



**OFFICIAL REPORT**

**OF THE**

**STATES OF DELIBERATION**

**OF THE**

**ISLAND OF GUERNSEY**

**HANSARD**

**Royal Court House, Guernsey, Thursday, 26th February 2026**

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**Present:**

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N. R. Inder	L. C. Van Katwyk
B. R. Kay-Mouat	S. P. J. Vermeulen
M. S. Laine	S. Williams

**Representatives of the Island of Alderney**

Alderney Representatives E. Hill and E. A. J. Snowdon

**The Clerk to the States of Deliberation**

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

**Absent at the Evocation**

Deputy L. T. Goy ; Deputy S. T. Hansmann Rouxel (*relevée à 10h 014*) ;  
Deputy R. M. Humphreys (*absent de l'île*) ; Deputy A. Kazantseva-Miller (*relevée à 10h 01*) ;  
Deputy J. D. Strachan (*relevée à 10h 01*)

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# States of Deliberation

*The States met at 9.30 a.m.*

[THE BAILIFF *in the Chair*]

## **PRAYERS**

*The States' Greffier*

## **EVOCATION**

# Billet d'État III

## **POLICY & RESOURCES COMMITTEE**

### **4. Tax Reform – Workstream 1 – Debate commenced**

*Article 4.*

*The States are asked to decide:*

*Whether, after consideration of the Policy Letter "Tax Reform: Workstream 1" dated 12 January 2026, they are of the opinion:*

*1. To agree that, should the States decide in the second quarter of 2026 to adopt Workstream 1 of the Tax Reform proposals,*

*a. the individual standard rate of Income Tax shall be reduced to 15%, with 20% becoming an individual higher rate of Income Tax; and the higher rate will apply at a defined threshold (£32,400) as agreed on 8 November 2024, with appropriate adjustments to reflect the impact of inflation between that date and the date of implementation;*

*AND EITHER*

*b. (i) the Goods & Services Tax should be applied at a standard rate of 5%, and that all foodstuffs should be subject to the tax at the standard rate; AND*

*(ii) an Essentials Cost Relief Payment scheme should be implemented as outlined in Section 4, with the fixed payment set provisionally (subject to review as set out below) at £520 a year for a single adult or £860 a year for a couple, reflecting the estimated annual GST incurred by a household on Income Support; and that the responsibility and administering of this payment should be added to the mandate of the Committee for Employment & Social Security; and that the payment should be increased each January in line with Income Support rates, the value of the payment being fully reviewed in line with the minimum income standard whenever that exercise is repeated;*

*OR, ONLY IF PROPOSITION 1b SHALL HAVE FALLEN,*

*(c) (i) the Goods and Services Tax should be applied at a standard rate of 6%, and that food sold through outlets offering catering and hospitality services should be taxed at the standard rate, and that foodstuffs sold via retail outlets should be zero-rated; AND*

*(ii) an Essentials Cost Relief Payment scheme should be implemented as outlined in Section 4, with the fixed payment set provisionally (subject to review as set out below) at £400 a year for a single person or £670 a year for a couple, reflecting the estimated annual GST incurred by a household on Income Support; and that the responsibility and administering of this payment should be added to the mandate of the Committee for Employment & Social Security; and that the payment should be increased each January in line with Income Support rates, the value of the payment being fully reviewed in line with the minimum income standard whenever that exercise is repeated;*

*AND (IRRESPECTIVE OF THE STATES' DECISION ON PROPOSITIONS 1b OR 1c)*

*d. supplies sold by registered charities should be exempt from the Goods and Services Tax and that provision should be made to allow registered charities to reclaim the Goods and Services Tax incurred on supplies purchased as outlined in section 8; AND*

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

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

*2. To agree that the GST legislation must provide that should the States at any time in the future wish to increase the standard rate of GST, proposals must include compensatory adjustments to*

*- the personal Income Tax allowance;*

*- the threshold at which Income Tax at the higher rate of 20% is applied;*

*- the level of the payment under the Essentials Cost Relief Payment;*

*- and the rates of the States Pension, Income Support and any other impacted benefits*

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

*3. To direct the Policy & Resources Committee to give detailed consideration to the requirement for a two-thirds parliamentary majority to approve any future increase in the rate of GST, and present this for consideration by the States in the second quarter of 2026.*

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

**The States' Greffier:** Article 4. Policy & Resources Committee, Tax Reform – Workstream 1.

5

**The Bailiff:** I am going to invite the Vice-President, Deputy St Pier, to open the debate, please.

**Deputy St Pier:** Thank you, sir.

10 Let me begin by being clear about what this Policy Letter does not do. The Proposition before you states plainly that the decisions before us today remain subject to a further decision later this year, when the States will consider the final shape of any tax reform package. To be absolutely clear, we are not asking Members to decide whether the measures in Workstream 1, the lower headline tax rate, progressive social security reforms and a consumption tax are the right path. We do not yet have all the information needed. The Tax Review Sub-Committee must complete its work, which is going well, including its assessment of Corporate Tax options, before a fully-informed decision can be made.

15

The Policy & Resources Committee is in the same position. We have not formed or even yet discussed any final recommendations. All workstreams need to come together, including expenditure reduction options, so that in July the States of Deliberation will be presented with options for addressing our financial challenges, and at that point we must reach agreement.

20

I recognise that some Members do not support the continuation of Workstream 1 (**A Member:** Hear, hear.). For now, however, we are asking the majority of Members to please set that aside. Today's question is this: if – and you will hear that word quite often – in the summer the States concludes that Workstream 1 ought to be part of a final package, then what should the detailed design look like?

25

Now the sequence of debates may feel illogical. If we had had unlimited time we would have approached this differently. But we do not. A tax reform has been on the States' agenda in one form or another since 2006 – 20 years – when the pressure from the EU first drove changes to our

30 Corporate Tax system. Even then, the States acknowledged further reforms were inevitable and enabling legislation for what was called General Services Tax was actually approved, and remains on the statute book despite the political choice not to implement it at that time.

Five successive States of Deliberation have made incremental adjustments to the tax base, some more than others, but none has resolved the underlying issues.

35 To borrow the analogy from the Alderney Runway debate, we are out of runway. The tarmac has ended. We are on the grass with our wheels in the mud. Our general revenue reserves have fallen by roughly 3% of GDP in six years, and, even without pursuing a single major project, are projected to fall further by the end of this term and, at the current rate of expenditure, our unallocated reserves could be exhausted by the early 2030s.

