a slightly higher tax cap than P&R has suggested, that would also be a useful point.

But I am coming back, I think, to Deputy Kazantseva-Miller's community. When this amendment hit the streets, or hit the media, about a week or two, I was going into a shop and a café buying a pumpkin of all things, I was having a cup of coffee here and there and I met typical Guernsey people who were neither very rich nor very poor men, women, couples, and they all said, 'Come on John Gollop, support this amendment.'

The community, I am not talking here of the professional community, the corporate community, Locate Guernsey, the people who know what they are talking about in estate agency and real estate and investment and financial structuring. But on another level the community do not get this. I think Deputy St Pier made an excellent speech. He pointed out all the different tax caps. I kind of knew

2795 about them. Not only from reading the Report but sitting on Legislation all these years with the open market and the Alderney one. But even Members do not understand all of this.

To me, the message that should have come out at this amendment and the last amendment, is we need a real communications effort, not just from P&R but from everybody in the professional community, especially Economic Development, in pointing out these issues, because the public are not with us.

2800 We know that these issues are dangerous and potentially even weaken our economy rather than strengthen and weaken average wages and might even cause unemployment and hardship, but the public say, 'Come on, it is not fair.' And we have to do something to counteract that and the last year of debates that have not gone anywhere does not help. So we really do need to bring on more consultation between Deputies, the public and the professional organisations, because we are just victims of Facebook in other ways.

The Bailiff: Deputy Dyke.

2810 **Deputy Dyke:** Thank you, sir.

Deputy Gollop has prompted me to stand up and speak. I think what he said about the public misconceptions is a very important point. Our job, representatives in a representative democracy, is to govern the country as best we can in the interests of the generality of the population. That is how I see it.

2815 Clearly, to my mind, as you might have guessed, I do not believe this is a very sensible amendment in terms of our competitiveness with other jurisdictions and in terms of not reneging effectively on arrangements we have in place and people expect to remain in place. So I do not think we would want to implement this.

2820 But in terms of Mrs Le Poidevin, at her house in Torteval, if she is sitting there thinking, or Deputy Gollop's friend who is having coffee with, if they are thinking that this is a good idea and there is a lot of them who may think this but not in the business sector or in the areas where we are trying to develop the economy, if we think they are simply wrong then we do have to explain it to them and not go along with a mistaken belief.

2825 Because if Mrs Le Poidevin has a mistaken belief and we all go along with it, then we are damaging the economy as a whole, we are damaging her. There will be fewer taxes to pay for her knee replacement or whatever other issues she has and her pension. So it is so important to focus on the big issue, which is keeping the economy on an even keel and growing it and not doing anything that could possibly damage it. That is our duty to the country.

2830 So I will not be supporting this amendment. One comment I would make to Deputy Le Tissier is he must stop reading Joseph Stiglitz and I suggest he gets hold of Arthur Laffer's book *Taxes Have Consequences*. That is much more appropriate for someone governing an offshore finance sector.

Thank you.

The Bailiff: Deputy Soulsby.

2835 **Deputy Soulsby:** Thank you, sir.

2840 Yes, following on from Deputy Dyke I was surprised to hear Deputy Le Tissier quote Joseph Stiglitz but perhaps he is moving to more the light side, as it were from that point of view! I cannot support this amendment, because as many speakers have said already, it is really quite prescriptive as it stands and it is telling us to do particular things. I do not use the word often, others use it quite a lot, but the word dangerous, I think it could be for actually probably very little gain, if anything.

2845 Perhaps if Deputy Le Tissier had worded his amendment such as increasing the current the personal tax caps of £150,000 and £300,000 to amounts that Committee believes are appropriate taking into account the need to generate additional revenue and ensure that any increased caps do not unduly negatively impact Guernsey's competitive position, particularly with regard to Jersey.

Now that might be familiar to Members because that was in the, what was described as the Fairer Alternative amendment put forward at the beginning of this year. Of course, that failed to get through on the tied vote. But it is interesting to see that P&R have actually taken forward the spirit of what was in that amendment and have suggested increasing the tax caps.

But I am with Deputy Taylor, I think it was, who spoke about where did these increases come from? How have they calculated it? Is there a science behind what they have done? Because I think that is the issue. They see and understand you have gone from here and you have gone to there but what work has been done to actually determine that it is probably the right level for our tax cap at the moment.

I believe, as Deputy Kazantseva-Miller spoke about, having a more holistic view to these things and I think that is what is missing at the moment. We have looked at everything else and claimed that we have dealt with every possible scenario when it comes to raising money but this is one area again where I think the public need to know that work has been done.

The Bailiff: Deputy Queripel.

Deputy Queripel: Sir, thank you.

Deputy Le Tissier, in his speech, focussed on fairness and equality. How right he was to do that. We talk a lot about being inclusive. We talk a lot about equality in treating everyone as equal. But the reality is sometimes we do not. Not only in this instance but in several other areas as well but I am not going to go into that in this speech.

But for any Member of this Assembly to say an amendment is irresponsible, that is an insult, in my view, to the Deputies who have laid it. Just because Members lay amendments that other Members do not agree me does not mean to say they can justifiably be accused of being irresponsible.

Every Member who lays amendments in this Chamber does so because they believe it is the right thing to do. They believe we need to have that debate. And what is wrong with debating issues that colleagues feel need to be debated? Some colleagues will say we must not frighten the horses. So we do not have a debate, then.

So every time you want to put an issue forward, you have to think, 'Ah, am I going to frighten the horses?' So you have got to go through all that whole dilemma when, really, you just need to have the debate. That is what we are elected to do, debate issues. How many times have we heard the mantra, no stone should be left unturned in an attempt to identify savings and income? Most of my colleagues have said that over the last three years. No stone should be left unturned to identify savings and income.

To actually say that, then rally against it when it suits, once again is contradiction. I certainly do not see this attempt as being irresponsible. I see it as a genuine attempt, on behalf of Deputy Le Tissier and Deputy de Lisle, to attain fairness and hopefully bring in more money. Money we desperately need.

Now I am going to focus on evidence, because there is none, so where is the evidence to prove we should not do this? I have never been provided with or seen any such evidence. I have heard lots of talk about, if we do this, people will leave the Island. But talking is cheap and talking is not evidence.

Anyway, that sort of talk is always the same. The message being the sky will fall in and the world as we know it will come to an end if we do this. I get so tired of hearing that because we have done several things in the past in this Assembly and previous Assemblies I have been involved and previous Assemblies before that, where we have been told we should not do it. But the sky has not fallen in and the world as we know it has not come to an end.

Then of course anyone to also say, 'It is common sense.' That does not cut it either because common sense is subjective, as we all know. What is considered to be common sense by one person will be challenged by another. So common sense is not evidence either.

So saying something is irresponsible is not evidence and neither is saying it is common sense. So where are the credible arguments against this amendment that are evidence-based? I have not heard one yet, in anyone's speech. Now I commend Deputy Le Tissier and Deputy de Lisle for laying
2900 this amendment in front of us. This is exactly what the vast majority of our community are saying we should do, take more from the rich. And there is evidence of them all saying that. We have all heard it.

So I see many reasons to support this amendment. At the moment I cannot see any reason to vote against it but I have not decided which way I am going to vote yet. So I am hoping to hear
2905 something to help me make up my mind.

I do hear the argument Deputy Mahoney or somebody said, neither is there any evidence that these people will not leave if this amendment succeeds. But as far as I recall, none of the 30 people who benefit from this cap have contacted me and I would remember if they had have done. If I was in this cap, I would have contacted every Deputy personally and provided them with evidence of
2910 why I would need to leave if this amendment succeeds. Not one of those 30 people has come to me and told me, 'I will need to leave if this amendment succeeds and here is why I will need to leave. Please meet me and I will lay it out in front of you. All the reasons why I will need to leave.'

Now that is evidence. That is the sort of evidence I would provide if I were in this bracket. And I feel should have been provided to us all. Now I am only too aware of the good rich people do here in the Island. They do an enormous amount for charities. An enormous amount. They want to contribute to the community and they do contribute to the community in many ways. So we need them. Thank goodness they are here.
2915

We need more of them. But in my experience, it is not just a tax cap that is going to encourage them to come here or stay here. They come here and they stay here for everything else the Island provides. Not just for business exclusively. They come here for so many other reasons and I have met several of them over the years, through my being involved with Age Concern. And not one of them has told me they will leave if this, that or the other changes.
2920

Suffice to say I am certainly not anti-rich. We need them. They do a lot of good out in the community. But there is no evidence they will leave. And when Deputy Mahoney spoke, he picked up on the possibility of Deputy Le Tissier electioneering due to the fact he referred to something along the lines of Deputies who intend voting against this amendment need to be mindful that the electorate will not forget that come the next election. I think he said something like that. I apologise ... I think that was the essence of what he said.
2925

But I come back to –

2930 **Deputy Mahoney:** Sir, point of correction.