40 Any major reform, whether this package, Corporate Tax changes, significant expenditure reductions or a combination of all three, will take at least 18 months to implement and possibly longer. Systems must be built and the business community needs time and certainty to prepare. Prolonged uncertainty will take toll on confidence, which will impact on the real economy to the detriment of the real incomes of our community and ironically, of course, its knock-on impact to the public finances.

45 We need to put that uncertainty to an end. If the States chooses in the summer to progress Workstream 1 as part of a final package of tax reform, and we are to have reforms in place by 2028, we must take some foundational decisions now. This will enable legislation to be prepared quickly after the summer debate, and allows business readiness to begin promptly.

50 If we delay this debate until after the summer, we will be carrying the structural deficit for at least one further year. This brings us to the specific instructions set by our predecessors in November 2024 to consider whether, in the context of what is now Workstream 1, any GST should apply to food.

55 Before addressing that directly, let me restate the fundamentals. Many Members here did not, of course, participate in the various debates on this during the last term, but little in this package is new. The Committee is proposing refinements, expansions and additional safeguards to address our own reservations, but every element was included in the proposals as presented in 2022 and agreed in November 2024.

60 The package would comprise a lower 15% standard rate of Income Tax, with 20% applying to income above £32,400 worth up to £950 a year per taxpayer. There would be a restructured social security system with an allowance of £15,800 a year for all, and a single definition of income worth up to £1,100 for low and middle income working people, while higher earners would contribute more.

65 There would also be a modest increase in employer social security contributions and a broad-based low rate consumption tax accompanied with a new essentials cost-relief payment of £520 a year for a single person and £680 a year for a couple, offering low-income households not on Income Support a simple fixed payment covering the estimated GST paid on essential goods and services.

70 This payment would equate to the equivalent GST on £10,400 of tax on goods and services for an individual and £17,200 for a couple. There would also need to be pre-emptive increases to pensions benefits to offset the initial pricing impact of GST.

75 The package is deliberately progressive. Most low and middle income households would be better off overall. The changes to tax and social security would significantly reduce deductions from wages, leaving many families with more disposable income. For most low and middle income households, these gains would outweigh the impact of GST on prices. Those on income support would be protected through mechanisms already built into the system, and those inflation-related adjustments would need to be brought forward so households are compensated upfront rather than waiting for the next annual operating.

80 The Essentials Costs Relief Payment would be required to fill gaps for low-income households who do not claim Income Support by compensating them for GST on the same basket of goods used in determining Income Support rates. These protections were already in the proposals

approved in November 2024, but we recommend embedding them in legislation so that any future States wishing to change the GST rate must also adjust the associated income protections.

85 We also recognise concerns that GST might rise above 5% or 6% if food is zero-rated. The Propositions therefore include a direction to consider requiring a supermajority for any future change, similar to the provision required to secure any changes in the Reform Law. This would be a significant and unusual step, and the States would need to carefully weigh the pros and cons before committing to it.

90 This leads to the central question posed in this Policy Letter. Should GST, if it is introduced, apply to food? The Propositions offer two options: maintain the original approach; standard rate food at 5% or zero rate retail food, excluding hospitality and catering, with a 6% standard rate.

95 The Committee's conclusion is counterintuitive that the limited potential benefit of zero-rating food is outweighed by the increased complexity. If the same amount of money is to be raised overall from the reforms, zero-rating food would require increasing the standard rate to 6%, meaning most households see only a trivial net benefit, averaging less than £5 a month for those between the 25th and 75th income percentiles. By definition, the squeezed middle.

For households in the lowest quartile, the impact is similarly marginal because of the calculation mechanisms with Income Support and the Essentials Cost Relief Payment neutralises the effect. Indeed, because the minimum income standards work consumes a high level of spending on food, more than quarter may be better off with food subject to GST. That is the counterintuitive bit.

100 Crucially, our business sector's food retailers do not support zero-rating, and they have been very clear on this. Determining which products fall under which rate is straightforward with a single rate, but becomes burdensome for business and government with two. Even the simplest version that we have crafted as an alternative would create grey areas. There would also be difficulties in classifying which businesses must apply the zero rate.

105 For simplicity, we would propose using the primary activity of the site, but this could lead to inconsistencies. A café selling takeaway sandwiches might charge GST, while a nearby shop selling similar sandwiches zero rates them.

110 Alternatives are potentially worse, requiring businesses to apply different rates depending on whether the sandwich is freshly prepared or premade, or zero rating all food, including in restaurants, which would push the standard rate even higher.

For hotels and restaurants, a 6% standard rate, while retail food is zero-rated, would widen the price gap further, making their services less competitive. A point made by them in the broad engagement with industry undertaken to date.

115 In short, while zero-rating food may appear attractive, it provides little real gain for the public, largely because of the more effective targeted measures already in the proposals, and does impose complexity, risk and additional compliance demands and costs on retailers and the States.

120 Let me close by stressing once again this is a conditional decision. We are not asking for the final approval of any package today. That decision will need to come in the summer. Today we ask: if this package is later decided to be part of the final solution when all options are available, what is the least worst form it could take?

It may not be a decision you welcome, but it is the one that we must take if we are to keep moving. Indecision is the enemy of progress, and we cannot defer solutions indefinitely.

Thank you, sir.

**Procedural –  
Article 7(1) of the Reform (Guernsey) Law, 1948 –  
Motion lost**

*To suspend Rule 24(2) the Rules of Procedure of the States of Deliberation and their Committees to the extent necessary to permit the sursis set out below to be debated.*

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**The Bailiff:** Members of the States, there is now a sursis as well as two amendments. We will take the sursis first, but there has to be a motion under Article 7(1) of the Reform Law first. Deputy Ozanne, do you want to speak to the motion only at this stage, please?

130

**Deputy Ozanne:** Thank you, sir.

I very much hope Members will agree to the Rules being suspended so that I can lay this sursis this morning, which I understand P&R has flagged is required under Rule 24(2)(b) because it changes the timing of workings as set out in the original Proposition.

135

Without wanting to get into the substantive matters relating to the sursis itself, I would ask though, through you, sir, that Members let me do so for three reasons. Firstly, because I hope that all Members would agree that there is value in encouraging debate on matters that are of significant concern to Islanders. As many will know, there is much confusion about the extent and scope of the proposed GST debate today, as I am keen to set out in the sursis motion itself, if allowed to do so, I believe this part of the GST debate is premature. Others will disagree.