The Bailiff: Point of correction, Deputy Mahoney.

2935 **Deputy Mahoney:** It may not be, I just want to clarify whether Deputy Queripel is talking about I said that or Deputy Le Tissier said that. I think it was Deputy Le Tissier that he was referring to but if he was referring to me then it was not me, it was Deputy Le Tissier. So it may or may not be a point of correction.

2940 **The Bailiff:** Deputy Queripel.

Deputy Queripel: I am happy to clarify that, sir. I have not finished my speech so I was going to come onto that in the last half a page, which is blank at the moment. So yes –

2945 **Deputy Le Tissier:** Point of correction, sir.

The Bailiff: Point of correction, Deputy Le Tissier.

2950 **Deputy Le Tissier:** It is just to clarify what I did say: so there we are, if you speak or vote against this amendment you are telling the rest of the world you approve of our discriminatory tax system, you have no regard for the poor and you favour the super wealthy or maybe you are one of the super-rich. All I can say is good luck with that attitude in the next election.

2955 **The Bailiff:** Deputy Queripel to continue, please.

Deputy Queripel: I hope that clarifies that for Deputy Mahoney as well as for me and everyone else, sir. *(Interjection)* But I come back to, yes okay it could be considered Deputy Le Tissier is electioneering. I do not see it that way. I see it as a genuine attempt, as I said at the top of my speech, to obtain fairness and equality –

2960 I give way, sir, to Deputy Mahoney.

Deputy Mahoney: I thank Deputy Queripel for giving way.

Because he touched on the word fairness again and I was going to do it the first time he said but I decided not to but since he has raised it a second time it is really just to ask him what does that phrase mean? Because I am not sure what that means when we are talking about tax. Because someone on-Island today, sorry should these numbers get passed, someone earning £149,500 a year, big money I accept that entirely, is paying 20% in tax because their personal Income Tax allowance is gone because of the taper, etc. They will get zero. So they will actually pay 20% Income Tax on their earnings.

2970 Someone on a median wage of £37,000 or whatever the number is, roughly, will be paying about 12.5% in Income Tax of their earnings. Is that fair? When he talks about fairness is it fair that someone pays 20% and someone pays 12.5%? Is that what he means by a fair rate?

2975 **Deputy Queripel:** I was hoping this was going to be a fairly shortish speech. I could spend an hour talking about my view of fairness. **(Deputy Mahoney: Withdraw!)** Deputy Mahoney withdraws the question, sir! Maybe another time I could spend an hour talking about what I think is fair and what is not fair in this Island of affluence when we have got so many people struggling.

2980 So just getting back to where I was hopefully going to wind up, I do not see it as electioneering, Deputy Le Tissier or Deputy de Lisle, I do not see that as their motive to lay this amendment. I do not even know if they are standing. I have not asked them if they are standing in the next election. I just see this as a genuine attempt. They have laid it out themselves, they have said in their speeches, to attain fairness, and hopefully bring some more money in.

I am going to leave it there, thank you sir.

2985 **The Bailiff:** Deputy Blin.

Deputy Blin: Thank you, sir.

2990 I would like to thank the Deputies who brought this amendment forward and in particular I would like to thank Deputy Queripel's speech because I think it is very courageous, very brave, to talk about it on that level. I agree that there is a sort of a question mark over the definition of fairness, especially after Deputy Mahoney's one there, but what is raising me to my feet is that I truly believe in growth for the economy of Guernsey and I can also say that of the amendment, the third part, which is about looking at the increasing of the cap, taking into account what Deputy St Pier said about actually first of all it is not even matching all the other aspects, all the other areas where there could be tax caps, but I would like to see this tax cap reviewed by P&R. Maybe not as the amendment here. I am standing up and saying this is definitely something that needs to be done.

3000 Now some of us have made speculative comments about what the ultra-high net worths or high net worths would say. So I have spoken to three high net worths and I sometimes question if they are on the ultra-high net worth but as I believe has been mentioned earlier during the debate,

wealthy people choose whether they pay tax. That is the reality. They can move to wherever they want. We also know Guernsey is a great place. Not just because of the tax cap but because Guernsey is truly a great place and when people say, 'Oh yes but they will just go and they will go to another place, Malta or Seychelles or Gibraltar or something,' well, so what?

3005 Not saying so what please the Island, but so what if they choose another place to go? That should not be our drive. The principle of this amendment I actually think is very correct. Not on the first part of removing the cap, that makes us automatically uncompetitive. But the idea of making other changes around it as part of the request for us all to look at ways to raise, and this is what Deputy Le Tissier and Deputy de Lisle have done.

3010 There is another point. Maybe this a sort of moral point, maybe we should not be mentioning this but when I hear and have witnessed as well all these high net worths with very altruistic gifting donations, etc., there is the argument that actually, and this is going to happen over time with OECD and everything else if individuals paid their taxes we would not have to go to them to get charitable money to help all the things there. That is a point that has to be borne and that over the years is going to come into effect, as taxes get stabilised.

3015 So other questions which we should be considering beside that it would be good if P&R or this was looked at in that case, we ought to talk of comparisons to Jersey, to other jurisdictions, etc. I did, if it is okay to mention them, sharing with Deputy Trott, I was going to ask him some comparatives because he is in the best position for it and the reality for the tax caps and the decisions is in a lot of cases they are negotiated. So it is a case of what is the person bringing and this comes into the category what are they bringing to the Island, what are they giving?

3020 The other point is it is not just an individual coming to the Island because they have the benefit of getting tax capped but it is also the fact what are they bringing to the Island. Now I know of a particular individual who came here, Relocate Guernsey trying to help, but it is not just the individual we wanted them to create jobs and bring people with them. Of course then we have to go into another category of population management to ensure that they can get the right licences, etc.

3025 The best ones for growth of the economy are those who bring businesses here, who create businesses, are the ones who actually do believe and like living on our Islands and not going come up to us and tell us, 'Do you know what, if you bring this Law in I am going to run off to another one.' That does not help when we have to enjoy/appreciate our Island too.

3030 So I think really it is case of, I would like to also reflect as has been said by others regarding this amendment, I am going to conclude when we have things like there are unquantified but positive financial implications for the States of Guernsey. I am not going to support this amendment but I do strongly urge and hope that this is looked at in a way at how it could be developed in the future because the potential is there.

3035 The last thing I would like to had is from those individuals I have spoken to, not one of them has turned around and said, 'I am quitting or leaving.' It is just another difficulty or change but it is more up to us to do the steps gently to make this more attractive and, as Deputy Queripel is saying, it is about raising money for Guernsey as well. We have to do that with fairness in that sense to find ways to raise it.

3040 Thank you, sir.

The Bailiff: Deputy Oliver.

3045 **Deputy Oliver:** Could I call a 26(1), please, sir?

The Bailiff: Very well. Let me invite those Members who still wish to speak on Amendment 2 to stand in their places. Is it your wish Deputy Oliver still to put the procedural motion?

3050 **Deputy Oliver:** Yes please, sir.

The Bailiff: Members of the States, the motion is that debate on this Amendment 2 be curtailed at this point, subject to hearing from Deputy Helyar and Deputy Le Tissier. Those in favour; those against?

3055 *Members voted Contre.*

The Bailiff: I am going to have to declare that lost.
Deputy Trott.

Deputy Trott: Thank you, sir.

3060 I just have a few points to make but I think they are relevant. The first is my friend Deputy Vermeulen made reference to an amendment such as this could precipitate a crash in open market property prices. Remember we are only talking about 30 individuals here, out of 1,700 properties. But much more importantly, debates like this help us underscore our commitment to the open market.

3065 It is a very good thing, in my view, that amendments like this come before the Assembly from time to time and I do not criticise Deputy Le Tissier for bringing it. He did ask my view, in fairness to him, and I did say to him, some time ago, a few weeks ago, at the time I thought there were only seven or eight people who were availing themselves of the tax cap. I have since learned that we are now up to 30. That is what success looks like and I hope that that number continues to grow.

3070 But it does as I say give us the opportunity to underscore our commitment to the open market, who are ostensibly the people who are going to be tax capped are going to be in that sector, but not exclusively would be my view.

When my friend Deputy St Pier got to his feet, he talked about a number of tax caps. In my view he left one out, which is almost the elephant in the room, which was I think partly referred to by Deputy Mahoney and that is the tax cap that we apply to earnings through the Social Security mechanism.

3075 Now some time ago the Social Security mechanism stopped being an insurance based principle, as I said this morning, which means that if you are self-employed and you earn £169,000, you pay an effective rate of Income Tax, an effective rate of tax of your income, equivalent to 31.5%. That is a fact. But we conveniently do not talk about Social Security because we always want to sort of kid ourselves that it is not a tax.

Well you will not get a more obvious example of the fact it is a tax than the decision we made just a couple of weeks ago. We decided to take a dollop of money from the Health Insurance Fund in order to use it to build a hospital. Of course it is a tax and I do think we need to be grown up with our language. (A Member: Hear, hear.)

3085 Now one of the things about the tax cap is the issue around the sorts of public services that people who are on the tax cap avail themselves of. The answer is very little because what they will inevitably do, if they have children of a school age, they will be privately educated. They will almost certainly be using, most of the time, the opportunities that their private medical insurance provide and they may not even be using Aurigny because when you are in that sort of league you have probably got your own jet up at the Airport.

3090 The point is that they are incredibly good value for money because, unlike people who are on median earnings, with a couple of kids, I think it was Deputy Ferbrache us who reminded of this statistic earlier, those sorts of people, and long may it be the case, sir, are consuming far more public services than their tax contributions would allow. By contrast, the people that are tax capped are probably availing themselves of almost none.

3095 It is okay for us to talk about these sorts of income taxes because it sends out a message, we have a proper debate, the community is better informed and we are better informed. As long as we never talk about capital taxes. I remember regrettably, almost falling out many years ago with a friend of mine in this Assembly – I hope we did not permanently – because there was an amendment brought to carry out an investigation into capital taxes.

You want to scare the pigeons, vote for an amendment like that because of course our entire economy is based on the absence of taxes on capital and that is why Deputy Mahoney's point earlier was so important because there are all sorts of ways that one can change one's structures in a way that means that we are, if somebody is living off capital rather than income.

That has been a problem with the open market over many years, as my friend Deputy Le Tocq and Deputy Parkinson, who have served on Treasury Committees before, will know. The amount that we were taking from the rentier section, the open market section, surprised many of us because many were living off capital in a way that they were not needing to pay any Income Tax at all.

There are two other points I want to make and one, really, is to thank again the generosity of some of the people that we are talking about today during COVID. I am not a man who is moved to tears very often. In fact, sir, the last time I cried was when I had an unfortunate episode with my zip fastener (*laughter*) but I was moved to tears during COVID. There were some offers of help from some of our philanthropists in this community that were absolutely spectacular. (**A Member:** Hear, hear.) But the offers were made on the grounds that they remained anonymous. In other words they did not want any credit for it. I mean it was absolutely fantastic and I wish I could name them because I would like to call for a round of applause. But unfortunately I cannot.

However, by contrast – well it was very touching – there were some exceptions on the other side of that equation – there were – but the overwhelming majority during that time from those types of people, very wealthy people, was positive.

But I end with this, I think it is a curious fact. A few years ago, I asked if anyone who was entitled to a Guernsey old age pension had ever turned one down. Because when you reach a certain age, you get a letter apparently and it says, 'Do you wish to take the pension or not?' And I was staggered to learn that no one in living memory had refused the pension.

Now there is a psychology here and that is it does not matter how wealthy you are, sometimes people just need to feel part of something and I think that is why up until that time it had never been rejected. But I think it tells us a lot about the psychology of people. These people are prepared to pay substantial amounts of tax and for them it is the fact that we have no capital taxes primarily and they contribute far and beyond their ability to ever consume at the level they contribute at, by a factor of 20 or maybe more.

But something as simple as the old age pension could tip that balance over. So I am not going to support the amendment but unlike others I am not critical of Deputy Le Tissier for bringing it. I think it has actually helped the narrative around how grateful we are and how supportive we are of people of this ilk who choose to come and make their homes here.

Thank you, sir.

The Bailiff: Deputy Leadbeater.

Deputy Leadbeater: Thank you, sir.

I am glad that the little conversation between Deputy Mahoney, Deputy Le Tissier and Deputy Queripel cleared up what Deputy Le Tissier said because I actually thought that he said, 'If I do not get this through this time I will bring it back at next Budget time.' (**Deputy Le Tissier:** I did.) He did, well okay, he has confirmed he did. I do not think he needs to bother, we are at 16.23 and we are two amendments into 16, I think we will still be here next November! (*Laughter*)

Anyway, I have got a couple of questions. Deputy Queripel when he spoke said that we have not been given any evidence from the 30-ish or so individuals but I think the onus is on us to provide the evidence, not on members of the public to provide the evidence. If we are making policy decisions, we need to provide the evidence. So what I would like to know from Deputy Le Tissier when he sums up is how much revenue would each of these options raise, based upon the current 30 individuals that we have in that bracket?

And how do the proposed options compare with competing jurisdictions? We have heard from Deputy Kazantseva-Miller that Jersey has a different system to us and we have heard how that operates. And how did he arrive at the £250,000 and £500,000, respectively, in option three? If he

could answer those when he sums up. I am not going to support the amendment but I would just like to know where he gets his facts and figures from.

Thank you very much, sir.

The Bailiff: Deputy Haskins.

Deputy Haskins: Thank you, sir.

There is not really much to add from what has already been said but in response really to what Deputy Gollop said with regards to rationale and the reality, I would just like to highlight or to add that apart from plenty of the very laudable actions that these individuals do, such as employing many people in the construction industry, the Third Sector, what I really want to highlight is that many of these individuals offer help and offer funding to start-ups. Start-ups here in Guernsey. That, sir, is hugely important to Guernsey. It is hugely important for economic growth.

We as a Government do not do enough for start-ups or for diversification of industry in Guernsey. These individuals do. They do many things that Government just does not do enough of or does not do it well enough. Sir, I remind most people who talk to me that artificial intelligence will change many things on this Island and it will be stark and we should have our eyes wide open. We need all the help that we can get in terms of helping diversification and sir I am very glad that these people are here and hope that they stay.

Thank you.

The Bailiff: Alderney Representative Roberts.

Alderney Representative Roberts: Thank you, sir.

In my view, sir, we do not need any artificial intelligence to know that we need high worth individuals on this Island. In 2009 I wrote to P&F in Alderney, before I was on the States, to request to allow five tax-free licences to individuals to rejuvenate the Island so they could actually prove that they were going to invest in our infrastructure. Something that could be done with Guernsey with our Harbour, if we could get private money into the Harbour, get private money invested, it would ease the burden on our Government in my view.

My view was, I had a lot of support in Alderney, but it was rejected by the States as a majority, so private money can help the situation we are in if we sell it correctly. Finance is our leading industry. Encourage more and sell these Islands as an investment. We need investments. We do not need to discourage them. Money is not a dirty word. Money is our business. Money keeps this Island going, in my view, sir.

So encourage private investment for the Harbour, other projects. Send out invites, go out, head hunt and find the people that want to invest in Guernsey and Alderney, and do not discourage them. Do not put up the closed sign. Put the open for business sign. And tax could actually be spending related. So the more you invest in our Bailiwick the less tax you would pay. If they can prove they will come and do a project, a big project for Guernsey, then just say, 'Well, just go ahead and do it.' Because it will be the side of things that actually pay the tax. It will be the side of things that keep Guernsey's and Alderney's economy going.

I am a strong believer in encouraging people with money here to do that because they employ, they provide everything and we should be encouraging and not discouraging. So I will be opposing this amendment, sir.

The Bailiff: Deputy Matthews.

Deputy Matthews: Thank you, sir.

I am afraid I am not going to support this amendment for the very simple reason I do not think it is going to raise any money. I think this is a case where the Laffer Curve principle might apply, that Deputy Dyke mentioned. Of course the difficulty with the Laffer Curve is sometimes knowing

where you are on it and whether or not you are at a point where increasing rates would actually drop income down. I suspect we probably are at some point like that.