140

The important thing, I would suggest, is that Islanders themselves are convinced of the need for exactly why this, the most controversial part of a GST package, has to be taken right up front before any alternative tax options are considered. The best way of doing that, I would suggest, is through open debate, where the reasons for such a contentious decision are aired and scrutinised so that Islanders themselves can see if they stand up under the Chamber's spotlight. For it is only by taking

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Islanders with us on this challenging and difficult journey, where we, as a States, I would suggest, hope to regain some of the trust and confidence that has been lost of late. Secondly, I would like to draw Members attention to paragraph 1.6 of the Policy Letter which states, the Committee recognises that in an ideal world it would have been preferable to delay making any decision on the details of Workstream 1 until after the work on an alternative has been completed.

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**Deputy St Pier:** Sir, point of order.

**The Bailiff:** Point of order, Deputy St Pier.

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**Deputy St Pier:** Deputy Ozanne appears to be speaking to the substance of the sursis rather than the motion to suspend the Rules.

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**The Bailiff:** I think it is important, Deputy Ozanne, to concentrate simply on the motion at this stage. You cannot stray into debate on the sursis, and you cannot really reference anything that is in the Policy Letter.

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**Deputy Ozanne:** Sorry, sir. I was hoping to do the former. I realised I have not, so I apologise.

But I am keen to question and test why it is not actually possible on such a critical issue as GST, given its potential to majorly impact the lives of Islanders. I, myself, have significant concerns about the reasons given, which I am keen to put forward, and would like to test the mind of the Chamber on.

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Finally, thirdly, because contrary to what some may think, I do actually believe in free speech. I just also recognise that it is a qualified right. Personally, I think that each and every one of us should be able to bring the amendments and sursis to Propositions that we believe are in the best

interests of all. Our aim is to convince fellow Members of their validity and viability by securing a majority in the time-honoured manner. So, sir, I would respectfully ask that Members allow me to lay this important sursis.

Thank you.

175

**The Bailiff:** Thank you very much.

Deputy Matthews, do you formally second the motion?

**Deputy Matthews:** Yes, sir.

180

**The Bailiff:** Thank you very much.

There is going to be a short debate on the motion pursuant to Article 7(1) of the Reform Law, which simply enables Members, if they so wish, to suspend Rule 24(2) for these purposes of allowing the sursis to be placed.

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Deputy de Sausmarez.

**Deputy de Sausmarez:** Thank you, sir.

I appreciate the Assembly has not had much experience – this Assembly has not necessarily had much experience of motions to suspend the Rules. I think it might be helpful if I put some broader context around it.

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The reason that the Rule exists is to enable a well-informed debate and decisions to be taken with sufficient information. I completely agree with Deputy Ozanne in that it is important that Members can bring sursis and amendments. Of course, we have always made very clear that we are very open to that. Irrespective of how we vote on amendments, we think it is an important part of the democratic process.

195

But there is a deadline for amendments and sursis in many situations for a very good reason, and that is to allow the consequences to be properly thought through and to give Members themselves the opportunity to have a think about it. So we are very fully supportive of free speech of debate, but those Rules are there for good reason. I would urge Members to think about why we have got that Rule. It is possibly an issue for SACC if we do not think such a Rule should exist. That is maybe something that we should change within the Rules.

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Also there are certain circumstances where it is not as consequential. But the reason this Rule is relevant to this sursis is because the sursis would have quite far-reaching impacts. It is, I think, a tenet of responsible decision-making to enable Members to have the full facts in order to do so, and because we have not had the time – I have not actually even had time to read it. I still have not quite got to the end. So I think it is important that Members are able to consider these important matters with all the information at hand. For that reason, I would ask Members to have a think about why these Rules exist before choosing to suspend.

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Thank you.

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**The Bailiff:** Deputy Gollop.

**Deputy Gollop:** As a long-serving Member of the States, I have obviously seen many debates. I remember once we had a debate with three sursis that I seconded. We did not need more than one, but we did.

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I can see that if we allow debate on this today, there is obviously a potential outcome of delay which would not be helpful if we are united or relatively united in direction to travel. But although I do not guarantee to support the sursis, it does give some of us a lifeline. It gives us a lifeboat, it gives us more time. We are aware, having seen P&R from both the outside and the inside, the figures do seem to change a lot. We are going into this without full knowledge of the fiscal plan, they are all issues in the sursis.

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225 I would give the opportunity for at least this morning to debate it and consider it on its merits, give us all time to read and consider it. Therefore, without speculating whether I will vote for it or not, I think we should allow at least this parliamentary procedure to commence, especially as I think the food item has rather crept up on us before we were fully ready for the main debate in the summer.

**The Bailiff:** Deputy Sloan.

230 **Deputy Sloan:** Sir, if I may, before I just speak, this is a debate about whether to suspend the Rules or not to be able to –

**The Bailiff:** Yes.

235 **Deputy Sloan:** In that case, it is ironic in terms of the reason why the Rules are there is to provide a period of time,, as such to enable full and informed debate. I would not want to prejudice any arguments in favour of the sursis, but what I would suspect is part of that argument will be that there has not yet been enough time, in this particular instance, to be able to do that on this, as Deputy Gollop just implied.

240 But given the import of the debate that we are about to progress, I struggle to understand how a short pause to debate a sursis makes such a significant impact. I know it is like a butterfly effect, it might be argued by some, but we are effectively talking about a couple of hours debate over a sursis, one might imagine, which I cannot understand.

245 Other people who have – how shall I put it – just argued against suspending the Rules, have done so already in this Assembly rather successfully. So I would like some consistency on that.

I am happy to suspend the Rules to have such an important debate.

**A Member:** Hear, hear.

250 **The Bailiff:** Deputy Vermeulen on the motion.

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

255 I have listened to our Chief Minister, and I just have to agree with her. She is absolutely right. Nobody has had any chance to digest this sursis, and I am not going to support the motion to suspend the Rules. The paperwork has been put forward from P&R originally, so there is plenty of time to digest that, so I am not going to support this sursis at all.

**The Bailiff:** Deputy Falla.

260 **Deputy Falla:** Thank you, sir.

This is something of an eleventh hour development. Today's debate has been well-flagged. It is no surprise to anybody that it is on today's agenda, and in my view it would be poor parliamentary behaviour to suspend the rules and allow a sursis at this stage.

Thank you.

265

**The Bailiff:** Deputy St Pier.

270 **Deputy St Pier:** Sir, as the President of the Policy & Resources Committee has said, the rules are there for a reason, and she has explained the reason for having advanced notice of propositions such as contained in the sursis. So there has to be a very good reason, I would suggest, in order to discharge the good parliamentary practice that Deputy Falla has referred to. There has to be a very good reason to suspend the rules to allow this debate.

I think Deputy Ozanne in responding to the debate on this motion needs to provide the justification as to why this sursis was not lodged in accordance with the timeframe set out in rules, which was – as Deputy Vermeulen has said – entirely adequate to allow this kind of sursis to have been presented. So for us to be making a decision on the hoof is poor parliamentary governance.

It is not, I would suggest in response to Deputy Sloan, about whether we should be debating the sursis, but whether we should be making decisions on the sursis. It is that part – less about the debate of the sursis and more about the decisions which would follow – on which no Member of this Assembly, including Policy & Resources, have had any time to reflect or indeed to consider any advice from officers in terms of the implications if Members were to go on to approve the motion and the sursis. That goes back to the explanation as to why there needs to be an advanced period for this kind of –

**Deputy Sloan:** A point of correction, sir. That would be an argument for the sursis –

**The Bailiff:** Point of correction, Deputy Sloan.

**Deputy Sloan:** Sorry. That would be an argument about the sursis, would it not?

**The Bailiff:** Deputy St Pier.

**Deputy St Pier:** I look forward to Deputy Ozanne responding to the debate and providing a very good justification that is needed; the high bar that ought to be needed by this Assembly in order to suspend the rules, given that there has been ample time to have presented this, rather than being an eleventh hour motion.

**The Bailiff:** Deputy Ozanne to reply to the debate on the motion, please.

**Deputy Ozanne:** Thank you, sir.

I am very grateful for the opportunity to reply, and I am very grateful to those who have spoken in support, although I note that three members of P&R have voiced their concerns. The Chamber may like to know that I actually wrote to all Members of P&R a week ago saying I was going to do the sursis or contemplate the sursis –

**Deputy de Sausmarez:** Point of correction.

**The Bailiff:** Point of correction, Deputy de Sausmarez.

**Deputy de Sausmarez:** I have not had a chance right in this instance to doublecheck but I do recall that it was after the amendment deadline; I think it was on maybe the Friday that I was contacted. So it was actually after the sursis deadline had passed that Deputy Ozanne kindly got in touch to suggest the motion, but we have not seen sight of any of the content until this morning.

**The Bailiff:** Deputy Ozanne.

**Deputy Ozanne:** Thank you, sir, if I am allowed to continue.

I wrote to P&R at three o'clock on Thursday saying I was looking at doing the sursis, on the advice that I did not believe that this required five days' notice. That was because this did not in my mind, and others, consecrate a 24(2)(b) issue, and that was the advice I had got. On Friday I received a full three-page response from the Treasurer as to the impact of a potential sursis. So for Members of P&R to say they have only just heard about it, and that this is completely new to them, is slightly disingenuous.

325 What has changed – and the very good reason why I laid it last night, having spent most of the  
weekend talking to many Members about whether we should do this or not – was the financial  
statement that we received from Deputy St Pier. That financial statement, as I would like to set out  
in the sursis if I am allowed to lay it, gave us news that not any of us – apart from P&R of course –  
knew was coming. It was on the back of that, that I felt it was only right and proper to ask for more  
time, for reasons I cannot go into at this point, but I would like to be able to have the opportunity  
330 to do.

So I think, as you can hear, there is a strong pushback from P&R because they are worried about  
the decisions, but that surely is the whole point of debate. That is what I would like the opportunity  
to have.

Thank you.

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**The Bailiff:** Deputy Hansmann Rouxel, would you like to be relevée?

**Deputy Hansmann Rouxel:** Yes, please, sir.

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**The Bailiff:** Deputy Strachan, would you also like to be relevée?

**Deputy Strachan:** Yes, please, sir.

**Deputy Kazantseva-Miller:** Sir, I would also like to –

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**The Deputy Bailiff:** Deputy Kazantseva-Miller has crept in as well.

**Deputy Kazantseva-Miller:** Thank you.

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**The Deputy Bailiff:** So this is the motion under Article 7, paragraph 1 of the Reform Law to  
suspend Rule 24(2) of the Rules of Procedure of the States of Deliberation to enable the sursis to  
be debated. It is proposed by Deputy Ozanne, seconded by Deputy Matthews. Those in favour;  
those against. I think I can declare that lost *aux voix* but there is a request now for a division.

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**Deputy Ozanne:** Point of order, sir. Can we ask for a vote on that? I am not sure it was –

**The Deputy Bailiff:** It has already been asked for. We just need a motion up, please. Those who  
need to log in, log in quickly. But I will ask the Greffier to the open the voting on the motion  
proposed by Deputy Ozanne, seconded by Deputy Matthews.

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*There was a recorded vote.*

*Not carried – Pour 13, Contre 21, Ne vote pas 3, Did not vote 0, Absent 2*

<b>Pour</b>	<b>Contre</b>	<b>Ne vote pas</b>	<b>Did not vote</b>	<b>Absent</b>
Camp, Haley	Blin, Chris	Cameron, Andy	None	Goy, David
Gabriel, Adrian	Burford, Yvonne	Curgenvén, Rob		Humphreys, Rhona
Gollop, John	Bury, Tina	Laine, Marc		
Inder, Neil	Collins, Garry			
Kay-Mouat, Bruno	de Sausmarez, Lindsay			
Leadbeater, Marc	Dorrity, David			
Malik, Munazza	Falla, Steve			
Matthews, Aidan	Hansmann Rouxel, Sarah			
Ozanne, Jayne	Helyar, Mark			
Parkinson, Charles	Hill, Edward			
Rochester, Sally	Kazantseva-Miller, Sasha			
Rylatt, Tom	McKenna, Liam			
Sloan, Andy	Montague, Paul			

Niles, Andrew  
Oswald, George  
Snowdon, Alexander  
St Pier, Gavin  
Strachan, Jennifer  
Van Katwyk, Lee  
Vermeulen, Simon  
Williams, Steve

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**The Bailiff:** On the motion to suspend Rule 24(2) to permit the sursis to be debated there voted in favour 13 Members, 21 Members voted against, 3 Members abstained, 2 Members were not present at the vote, and that is why it was declared lost, which means that the sursis cannot be laid.

**Tax Reform – Workstream 1 –  
Debate continued**

370 We have two amendments. I am going to take them in numerical order and, therefore, Deputy McKenna, if you want to move Amendment 1 now is the time to do so please.

[Amendment 1](#)

*To delete all propositions and to substitute therefor:*

*“1. To agree a goods and services tax shall not be introduced, and:*

*(i) to rescind Resolution I. 1B. and Resolution I. 1C. of Billet d’Etat No. XIX dated 14th October, 2024 made on 8th November 2024; and*

*(ii) to direct the Policy & Resources Committee to cease all preparations for the introduction of any goods and services tax.”.*

**Deputy McKenna:** Yes, please, sir.

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**The Bailiff:** Do you need it read?