3210 But I do thank Deputies Le Tissier and de Lisle for raising it. I do agree with the sentiment, I think pretty much all or most Deputies that have spoken have sort of agreed with the sentiment that it ought to be something that ought to be looked at because I think there is some evidence that amongst the very well off, the high net worth and ultra-high net worth community, and some have even suggested that they might be happy to contribute some more than they currently do to our tax system. There have been people who have written to the paper and said they would be happy to pay more or would pay more in property tax and other taxes. That is one where I think that
3215 actually there is a very good case for looking at the amount that is paid.

Deputy Ferbrache said you cannot handcuff people to the Island. Well, if you are taxing property, it is immovable. It does not go anywhere. But I think that ordinary people will ask themselves, and it does happen all the time, people will say what is the point of us having this community, sometimes people call them the rentier community if we are unable to raise enough revenue to fund proper
3220 healthcare services and proper education services and so we do need to be constantly looking at what we can do and whether we can raise some more money from this community. But I think it needs to be done in a more controlled way with more consultation and there are other ways of doing it.

3225 So although I am not entirely comfortable with the idea of a tax cap, because we are in a Budget debate and we are trying to raise money for the Island, I am not going to support an amendment, which I think would possibly cost us money. So for that reason, I am afraid I will not be supporting it.

Thank you, sir.

3230 **The Bailiff:** Do you wish to speak, Deputy McKenna?
Yes, Deputy McKenna.

Deputy McKenna: I will be very brief. Thank you Monsieur Le Bailiff.

3235 I wish I had had the eloquence or the vocabulary of the Chief Minister when he opened up with his speech and also of Deputy Trott, Alderney Representative Roberts and Deputy Haskins. Some individuals, super-wealthy individuals, what they have done for Guernsey, we have hand-picked hotels that employ hundreds of local people. Hundreds, And not just in Guernsey and Jersey and in the south of England. Hand-picked hotels. And the local husband and wife that are here have also spent £50 million on constructing a wonderful house, family home for them out on the east coast,
3240 or the west coast of Guernsey. Anyway, they have spent £50 million, which is wonderful.

There is also another gentleman who is investing over £50 million and employing hundreds of people in developing the Grand Mare golf course and there is also another gentleman who owned Aggregate Industries, he then founded Breedon Aggregates, he owns Leicester Tigers football club, he bought Boatworks Plus, he bought the Beach House from Pembroke (*interjection*) thank you, yes,
3245 I ran the previous premises, built the Beach House at Pembroke and I sold it to him.

But this wonderful gentleman employs hundreds of local people, either in hospitality, through retail and also in construction. Now the Chief Minister pointed this out and he is absolutely right, but there is also another family in my lifetime that I remember, they were a wonderful family, who I had the pleasure of knowing, who employed literally thousands of people over their lifetime and it
3250 actually was the Vermeulen family and Mr Vermeulen, Peter Vermeulen, God rest him, an amazing entrepreneur and Deputy Vermeulen's mother, God rest her, Betty. What a family, employing through construction, through the hospitality sector. I say hundreds, it could be thousands over the years. Look what they would bring into this community. I do not know what their tax was but look at the thousands and thousands of jobs that they were bringing.

3255 In my time, because I am just a poor Irish immigrant (*laughter*) grateful to Guernsey for allowing me to be here and having a life and adopting me, in my time, when I used to go, not used to go to, I go over the last 50 years to St Joseph's Church, there is a, to me, an elderly gentleman and wife

and he always wore a blue trench coat and they always look quite poor. When I used to put coppers into the plate, he would put in a £50 note. All I can remember is it was big and brown. But it was a £50 note and I will say it, because God rest him, his name was Mitch Komadera and if you ever get an electrical plug it will have MK on it and MK stands for Mitch Komadera. That man, in philanthropy and not just in construction.

There was one night we were at a dinner, the Chief Minister was with me at the Duke of Richmond, and Pudsey came in to raise some money for Children in Need and I was MCing, I removed Pudsey's head and threw it in the audience, got a laugh and we raised some but that night Mr Komadera and this was in the nineties, gave £1 million to rebuild to St Mary's and St Michael's School. So these super-high net worth individuals, I do not know what tax they pay but they have employed literally the whole of Guernsey.

I am a single practitioner, I do not employ anybody. These people are remarkable people and we should be grateful and the Chief Minister said that. I cannot agree with this in saying for this amendment because it might get me elected. I tell you what, I will vote against this amendment if it stops me getting elected and you will all be grateful that I did! (*Laughter*)

Deputy Dyke: Hear, hear!

Deputy McKenna: My wife would agree with you on that, Deputy Dyke.

Monsieur Le Bailiff, this is terrible that we are always saying if you want to be populist. Some of us voted no to GST because it was what we believed in but this is being disrespectful to the high worth, super wealthy that have furnished this Island with opportunity, including me, for a lifetime and I am very grateful to all the super-wealth and whatever Deputy Parkinson did all those years ago, I think we should just leave it well enough alone.

The Bailiff: Now I will turn to the Vice-President to speak to Amendment 2.

Deputy Helyar: Thank you, sir.

I shall be super-brief because I do not think this one has much legs either, Deputy Gollop talked about educating the public and one of the biggest problems I have with the tax caps when I have to discuss them with members of the public is people misunderstand what they actually are. When you say it is £150,000 they think that is the salary at which you stop paying tax. It is not, that is the amount of tax people pay. In other words, you have to be earning £750,000 before you get to a tax cap or £1.5 million on your worldwide income.

I often think of my grandmother when I am up here because my grandmother was a Mrs Le Page, so when Mrs Le Page is often referred to, I often think to myself, 'She would not have said that!' (*Laughter*) She would not have said that. She would have said, 'That nice man down the road with the big house, why did you make him go away because I used to do all his washing and cleaning for him and now I have lost my job!' That is what she would have said.

So I think the majority of the feeling has been against jumping into something like this and though I completely agree with Members who have said it is important to air the subject, I do think it would have been helpful to have some more consultation because we would have been able to provide some more detail in the background to it.

Deputy Taylor asked about where do the numbers come from for raising the tax caps? He is not in the Chamber at the moment, sir, but if he reads the policy letter of the Budget, it is a paragraph 2.14 and the rises that are put in are aimed at matching the caps to real term rises in inflation. That is how they have been designed to be that way. Why are they where they are? Well we do that by comparing them to other jurisdictions for which we compete for what is effectively this business. There has been a lot said about that.

So, Members, the Committee does not support this, clearly, so I would just ask you to vote against it so we can move on.

Thank you.

3310 **The Bailiff:** I will turn finally to the proposer of Amendment 2, Deputy Le Tissier, to reply to the debate, please.

Deputy Le Tissier: Thank you, sir.

I have made quite a few notes. There were not that many questions to answer so I will just quickly
3315 zip through some of them. Deputy Trott, he mentioned there is only 30 out of 1,700 open market properties. I do not think having an open market property is a requirement for a tax cap so it could be less than that. He made some valid points on Social Security and I agree with him, the super-wealthy probably do not use many of our services, although if they have got a private jet they probably use the Airport, unless they have got a helicopter.

3320 Deputy Leadbeater, yes, Treasury could not provide some of the information on how much money that would raise, simply because we have only got an average figure. Some people might be low, some people might be high. They explained it technically why it could not be done. And why that amount? Well, it looked a decent, round amount, which was not going to kill the golden goose, I thought.

3325 Alderney Representative Roberts, I have to agree with what he said. In fact I said that in my speech, that private money, private investment could be used as a condition for moving here and getting the tax cap. So I would certainly support that view. Deputy Matthews, I think he agrees with the sentiment but now how it has been brought. That is fine. I wanted to raise the subject.

3330 Deputy Blin, he agreed with Deputy Queripel that we need growth and that is right. Guernsey is a great place, yes, I totally agree with that. Deputy Queripel made a great speech about equality and I think he was supportive of it and we do not want to leave any stone unturned for evidence. Evidence, evidence, evidence. That is what we need.

3335 Deputy Soulsby, she cannot support this amendment, it is too prescriptive. But Deputy Dyke mentioned the Laffer book. I have not come across that one so I will have to see if he has got a copy that I could borrow! It is public perception. Agree. People do not understand it and that is something that Deputy Helyar said, so it is up to us to explain what we are talking about. We are all responsible for doing that.