**Deputy McKenna:** I think that would be good.

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**The Bailiff:** Greffier, can you read the amendment please.

*The States’ Greffier read out the amendment.*

**The Bailiff:** Deputy McKenna.

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**Deputy McKenna:** Sir, I will be very brief and let others speak because I have been speaking on this subject for about six years and anything I said back in 2020 is still relevant to me today, as it is my seconder. I very much thank Deputy Vermeulen.

Sometimes when we stand here in the Assembly you think you are looking at me, but actually you are looking at 7,000 of our community behind who have said no to GST. You are looking at probably 13,000-plus between Deputy Vermeulen and I who have voted us in on our manifestos, because that is what we said. So the fact that I am saying it today should not come as a surprise.

I hope he does not mind me mentioning but Deputy Vermeulen’s father, God rest him, used to say, ‘Mean what you say and say what you mean’. That was the advice he gave to me when I was about 16 about business. He said, ‘Mean what you say and say what you mean’. So for six years I have put down on the manifesto what I believe in, and people then say either, ‘We love him’ or, ‘We hate him’ and that is where we are.

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It is the same really for you as you look around today. The great thing is I remember when I was at university the professor said to me, 'Go first, always speak first, because everybody else who is going to speak is going to be on their computers, their laptops and phones reading their speeches. They are not listening to a word you are saying'. As I look around today, wow, was Professor Lambert-Humble not correct? Was he not correct? Because that is exactly what you are doing.

I am keeping to my word. I am keeping to my word. The Confederation of Guernsey Industries; what does that mean? Well, it is about 32 different industries in Guernsey. Without going through them – you can look up on Google – 32 industries are saying, 'We do not want GST'. So you can tell them if they are right or wrong.

The Reform Party leader in Jersey put an open letter to *The Guernsey Press* and he said, 'To sum up GST in Jersey in one word: failure'. So there is the neighbouring island who are trying to give us advice and are saying, 'Do not do it'.

Guernsey, as you know, is becoming so expensive for the working-class families. You look at the price of electric, oil, water, heat, all the utilities, and the price now of food already. One of my favourite lines, as my dear friend Deputy Parkinson and I have done on many a video, over 300,000 views, you cannot tax a generation that no longer live here. That is what we are talking about. This is not about me, this is not about you, this is about the community. Hopefully you get that bit while you are on your phones and on your laptops.

That is the thing. I do not speak very often but maybe that is the reason why, because you realise no one is listening. (*Laughter*) We have relocation packages in Guernsey for those coming from outside but we have got no location packages for those in our community. We have high rents, there is no rent control. We are allowing UK investors to buy local market properties and rent it back to our children and grandchildren. You think that is a good idea?

We are talking about GST where we need to raise £50 million to put it into health, to put it into education. Hold on, we just lost £42 million on MyGov, we just lost £130 million at Agilisys, I have just blown four years GST that the community will never see. So what do you want to do, put it up? Put it up before we even start? Well, Deputy Gollop will because there is a man who has never been in business a day in his life.

I am not going to spend any more time and drain your battery on your computers and your mobile phones, but I am saying no. Stick to your manifestos. God rest him, as Deputy Vermeulen's father said, mean what you say and say what you mean.

Happy for the debate to continue.

**The Bailiff:** Deputy Vermeulen, do you formally second Amendment 1?

**Deputy Vermeulen:** I do, sir, and I will tell you why.

**The Bailiff:** No, you cannot at the moment. (*Laughter*) We will just have a pause to see whether there are any procedural motions. You want to speak now, do you, Deputy Vermeulen?

**Deputy Vermeulen:** If that is all right with you, I would love to.

**The Deputy Bailiff:** As there are no procedural motions, yes, you can.

**Deputy Vermeulen:** Good, thank you.

Again, it should come as no surprise to you how strongly I feel about this: the GST Plus on the Island. In the past I have looked after retail when I was on Economic Development and I mixed with the Guernsey Hospitality Association, Guernsey Construction Forum, and the Confederation of Guernsey Industries as well. Those people have not said that they are supportive of GST; in fact, the Hospitality Association believes that the States should prioritise reducing waste, improving efficiencies, and delivering meaningful growth before introducing any new forms of taxation.

I have been banging the drum for growth for six years now and we seem to do everything but.  
450 It was good news yesterday that Deputy St Pier said the improvement in the figures, and I welcome that. But I do then question was the picture made to look deliberately more bleak to get GST Plus through than it actually was? Were the forecasts incorrect? I think they probably were.

As Deputy McKenna said, things are far more expensive on Guernsey and people are watching so tightly what they do, what they spend their money on. They have not got so much money to go  
455 around. Businesses I have visited recently have told me they are operating in the most dire situation, the stark lack of cash that is being spent, and many businesses are just hanging on by a thread at the moment. If those businesses – as happened in Jersey when GST was introduced at just 3% – cease to trade, our projection did not allow for that and the inflation that it created. That is principally why I am against GST Plus is it will create inflation. That is our greatest enemy.

We have been really good at putting prices up, minimum wage, we have been really good at  
460 putting electricity up. Rents have probably gone up 30% over the last three years. People are really struggling. There is no headroom for more charges, certainly not on food. People are so tight they are actually putting off having families. That gets me. I believe passionately in Guernsey and I think people should be able to have families and children and they should not have to put it off because they cannot afford it. Yet here we are trying to bring it in at 5%.

Some Deputies say, 'Do you know what, Simon? It should be 10% we bring it in at'. Recently a  
465 chill was sent down my spine when one Deputy announced that it should be the same as the Isle of Man at a 20% GST. I love Guernsey and I want Guernsey to be Guernsey. I do not want to turn Guernsey into Jersey. I do not want to turn Guernsey into the Isle of Man either. Let us keep our unique selling points where we had zero sales tax in Guernsey to cruise liners and visitors alike. Let us keep what is special about Guernsey. Let us keep it special still.

So I would urge Members to consider what is going on. The Guernsey Retail Group employ  
470 almost 4,000 people on the Island. They all pay tax. They are providing employment for local people and they have said that they are categorically against GST and they see it as the biggest enemy – not threat; the biggest enemy – that they are facing. I would not want to see businesses close, I would not want to see GST introduced and inflation go up. Remember, we would be introducing it at almost double what Jersey brought it in at, so I would advise you to get behind this amendment.