3340 Deputy Gollop, I think he said he does not support it but he has got some sympathy and again I think he said yes, the community does not get it. Deputy Vermeulen and Deputy Inder, they referred to a report that unfortunately I have not seen but I will take up Deputy Inder's offer. I have not read it yet but I have seen he has emailed me.

3345 Deputy Le Tocq, it does not sit well, it looks like envy and greed. There is no envy and there is no greed here. We do have to be competitive but we have to be competitive comparing like with like. As I mentioned in the earlier debate, it is difficult to compare Jersey, Guernsey and the Isle of Man when we have got GST, VAT and nothing. Deputy Taylor, he has had his answer from Deputy Helyar. Deputy St Pier, yes, I knew there were other tax cuts, I just chose to go with this one. Ideally perhaps we should have addressed all of them at the same time, but we did not.

3350 Deputy Kazantseva-Miller, we need to be competitive with Jersey but, as I have just said, we have got to compare like with like and it is possible that in Jersey some high net worth individuals are paying more money than here.

3355 Deputy Ferbrache, now I am going to have to read from my laptop, excuse me a moment, it has timed out. I sent an email to Deputy Ferbrache on 24th October and it said, 'Dear Peter' and I will summarise this unless there is any request to read it out verbatim. As a courtesy to you and for your information I am considering laying the enclosed amendment in the Budget, which is in draft form. To which he replied within the hour: thank you very much for giving me prior notice of this. I will not without your consent but can I share this with other P&R Members? To which I said: Dear Peter as soon as I can confirm the seconder you can share it with your colleagues.

3360 Two days later, the 26th I got the seconder, Deputy de Lisle, and: as a courtesy to you and P&R I attach a final copy of an amendment of the 2024 Budget. I am going to submit it shortly, And then, 'I hope P&R can accept at least some of the Propositions. I am travelling next week and a bit out of

touch and sometimes offline but please feel free to ask any questions. That is the one I did not get an answer to.

So Deputy de Lisle, yes, thank you for your support. Deputy Mahoney, I did not quite get what he did not understand but the answer is in the amendment and the amendment has been put by the Law Officers who were quite happy that it made sense.

It looks like it is going to fail but I am really pleased that I have raised this and brought this discussion into the public domain.

Thank you.

The Bailiff: Members of the States, it is time to vote on what is effectively three discreet amendments combined into a single amendment, as Amendment 2, because you can see that there is a cascade structure to it, so there will have to be a vote first on the first option of deleting Proposition 6 and substituting a new Proposition 6, which is to abolish the so-called tax cap here. This is proposed by Deputy Le Tissier and seconded by Deputy de Lisle.

Depending on the outcome of that vote then there will potentially be another vote and potentially a third vote. So it is not to be taken all as one, it is going to be taken as three discreet votes. What you have got on the screen is the entire amendment but it is only the first bit of it that you are voting on at the moment.

Deputy Trott: Could I ask for a recorded vote, please, sir?

The Bailiff: There is a recorded vote anyway because this is a secondary Proposition, so it will be fastest finger first, Deputy Trott.

Deputy Le Tocq: Sir, I am a little bit confused because normally amendments are put into the substantive Propositions as a whole and you have ruled that way in the past. You are taking this one in parts even though it is not established as separate parts. Is that setting a precedent?

The Bailiff: It is what I have decided Deputy Le Tocq. So there will be a vote on the first deletion of Proposition 6, only, to start with, because the amendment is not, if you look at where the quotation marks are, taken as whole, it is taken as a cascade. It could have been done as three amendments. If it had been done as three amendments, I would have still have taken the debate for all three together. Greffier, are you playing around with the text? I think that might be a little bit unnecessary in the circumstances, let us just get to the votes.

There we are, that is what you are voting on. It should be on your screen now, or it will be in a moment. I will invite the Greffier to open the voting.

There was a recorded vote.

Amendment 2, Option 1.

Not carried – Pour 4, Contre 35, Ne vote pas 1, Did not vote 0, Absent 0

POUR

De Lisle, David
Fairclough, Simon
Le Tissier, Chris
Queripel, Lester

CONTRE

Aldwell, Sue
Blin, Chris
Brouard, Al
Burford, Yvonne
Cameron, Andy
De Sausmarez, Lindsay
Dudley-Owen, Andrea
Dyke, John
Falla, Steve
Ferbrache, Peter
Gabriel, Adrian
Gollop, John

NE VOTE PAS

Bury, Tina

DID NOT VOTE

None

ABSENT

None

Haskins, Sam
Helyar, Mark
Inder, Neil
Kazantseva-Miller, Sasha
Le Tocq, Jonathan
Leadbeater, Marc
Mahoney, David
Matthews, Aidan
McKenna, Liam
Meerveld, Carl
Moakes, Nick
Murray, Bob
Oliver, Victoria
Parkinson, Charles
Prow, Robert
Roberts, Steve
Roffey, Peter
Snowdon, Alexander
Soulsby, Heidi
St Pier, Gavin
Taylor, Andrew
Trott, Lyndon
Vermeulen, Simon

3400 **The Bailiff:** The voting on the first substitution of Proposition 6 is that there voted in favour 4 Members, against, 35 Members, 1 Member abstained and therefore I will declare that one lost and we will move to the next option to delete Proposition 6 and substitute the reducing over the next five years or five years from 2025.

And I will invite the Greffier to open the voting, please.

There was a recorded vote.

Amendment 2, Option 2.

Not carried – Pour 3, Contre 36, Ne vote pas 1, Did not vote 0, Absent 0

POUR	CONTRE	NE VOTE PAS	DID NOT VOTE	ABSENT
De Lisle, David	Aldwell, Sue	Bury, Tina	None	None
Fairclough, Simon	Blin, Chris			
Le Tissier, Chris	Brouard, Al			
	Burford, Yvonne			
	Cameron, Andy			
	De Sausmarez, Lindsay			
	Dudley-Owen, Andrea			
	Dyke, John			
	Falla, Steve			
	Ferbrache, Peter			
	Gabriel, Adrian			
	Gollop, John			
	Haskins, Sam			
	Helyar, Mark			
	Inder, Neil			
	Kazantseva-Miller, Sasha			
	Le Tocq, Jonathan			
	Leadbeater, Marc			
	Mahoney, David			
	Matthews, Aidan			
	McKenna, Liam			
	Meerveld, Carl			
	Moakes, Nick			
	Murray, Bob			
	Oliver, Victoria			
	Parkinson, Charles			

Prow, Robert
 Queripel, Lester
 Roberts, Steve
 Roffey, Peter
 Snowdon, Alexander
 Soulsby, Heidi
 St Pier, Gavin
 Taylor, Andrew
 Trott, Lyndon
 Vermeulen, Simon

3405 **The Bailiff:** On that second option, there voted in favour 3 Members, against, 36 Members, 1 Member abstained and therefore I will declare that second option lost and therefore the final option is to delete Proposition 6 and substitute the increase from £150,000 to £250,000 and £300,000 to £500,000.

I will invite the Greffier to open the voting on that final option.

3410

There was a recorded vote.

Amendment 2, Option 3.

Not carried – Pour 6, Contre 31, Ne vote pas 3, Did not vote 0, Absent 0

POUR	CONTRE	NE VOTE PAS	DID NOT VOTE	ABSENT
De Lisle, David	Aldwell, Sue	Blin, Chris	None	None
Fairclough, Simon	Brouard, Al	Bury, Tina		
Gabriel, Adrian	Burford, Yvonne	Gollop, John		
Le Tissier, Chris	Cameron, Andy			
Queripel, Lester	De Sausmarez, Lindsay			
Taylor, Andrew	Dudley-Owen, Andrea			
	Dyke, John			
	Falla, Steve			
	Ferbrache, Peter			
	Haskins, Sam			
	Helyar, Mark			
	Inder, Neil			
	Kazantseva-Miller, Sasha			
	Le Tocq, Jonathan			
	Leadbeater, Marc			
	Mahoney, David			
	Matthews, Aidan			
	McKenna, Liam			
	Meerveld, Carl			
	Moakes, Nick			
	Murray, Bob			
	Oliver, Victoria			
	Parkinson, Charles			
	Prow, Robert			
	Roberts, Steve			
	Roffey, Peter			
	Snowdon, Alexander			
	Soulsby, Heidi			
	St Pier, Gavin			
	Trott, Lyndon			
	Vermeulen, Simon			

The Bailiff: On the third option of substituting Proposition 6 and replacing it, there voted in favour, 6 Members; 31 Members voted against and 3 Members abstained and therefore I will declare lost. So the entirety of Amendment 2 has been lost in any event.