You have had time to consider it; we were very early getting our amendment in. I hope you can  
480 support this amendment for the future of Guernsey so that as People's Deputies you stop and think about the damage you are doing if you introduce the GST into Guernsey to the people and the businesses, and how that will fuel inflation and probably reduce tax take as well.

Thank you.

**The Bailiff:** Deputy Burford.

485 **Deputy Burford:** Sir, I have had four separate opportunities to vote on GST, stretching back 11 years, and on each occasion I have voted against. However, I cannot tell Members now how I will vote come this summer as I have not seen everything that will be on the table yet. Because we have not seen all the options, that is why I shall not be voting for this amendment to remove options prematurely, however valid or otherwise I believe options to be. I have not just listened to  
490 Deputy McKenna's speech today, but I rose early this morning to listen to his podcast with *The Guernsey Press*, and I would like to respond to the points he made in that because I think it is important to set the record straight.

I am certain that Deputy McKenna fervently believes the assertions he made in that broadcast,  
495 but in my view they do not stand up to scrutiny and, as always, I believe it is crucial that we vote on the facts of the matter. Deputy McKenna tells the hosts, 'They say we have lost £130 million-plus on Agilisys'. We are not enlightened to who 'they' is but I can assure the Deputy that 'they' is wrong. Although there were serious flaws in the execution of the Agilisys contract – flaws that both my previous Scrutiny Committee and the current P&R have been fully upfront about – much of the

500 money spent that the Deputy refers to was for IT business as usual that would have incurred a cost, whoever was providing it.

It is not helpful to anyone or anything to set hares running. It becomes a received wisdom but it has no basis in fact. It further destroys the trust of the public, and for nothing. But it did not stop there. A moment later the £130 million figure is inflated to hundreds of millions. It is simply untrue.

505 I feel, as a member of SACC, I should also correct the claim that SACC had said the by-election would cost hundreds of thousands of pounds but in response to outrage we brought the cost down to £75,000. SACC never said that it was going to cost hundreds of thousands of pounds. True, there was no shortage of commentators plucking random and uninformed figures from the air, with the maximum I saw being £750,000 and that was on the front page of the *Press*. The first figure the  
510 Committee itself came up with was £75,000, all the rest was speculation yet Deputy McKenna uses this as an example of how we can cut other States' spending in that magnitude. But the example is fatally flawed.

We are then informed that the Reform Party – the Jersey one, not Nigel's – says GST has been a failure. If so, it is a failure that has raised in the order of £1 billion. Deputy McKenna then begs the  
515 Deputies who stood on a manifesto of GST to be true to their word. He continues, 'If we look through the manifesto booklet and add up those who said no to GST, I should not have to be sitting here talking to'. Sir, I looked through the manifesto booklet and added up the Members who specifically said no to GST. I could only get to eight.

Deputy McKenna says he has been told he will only get 11 votes for this amendment. If that is  
520 the case, he says, Deputies have lied to the people of Guernsey. I do not know how many votes this amendment will receive but the assumption that a majority of this Assembly said no to GST in their manifestos is simply wrong. There is more but I will move on.

In advancing this amendment, Deputy McKenna and Deputy Vermeulen have not provided any coherent alternatives. For this, and for all the foregoing reasons, I shall not be supporting this  
525 amendment.

Thank you.

**The Bailiff:** Deputy Oswald.

530 **Deputy Oswald:** Thank you, sir.

A third of this Assembly are new to the Assembly and have not had the opportunity to listen to and contribute as appropriate to the very important debate on GST. To allow this amendment to go through would deny a voice to those who are new to the States. I will not be supporting this amendment.

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**The Bailiff:** Deputy Bury.

**Deputy Bury:** Thank you, sir.

Deputy McKenna said that we should say what we mean so I am going to. He might wish I did  
540 not. (*Laughter*)

Like some speakers before me, I will not be voting for this amendment, and it has absolutely no reflection on my feelings towards GST or how I may or may not vote in the future. It has everything to do with this amendment being, in parliamentary language, lacking in substance.

For Deputy McKenna to tell us he has been in the same position for six years and this is it, I think  
545 it is really disappointing from two who you would now describe as experienced Deputies, who have been in this position with regard to GST for six years and probably longer, to come to the Assembly with just, 'Stop, do not do it'. That is it. Nothing else. No credible alternative, no direction even to do something different, just stop, do not do it. It is lacking in substance at best.

That is why I will not be voting for it and I hope that the others will do the same. I, like  
550 Deputy Burford, when it comes to voting in the summer, would like to have all of the information

in front of me, all of the options, so that I can make a properly informed decision that does go with my manifesto promises and pledges, and I want everyone else to be able to do the same as well.

Thank you, sir.

555 **The Bailiff:** Deputy Cameron.

**Deputy Cameron:** Thank you, sir.

Deputy McKenna's amendment asks us to remove GST entirely. Everyone understands why that is appealing. No one instinctively welcomes a new tax. But removing this proposal does not remove the costs of the services we have already agreed to provide. It simply decides who pays instead, and in practice that means higher pressure on working households or reduced public services.

Deputy McKenna often quotes Winston Churchill about taxation being like standing in a bucket while trying to lift yourself up, but Churchill was –

565 **Deputy McKenna:** Point of correction. Never have said that.

**The Bailiff:** Point of correction, Deputy McKenna.

570 **Deputy McKenna:** Thank you, sir. Never have said that. The quote I said was, 'You cannot tax a nation into prosperity'. I never mentioned anything else.

**The Bailiff:** Deputy Cameron.

575 **Deputy Cameron:** Churchill was warning about taxation creating prosperity. It was a speech at the beginning of his political career. When he later became Chancellor he retained a broad consumption tax known as the McKenna Duties, after the previous Chancellor, Reginald McKenna, introduced purely to raise revenue at a time when it was needed. McKenna had introduced a consumption tax when the country faced fiscal pressure. We now have a McKenna arguing for its removal during fiscal pressure. Same surname, same fiscal challenge, but a polar opposite response.

580 The lesson from history is not that governments tax what they want; it is that they fund what they must. Deputy McKenna has suggested that Deputy Mézec does not support GST. That is not quite accurate. Deputy Mézec opposed GST without mitigations. The package before us include substantial mitigations, and it is actually very close to the approach he supported when Jersey debated its own GST model. In fact, if food were exempt the mitigations here would go further than those he supported at the time.

585 Deputy Parkinson's Sub-Committee is exploring Corporate Tax reforms and possible business levies as an alternative or supplement to GST. That work is important and it reflects what many of us have argued for: a structured examination of alternatives before committing to one route. I welcome that work and I look forward to its conclusions, but the S&P Global Report makes clear how dependent our fiscal stability is on the strength and competitiveness of the finance industry. That makes me cautious of implementing substantial new sector-specific taxation without a full understanding of the consequences.

590 It is not yet a defined, costed proposal before this Assembly. Using work that is still underway as a reason to reject the only defined proposal before us would not be responsible. Until there is a fully worked, deliverable alternative that closes the gap with certainty and without economic risk, the practical options remain clear. Increase the burden on working households, reduce services, or broaden the tax base. Saying no is not a position but it is not yet a solution.

For that reason I will not support the amendment.

600 **The Bailiff:** Deputy Gollop.

**Deputy Gollop:** I actually think Deputy McKenna and Deputy Vermeulen have done their best to make an argument, and maybe they will get a win, maybe they will get 11 to 14 votes. We will see.

605 I am going to make a few points here. Interestingly enough, Deputy Cameron has alluded to a former Chancellor of the Exchequer, Mr McKenna. He actually was a Liberal Chancellor. Of course Sir Winston Churchill was a Liberal politician at that time, he later became a Conservative Chancellor of the Exchequer and Prime Minister. Mr McKenna was well known for his sobriety in terms of being a strong banking person. I believe he was Chancellor at the time of the influenza epidemic after the  
610 ruinous First World War and its costs.

There were lots of issues then; fortunately we have not got those issues. Guernsey's history was very different. After the issues of the Occupation we actually reduced Income Tax in the early 1960s from what would be 40 pence in the pound to 20 pence in the pound. So those were the days, and I wish we could reduce Income Tax again. One of the reasons why I do support GST is I think it gives  
615 us that opportunity, not only with GST Plus but in other ways.

Let me cover some points. Deputy McKenna chided me as not being a business person. He is half right there. It reminds me of when Advocate Ferbrache made the same point. I did have a business but it was unsuccessful, although I did quadruple turnover with recruitment. I acquired a small recruitment agency and we quadrupled the turnover, and also a letting agency, but once  
620 I became a Deputy at the time I felt I should focus on the political side. Not every States' Member needs to be a successful business person.

Deputy McKenna's wider point about CGI, coming out against it, is interesting, but I can counter that by saying I may not be a conventional business person but I do attend a lot of the business breakfasts and lunch, and I did so yesterday. The Chamber of Commerce is one of seven  
625 organisations that have come up clearly not in support of us agreeing to the Vermeulen/McKenna amendment today. So I do not think that is a united view; I think there are –

**Deputy Vermeulen:** Point of correction, sir.

630 **The Bailiff:** Point of correction, Deputy Vermeulen.

**Deputy Vermeulen:** I think there are only four organisations that are not in support of this and similarly there are four that are.

635 **The Bailiff:** Deputy Gollop.

**Deputy Gollop:** I stand corrected there. I recall possibly the Chamber of Commerce are by majority at least in favour.

We have heard other pundits like the illustrious former Minister, Lord Digby Jones, who in a guarded kind of way appears to have slightly shifted position; they are not in favour of GST but they  
640 see it as the lesser of evils. If we vote for this today we not only have signed off on a policy for the foreseeable future, but we run the risk of being pressurised to make the kinds of cuts Deputy Cameron, and I think Deputy Bury, do not want to see, and/or raising corporate or wealth taxes that would go against our society.

I am in the dilemma of wanting to see economic growth, like Deputy Vermeulen and Deputy McKenna, and a future for everybody on the Island, especially the younger generation, while not restraining public services. I have been a Member for so long and I have attended all these workshops and put little stickers on boards, and every term you have a bright and bushy new intake  
645 of Members who usually want to find savings and cut costs and efficiencies, and guess what? Most of them never get implemented and the costs continue to rise.

Because of that I am very much in the camp – yes, I did support no to GST and their alternatives initially, precisely because that was a particularly bad time to introduce it when we were going through high inflation two years ago. But I realised, as I reflected on the summer, that to be

655 consistent in my views about the need to move away from employment and Income Taxes and  
more towards consumption taxes for both environmental and fairness reasons, that was the  
direction of travel.

This GST Plus, although not perfect – I would go for a VAT scheme – does ensure that at least a  
third – probably half – of our population will be better off. One needs to make that point. Yes, I am  
660 afraid I was the anonymous Member – Deputy Vermeulen kindly referred to me – who said maybe  
we are too low. I remember the Vice-President of Policy & Resources in the last term did postulate  
that maybe 8% was more realistic if we were going down that route. I think probably 10% would be  
realistic.

I have to stick to my own belief that if we were shadowing the Isle of Man, which has 20%, we  
probably would not be in this situation because we would have been able to have worked with a  
665 Zero-10 competitiveness for many years earlier. Not that I think the Isle of Man is a great example,  
because I think they waste money, and that is the danger of more money.

I do not think that we can say no to this because for demographic and other reasons we do need  
a significant uplift in money, and that predominantly should come from the better off, and I think  
670 GST weirdly enough means that will be the case. It will be predominantly, as all the charts show, the  
more affluent people who will contribute, and there will be mitigation.

One also has to make the point that we will be able to be more realistic in what we can invest in  
the infrastructure. We will be able to give larger carer allowances, we will be able to maintain –  
I think the argument that GST liberates us has not been fully made yet, and that we can get more  
675 economic development and more infrastructure in the long term. I think the most significant point  
here about GST is actually, although the public hate it – and I can understand why people in  
Alderney and smaller traders, because you do become taxpayers for the community, and there are  
higher costs in Alderney in many areas. I can understand a particular objection there, and perhaps  
they need more mitigation and help.

But the fundamental truth is that I would argue that a VAT or GST would be a good in itself,  
680 regardless of our fiscal needs, because it is redistributed. It does make the less well-off better off,  
potentially. It does ensure we can have state of the art public services and not spend all our time  
on efficiencies. I see Deputies shaking their heads, but we know on the Home Department we need  
more resources. We have been told that. We know that in Health and Education.

If we are going to have stability in our future we actually need to look again at our tax and maybe  
685 take even more people out of the Income Tax barrier, maybe get rid of some other taxes, but have  
the nature of a large tax stream coming in.

Let me finish by saying that we would not necessarily want to have the economic approach of,  
say, President Trump, but if you look at America most of the states have sales taxes. We end up,  
weirdly enough, with a sharper tax system than even the United States of America, and I think what  
690 we need is not imposition of tax, but tax reform. This reform really should have come 20 years ago.