3415 We will now move, without further ado to Amendment 10, which is to be proposed by Deputy de Sausmarez if you wish to lay that amendment now, please, Deputy de Sausmarez.

Amendment 10.

To insert the following Proposition:

"Noting that there are currently exemptions and limitations for employer-provided benefits relating to motor vehicles but none relating to public transport or non-motorised vehicles, to direct that with effect from 1 January 2024, to exempt from income tax the following if provided by employers:

a. Bus passes (including when made available for the employee's private use);

b. Bicycles (including e-bicycles, and including when made available for the employee's private use); and

c. Mileage paid to an employee who is required to use his/her own bicycle (including e-bicycle) for business use, in line with the rates stipulated in Statement of Practice E17."

Deputy de Sausmarez: Yes please, sir.

Thank you. I will hopefully pick up the pace a little bit. I am aware that this feels somewhat like the graveyard shift. This amendment is quite straight forward as fundamentally it is designed to smooth out an anomalous wrinkle in Income Tax policy, specifically the regulations around benefit in kind.

A benefit in kind can be defined as everything not in the form of money, which an employee receives from his or her employer or from other persons because of his or her job. A simple description would be perks of the job and they can range from free employer-provided accommodation to subsidised gym memberships.

In the words of Treasury's guidance document, 'taxing benefits ensures that employees are treated the same, no matter in what form they receive payment'. However, some things are exempt from being considered as a benefit in kind. These include things like contributions made to an occupational pension scheme, group medical insurance and creche facilities that are provided at work.

One group of exemptions, or partial exemptions, is around motor vehicles. If an employer provides an employee with a vehicle exclusively or mostly for them to carry out the role for which they are employed, say a van for a delivery driver, then this is quite rightly not considered a benefit in kind. It is a tool of the trade. Not a perk of the job.

However, the picture becomes more complex when the employer provided vehicle is partially or even mostly or exclusively for the employee's private use. Depending on what type of vehicle it is and, in the case of cars, depending on its cost and/or what proportion of its use is private, the deemed benefit for tax purposes is typically limited. In other words, employees receiving the benefit of a vehicle from their employer, even where it is exclusively for their personal use, are paying no Income Tax on that vehicle if it is not a car, and if it is a car, they would typically not pay Income Tax on anything like its full value.

For cars worth over £20,000, for example, the benefit is deemed to be just 35% of its cost. Now that is quite some tax break on a high value perk. Mileage travelled in a private car that is reimbursed by an employer is also not considered a taxable benefit. It is exempt up to a certain rate set out in policy.

Employer provided parking at or near the workplace is totally exempt. This is a significant perk, of course. In monetary terms, values range according to location from about £1,800 per space per year, at the lower end, to around £4,000 per space per year at the upper end. And employers are willing to pay because they know it is a perk that many employees value highly. However, our Income Tax system does not recognise this kind of parking as a benefit in kind. Employees who benefit do not have to pay tax on the value of that space.

Again, this is a hefty tax break on a high value benefit. This amendment does not seek to change anything about the current benefit in kind guidelines for parking or motor vehicles. It simply seeks to achieve equal treatment for public and non-motorised transport by exempting bus passes, bikes and e-bikes and reimbursed bike mileage, which unlike their private motorised equivalents, are considered a benefit in kind and therefore subject to Income Tax.

Our system therefore creates an odd situation, where an employer can give an employee a motorbike for their own personal use and that person would not have to pay any Income Tax at all on its value. But if the same employee was to be given a bike or e-bike instead, the employee would have to pay Income Tax on it.

Our benefit in kind regulations therefor create a perverse incentive towards private motorised vehicles and against non-motorised and public transport, which puts it out of alignment with a whole swathe of States' policies and strategies, including our strategic land use policy, energy policy, transport strategy, climate change policy, healthy weight strategy and Activ8, to name a few.

By putting public transport and non-motorised transport on an equal footing with private motor vehicles and parking, in terms of our benefit in kind regulations, we will send a positive signal to incentivise measures that are in line with these multiple States' policies and objectives. This amendment has broad support from the Health Improvement Commission, Chamber of Commerce, the Admiral Park Plaza Travel Plan Co-ordinator and various community groups as listed in the explanatory note. We consider that it will act as positive encouragement to businesses to offer and promote these kinds of measures.

So what will it cost? The answer is that the impact on Treasury will be negligible, mainly for the simple reason that these kinds of measures are not widespread at the moment and therefore, in reality, there is very little tax revenue generated right now that might in future be foregone. In other words, we are not currently collecting tax from an employer providing bikes and bus passes, at the moment.

So introducing this measure does not lose Treasury much, if any, money. But if we do add these modest items to the exemptions list, it is likely to catalyse new activity that would not otherwise have happened. It will incentivise employers to provide benefits such as bus passes and bikes that they otherwise might not have provided and, in the case of bus passes at least, 100%, not just 20% but 100% of that income would come directly back the States as revenue.

So it is unlikely that this amendment would have any meaningful negative impact and in fact it could have a net positive impact for General Revenue. There is a very simple principle at the heart of this amendment. Do we think that employer-provided non-motorised and public transport should be treated equally to employer-provided cars and parking? We know many employers are keen to see this measure introduced because they have been asking for it for years. We know it would make our system fairer and our policies more effective.

Approving this amendment will send a positive signal to employers and encourage and incentivise measures that will stimulate gains in terms of workplace productivity, wider economic benefits and possibly even increased revenue for the States. So for those reasons, I encourage Members to give their support.

Thank you.

The Bailiff: Deputy Gabriel, do you formally second this amendment?

Deputy Gabriel: Yes I do, sir.

The Bailiff: Thank you.

Deputy Kazantseva-Miller.

Deputy Kazantseva-Miller: Members, for the purposes of shortness of debate, when I was doing my research on the previous amendment I noticed that Jersey have exactly this kind of benefit in mind, provision for bicycles and what was the other thing, sorry, in the amendment? Bus passes. Exactly the same provisions are available in Jersey. If that is of any help to the jurisdiction. Hopefully, that may shorten the debate.

Thank you.

The Bailiff: Deputy Gollop.

3510 **Deputy Gollop:** I am pleased to support this amendment, not just because I am President of Living Street but I am also a bus user and I could do with more work on the healthy weight strategy as well!

3515 The point is, I do not think this is complicated. I fear, to a certain extent, in the last year, because of budgetary and resource pressures, that the excellent Public Transport Strategy has run the risk of blowing off course. But this very much I think puts it back in the mainstream that an amendment that is virtually cost neutral, nevertheless balances rights for people who do not want or need a car and this surely represents equity and also a little bit of psychological nudge for a touch of behavioural change and congestion reduction.

3520 **The Bailiff:** Deputy Mahoney.

Deputy Mahoney: Thank you, sir.

3525 In line with the previous two speeches, we will see if we can beat those for speeds. I just have a couple of questions. Given that this is the Budget and we are really kind of looking at raising money, I think I would have more sympathy if we had been trying to switch the other thing around and actually said why don't we start charging for the car benefit in kind, rather than trying to 180 it and do it the other way?

3530 So perhaps, Deputy de Sausmarez is nodding, so presumably that has come up at some point. I note that a current bus pass is £349 a year. That would generate a tax liability for an employee of £72.80. What was noted, forgive me if I have got it wrong but I could not see it there myself, is that under our current tax system, the first £900 of benefits received is tax free anyway. So they will not pay that tax in any event, so why on earth are we doing this? These people are not having to pay tax for shoe leather or bus passes or cycle tyres in any event so I am not really sure why we are doing it.

3535 Also, do we have any numbers on how many people this affects? How many people have a free bus pass? I do not know any but perhaps there are hundreds in the woodwork or in the bus queues. Anyway, those couple of questions if she could respond to those that would be very useful.

Thank you, sir.

3540 **The Bailiff:** Deputy Vermeulen.

Deputy Vermeulen: Thank you, sir.

3545 I can remember when benefits in kind came into being and what an absolute, an awful amount of work was created to perhaps get not that much benefit. We have to look at things like our staff, where they had accommodation, where they had meals provided or if they had a courtesy car from a hire car, this was all benefits in kind. That was probably in the eighties, sir.

3550 There is a cost to measuring all that and collecting it so we have got to be mindful of that. I am rather intrigued, I am grateful to Deputy Mahoney for working out the bus pass for the year is £349, but I am not aware of any business on the Island who is given a benefit in kind in the way of a motorbike. So I am very interested to learn who that employer that gives free motorbikes to their staff would perhaps be, especially if it was a Harley Davidson, sir.

Thank you. *(Laughter)*

The Bailiff: Deputy Dyke.

3555 **Deputy Dyke:** Thank you, sir.

I guess at first glance this amendment looks harmless but on studying it, it does raise broader points in terms of benefits in kind. I see from the explanatory notes that mileage allowances can be 80p a mile, which seems quite high.

3560 All of these are reducing income to the States and they also cause curious behaviour in terms of the cleanest way of paying your staff is to pay them money then they buy what they want. If you

have a tax system that causes you to provide them with a car, which might not be precisely what they want but it gives them a tax break say they take the car and the tax break and everyone is happy, you have actually caused an inefficiency in the use of people's money, effectively. The tax arrangements are causing behaviour, which reduces tax income and does not give full value of the money paid by the employer for the benefit to the employee because the tax element kind of skews what you do.

So what the whole thing raises to me is whether we should look generally at these tax breaks, in terms of their cost efficiency to everyone and loss to the Exchequer. In particular perhaps look at the 80p a mile does seem quite a lot given what petrol actually costs, which is about how much a litre is it now? (**A Member:** £1.75) £1.75, So that is two miles per litre. That actually is not really speaking to the amendment but perhaps it is another point we should be thinking of going forward, whether these allowances are economically inefficient.

I do not know what to think. Could I just ask the question, in little c there is a reference to 'statement of practice, E17' in terms of what the bicycle mileage allowance would be. Perhaps Deputy de Sausmarez could just tell us what that figure is. I think that is all I have got to say.

Thank you.

The Bailiff: Deputy Haskins.

Deputy Haskins: Sir, just very briefly, I would like to ask Deputy de Sausmarez for her opinion on the following: if someone moves from a car to a bike, which might be great from a healthy living point of view, what would be the ramifications on the fuel duty and insurance tax, etc. So in essence, it is the same query as Deputy Mahoney, which are the figures around this, or perhaps the expectation of figures in, say, a year or two. Because if people have been asking for this tax incentive, then I assume that they must have some effect.

So the first, Deputy de Sausmarez, is just asking me to clarify. What I was asking for first is if someone moves from using a car to a bike, which is great, from a healthy living point of view especially, what would be the ramifications on the impact to the States with regards to the duty on fuel that we collect and I would say average per user if they are using it to commute to work and also the amount of tax from the insurance.

Thank you.

The Bailiff: Deputy Taylor.

Deputy Taylor: Thank you, sir.

I suppose I follow on from Deputy Haskins and pose the question, what does Deputy de Sausmarez think, in her opinion, might be the effect on healthcare costs, if people chose more active modes of transport such as cycling or potentially walking down to the bus? It just came to me when Deputy Haskins asked.

My real plea to Members in supporting this amendment is really picking up on the points that many Members have already made. Deputy Mahoney has suggested that we should be doing away, not suggesting that I do not want to fall foul of any point of correction, should we be looking at removing the benefits elsewhere? I think Deputy Dyke spoke to a similar theme but that is not being proposed.

So in the absence of a proposal to move that we should absolutely level the playing field and allow these benefits to be applied to more active modes of transport because that is very important for a huge range of issues. It would help to get a healthier Island, it would reduce congestion on the Island. There are huge benefits to people choosing more active travel. I hope, I do not, direct people into that discussion too much but I just think it is something we should really be all for it. I thank Deputy de Sausmarez for bringing this to the Assembly's attention.

In closing, sir, I would just like to add to Deputy Vermeulen's request. If anyone does know the company that gives out motorbikes to its employees, put me down for two places!

Thank you, sir.

3615 **The Bailiff:** As no one else is rising, I will turn to the Vice-President, Deputy Helyar, to speak to Amendment 10, please.

3620 **Deputy Helyar:** Thank you, sir. This proposal came to Committee in the run-up to the Budget process or during the Budget process, so I am happy to say there has been a lot of consultation on this one, which was an exception to some of them. I think the primary reason that the Committee said no, if I am honest we are pushing back but not very hard is probably the right way to put it, and the main reason was a resource one that if successful the amendment would require operational implementation with very little notice and would require employers, as well, to amend their payroll within a very short space of time.

3625 Tax revenues would be lost on the exemption to benefits where they are over the £900 exemption. But I think it is fair to say it is not a significant amount in the great scheme of things and it would be improper for me to suggest otherwise. So the Committee, generally speaking, I think it was by a majority decision, so I think generally the Committee will not be supporting but otherwise agnostic.

3630 Thank you.

The Bailiff: And the proposer of Amendment 10, Deputy de Sausmarez to reply to the debate, please.

3635 **Deputy de Sausmarez:** Thank you, sir, and I thank Members for getting through that amendment a lot quicker than the previous two so I really am grateful for the concise focus on it. I will just try to whip through chronologically. I thank all Members for their contributions and questions and I will just focus on the questions, if that is okay?

3640 Deputy Mahoney had some really good questions and I am really glad he has asked them because it does give us an opportunity to talk to them. He said he would have had more sympathy if we had been doing it the other way around, in other words if we had been looking to reduce the exemptions for motorised vehicles, which he is quite right to say would be income-generating as a general rule, because of course that is income foregone, revenue foregone by Treasury at the moment, by exempting it as a benefit in kind, Treasury is foregoing that Income Tax. So he is
3645 absolutely right.

 Actually there was a lot of conversation with Treasury and that was our first iteration of this amendment as we did try to do that but we decided not to take that approach in the end because, through conversation with Treasury, it transpired that there were some complexities around it. We did not want to propose something that was going to be imperfect and would have had some sort
3650 of inequitable aspects to it. We also appreciated that that would have been a much more significant shift and really deserves a lot more run up for the business community, especially when they are possibly going to be dealing with quite significant TRP cost differences and things like that as well.

 So on reflection, having spoken with Treasury, we decided not to include that in this amendment but we do, as a Committee, think that whole area is worth reviewing. When you read the exemptions
3655 guidelines, it does say it should be reviewed from time to time, and E&I would certainly be very happy to work with P&R to have a look at those and see whether we think they are all still appropriate or whether there are sort of improvements to be made. But Deputy Mahoney is absolutely right to identify that as an area that should be looked at and certainly E&I completely agree.

3660 With respect to bus passes, I think he is right that it would be a relatively small amount of Income Tax gone, and he is also quite right to say that there is a £900 personal limit. But the point is this, that £900 limit is a general personal exemption from my understanding and is there to be inclusive of all sorts of benefits, such as gym memberships, I mentioned in my opening speech, things like staff entertainment, social events, memberships of social clubs and things like that. And I know

3665 having worked for a big employer, there was a really big social agenda, which I imagine is what that personal exemption would have been spent on.

So he is quite right that if that personal threshold was not spent on those things, then something like a bus pass of a few hundred pounds would not exceed that and therefore not be taxable but there is no guarantee and really this just sends out a positive message to say it is exempted as a benefit in kind. It is just one thing you can kind of bank but the point is that we are not foregoing very much if any income at the moment so really any activity that this amendment does generate is a bonus. It is not loss of income to the States, as a general rule, it is likely to be very negligible.

3675 But the pertinent point, as well, in respect, with specific reference to bus passes is of course, if employers are spending a few hundred pounds on bus passes for their employees, that revenue comes to the States, just through a different channel. So, actually, it is more efficient in terms of revenue raising than Income Tax, because it is 100% rather than 20%. So bus passes in particular are particularly fruitful and we do want to encourage employers to buy them.

3680 The whole point of these, I am afraid my note taking slightly disintegrated with my last bullet point, I have just got numbers, I think he was asking for numbers about how many are already in existence. I think he has answered his own question in that any that are there may very well not, we do not know that there are particularly many but the whole point is that this would incentivise more activity of this kind, so more employers to get involved and provide these kinds of benefits and certainly when it comes to buses that provides a positive revenue for the States.

3685 Deputy Vermeulen talked about motorbikes and I am afraid I slightly missed his actual question. Was the question who would be given a motorbike as a benefit in kind? I do invite him to clarify.

Deputy Vermeulen: I made a couple of points there. The bureaucracy that is involved in monitoring benefits in kind is substantial but the other one was I said I was not aware of any employer that gave their staff a free motorcycle and if there was could you point me in that direction. I would be especially interested if it was a Harley Davidson!

Deputy de Sausmarez: Okay.

3695 To the point of bureaucracy, because this was also raised by Deputy Helyar, so it is an important point to address this amendment leads to less bureaucracy by exempting it as a benefit in kind. It means that you do not have to note for Income Tax purposes the value of the bicycle or the bus pass or whatever. It actually leads to less bureaucracy than the current situation.

3700 Really, in terms of operational procedures, it is simply a case of adding these lines to a bullet point in the regulations and thenceforth in the guidance. It is really not bureaucratic. It is absolutely the opposite. It leads to less bureaucracy because there are fewer things that you have to prove. You do not have to prove the value of your bus pass, you do not have to prove the value of the bike or whatever, it is exempted as a benefit in kind, so it actually leads to less bureaucracy, less red tape. To be welcomed I am sure by Deputy Vermeulen.

3705 I do not know of any specific employers that provide motorbikes but it may be a garage owner for a 17-year-old worker or whatever. I do not know but all I do know is that it is currently listed in the exemptions. I do not know if it is ever used. This might be something that we should look at but it is currently listed in our exemptions list for benefit in kind whereas the non-motorised equivalents are not.

3715 Deputy Dyke talked about tax breaks creating inefficiency and slightly influencing behaviour, not always in a very helpful way and I agree, and he also suggested looking at a slightly wider picture and again E&I completely agree, including mileage. Actually he asked a question on the mileage rate. I understand that is currently 80p but interestingly there was a review done a few years ago now where that was one of the things that was looked at and the recommendation was that that was reviewed because it was not considered to be an appropriate rate, given the wider context, especially in comparison with other jurisdictions. So again the Committee would be supportive, in fact we have been trying to for some time review those particular rates. But we did not want to overly complicate this particular amendment.

Deputy Haskins was asking about I think the tax ramifications for someone who had been given a car, that they may be paid limited Income Tax on, and moving to a bike where it is completely exempt from being a benefit in kind, and I cannot give him a specific answer because of course it includes so many different variables but I can give him a general answer, which is that as Deputy Taylor alluded to, when you look at journeys in the round, there is a lot of evidence to suggest that there would be a net positive economic effect of that and I am more than happy to go into that in more detail. In fact, Deputy Haskins has probably heard me talk about it in the past.

I thank Deputy Taylor for his contribution as well. Deputy Helyar, yes, I thank him for his comment and for his gentle pushback. I do appreciate the fact that it was gentle. I do wonder whether there is maybe a little bit of confusion and I can understand how it has arisen, if so, because I think when P&R considered this, I think it was bound up with a few more complex ideas, including introducing payroll schemes and all the rest of it, which I think is what Deputy Helyar was proposing. That is not what this amendment is proposing. This amendment is proposing simply adding these items to the exemptions list, which as I have touched on before actually reduces the amount of bureaucracy and red tape.

So I do appreciate his concerns, that is one of the reasons we did not make it any more complicated. We know that some employers already choose to do payroll schemes. Basically that would be up to employers and we know they can do that but that certainly would not be something that they would be required to provide, which I think is where the confusion has maybe crept in because perhaps it was considered that we were trying to propose that this should be a scheme similar to that which was run in the UK, the cycle to work scheme. We are not proposing that, we are proposing a much more straightforward and simple version and therefore I hope that actually all Members of P&R can, in light of that, get behind this particular amendment, which I think the majority of people seem to agree is reasonable, practical and fair.

Thank you very much.

The Bailiff: Members of the States, it is now time to vote on Amendment 10, proposed by Deputy de Sausmarez, seconded by Deputy Gabriel. I will invite the Greffier to open the voting, please.

There was a recorded vote.

Amendment 10.

Carried – Pour 27, Contre 4, Ne vote pas 1, Did not vote 8, Absent 0

POUR	CONTRE	NE VOTE PAS	DID NOT VOTE	ABSENT
Aldwell, Sue	Helyar, Mark	Snowdon, Alexander	Burford, Yvonne	None
Blin, Chris	Le Tissier, Chris		De Lisle, David	
Brouard, Al	Mahoney, David		Dudley-Owen,	
Bury, Tina	Murray, Bob		Andrea	
Cameron, Andy			Dyke, John	
De Sausmarez, Lindsay			Ferbrache, Peter	
Fairclough, Simon			Matthews, Aidan	
Falla, Steve			Trott, Lyndon	
Gabriel, Adrian			Vermeulen, Simon	
Gollop, John				
Haskins, Sam				
Inder, Neil				
Kazantseva-Miller,				
Sasha				
Le Tocq, Jonathan				
Leadbeater, Marc				
McKenna, Liam				
Meerveld, Carl				
Moakes, Nick				
Oliver, Victoria				

Parkinson, Charles
Prow, Robert
Queripel, Lester
Roberts, Steve
Roffey, Peter
Soulsby, Heidi
St Pier, Gavin
Taylor, Andrew

The Bailiff: Members of the States, I am going to declare the result on Amendment 10, proposed by Deputy de Sausmarez –
(*Talking among Members.*)

3750 Members! I am going to declare the result on Amendment 10, proposed by Deputy de Sausmarez, seconded by Deputy Gabriel. There voted in favour, 27 Members; 4 Members voted against, 1 Member abstained and there were 8 Members who did not participate in the vote, so I am going to declare Amendment 10 carried. Potentially it will go in as something like Proposition11A.

3755

Deputy Ferbrache: Sir, I would just like to record, just as a matter of record that I could not vote because my machine did not work.

3760 **The Bailiff:** There are a number of Members who did not participate in the vote but the system, to the extent that it has operated, was available.

Deputy Ferbrache: I would have voted in favour.

3765 **A Member:** Could I have a division, sir, under 26(2)B.

The Bailiff: Before we rise this evening, I am going to turn to Amendment 15, which is proposed by Deputy Dyke but it has a motion pursuant to Article 7(1) that needs to be dealt with first. So Deputy Dyke to you want to speak to that motion?

Motion.

To suspend Rule 24(2) of the Rules of Procedure of the States of Deliberation and their Committees to the extent necessary to permit the amendment below to be debated.

[Amendment:](#)

To amend Proposition 15 as follows: "To replace £80,000 by £90,000 in (iii) of the First Schedule."

3770 **Deputy Dyke:** Thank you, sir.

Yes, I am rising, as the Bailiff has said, to ask the indulgence of this Assembly and to suspend Rule 24(2) or the Rules of Procedure, to the extent necessary to permit Amendment 15, proposed by me and seconded by Deputy Vermeulen. I am afraid it was late because although I had sent it to the Greffier, I had forgotten to send it to the Propositions email, which made it technically impossible to accept, so it is late, for which I apologise.

3775

But if you would perhaps consider the matter worth debating, you would consider suspending the Rule to allow that to happen.

Thank you.

3780 **The Bailiff:** And Deputy Vermeulen, do you formally second the motion pursuant to Article 7(1)?

Deputy Vermeulen: Absolutely, sir, I do. Yes.

The Bailiff: Thank you very much.

3785 Members of the States there is a motion under Article 7(1) of the Reform Law, proposed by Deputy Dyke, seconded by Deputy Vermeulen, to suspend the Rules to the extent necessary to allow Amendment 15 to be debated. Those in favour; those against?

Members voted Pour.

The Bailiff: I will declare that carried.

3790 How long do you think you will be in opening Deputy Dyke. Would you prefer to – Deputy Dyke, when I am addressing a Member, it is helpful if they are paying attention, please! (Deputy Dyke: Sorry, sir.) I think in the circumstances we might just adjourn overnight to 9.30 tomorrow morning.

3795 Now in terms of progress, it is fair to say that we have spent a reasonable amount of time on a couple of amendments that did not find favour with you. If you are not going to support an amendment, you do not necessarily have to explain to other Members why it is that you are not going to support the amendment. You are supposed to be debating the principles, rather than explaining, 'Well I am not going to support this one.' It is taking time to do that and in the circumstances where you have got two days left in this Meeting, it is the decisions that matter and the arguments for and against, rather than the ultimate vote that you need to explain.

3800 So we will now ask the Greffier to close today's Meeting but I ask you to bear that in mind for tomorrow, please.

The Assembly adjourned at 5.29 p.m.