**The Bailiff:** Deputy Ozanne.

**Deputy Ozanne:** Thank you, sir.

695 I am feeling very torn, as many who have been very clear that they do not support GST are on  
this amendment. It is no exaggeration to say that anger among Islanders as to what they perceive  
as a betrayal of those they voted in on the anti-GST ticked is palpable. For those Members who, like  
me, attended Les Cotils last Sunday, we heard from a wide range of Islanders motivated enough to  
come out on a miserable afternoon to tell us just how frustrated they were about how deaf we  
700 politicians appear to be to their concerns.

I would suggest that people are not going to listen to us or our explanations until we have  
proved ourselves capable of listening to them and we actually start to demonstrate with our actions  
that we understand their anger and that we are taking concrete steps that they can have some faith  
in. Right now all most Islanders know is that firstly we have lost or misspent millions of their  
705 hard-earned money, and secondly, that many of them have not had an accurate tax calculation for

several years. Some have chosen to pay anyway, others are waiting for recalculations and/or refunds, and many know friends who have paid absolutely nothing.

710 We must demonstrate that we are addressing these matters before we can even start using the loaded phrase 'GST' as otherwise this will compound their fears, not waylay them. I suggest we cannot drag people kicking and screaming with us. There are many in this Chamber I think who believe that people just do not understand the support package that we are proposing and that they will be better off. I would suggest that many understand it all too well, but they do not believe that we understand how they live their lives.

715 Many live on a week-by-week cash basis. Many do not have contracts that will give them a tax rebate at the end of the month. As I will look to put out in the main motion I hope, if we do end up getting there, migrant workers – well, we have heard a terrible case in Jersey, and I know the parallels are not exactly the same but the circumstances are similar. Many migrant workers on short-term contracts, if they have a contract at all, are living in really dire straits and our income support benefit system will not impact them at all.

720 But middle income Islanders who pay tax but are not receiving benefits are really concerned about the impact on the way they manage their cashflow. There is a breakdown of trust, I would suggest, and until that trust is rebuilt I do not believe that we can continue to have decisions around GST, in whatever form it was. That is why I was seeking to delay the debate but that is, I appreciate, a decision that this Chamber has taken not to have.

725 Many of us have rightly promised Islanders that we will leave no stone unturned, and I for one am very keen to hear the recommendations from the eminent group – and I cannot think of a more eminent group that we could have put together – to look at alternative tax reforms. That is due to respond to us in a couple of weeks' time, I believe, by the end of March. Once we have that I think we will be in a clearer position, not only us as a Chamber but hopefully Islanders themselves, to look at the stark reality of what we are facing.

730 But added into the mix are the results that we had yesterday where we were told that the financial provisional statements for 2025 are actually really quite surprisingly different to what we had originally been told. The topline figures we were given yesterday are clear that instead of a budgeted net deficit of £44 million, the States are in fact seeing a net surplus of £36 million. I say they are clear but the truth is that I for one found it incredibly difficult to reconcile the provisional financial accounts for 2025 – namely the Budget versus actual figures – with the Budget figures that were then used in the 2026 Budget.

740 I appreciate I am not an accountant but many years in business has shown me how to read a balance sheet, and I have to say trying to marry these two documents – the figures that we were given and circulated yesterday with the 2026 Budget document – is almost impossible. The bottom line though, as Deputy St Pier has informed us, is the surprising news that thanks to a revenue surplus of £73 million, rather than £21 million, we are in fact £50 million better off. That is not a context in which I believe we have a mandate to look at GST (**A Member:** Hear, hear.) which is why I am torn.

745 Deputy Vermeulen, I hear your encouraging voice. It was not quite so encouraging for my own sursis, but that is another issue. But I suggest to you, through the Bailiff, that it is not as simple as saying we can never look at GST. We have to look at things in the right order, and that right order is to receive the recommendations of the Sub-Committee Tax Group, to look clearly at the 2025 accounts and how they may impact our structural deficit going forward, and most importantly to prove to Islanders that we are listening to them, that we are taking their concerns seriously, that we are making steps with the revenue system and with the accountability into our overspends. Only then can we start, I suggest, to look at what the best way forward is.

750 So I will not be supporting this amendment, although originally I had proposed to, because I do think that we cannot tie ourselves in any direction at this point. I need more information but the context is confused, as are our Islanders. It is that confusion that we need to address first and foremost before, I suggest, we make any further decisions.

Thank you.

**The Bailiff:** Deputy Falla.

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**Deputy Falla:** Thank you, sir.

Deputy McKenna is very highly respected in the sporting community, and has been for decades. I would submit though that this amendment is jumping the gun and could even be an own-goal. The debate should not happen today as it is based on precious little evidence, to Deputy Bury's point. It should be an informed debate in July with a full picture of the options across three workstreams presented as evidence.

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Deputy McKenna is a man of the people. I will give him that. But it is fair to the people to give this proper and full informed consideration with all the facts before us. I am certainly not saying that I want GST, but what I am saying is I want an informed debate, and July is not that far away.

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**The Bailiff:** Deputy Inder.

**Deputy Inder:** Thank you, sir, and Members.

Deputy Vermeulen has spent some 40-odd years in hospitality with what was, at its time, one of the most successful hotels in the Island. He is nodding. I know that because he has told me that quite regularly. *(Laughter)* I also have sympathy with his representation with the Guernsey Retail Group; quite clearly the implementation of GST is going to be somewhat problematic for some of them. But I have got less sympathy for Guernsey Hospitality Association.

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The JHA has been clear in its ambitions for the visitor economy. Fantastic. It has argued for millions of pounds of public investment in extending the Airport runway. Millions of pounds. Annually it receives some £2 million from public funding for destination marketing.

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A strong hospitality and tourism sector benefits Guernsey as a whole, and public investment can be justified where there is a wider economic return. But that position – which I agree with from the JHA – sits very uneasy alongside their opposition to GST. GST is not an abstract, nor a punitive tax. It is practical, broad based, a way of funding the very things the hospitality sector relies on. It relies on transport, it relies on infrastructure, international connectivity, marketing, and the public services that make Guernsey an attractive place in the first place.

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Crucially, GST is paid by visitors as well as residents. Every tourist who stays in our hotels, eats in our restaurants, and shops in our stores contributes. That means the cost of supporting the visitor economy is shared with those who benefit from it, rather than falling entirely at the moment on local taxpayers. That benefit, if GST is implemented, is to the tune of – I think the last calculation was some £7 million, is that correct? I am getting a nod from P&R to my left. So that is £7 million to the Island.

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To argue that significant public spending is good for Guernsey, while rejecting the most efficient way of funding that spending, effectively asks the wider community to carry all of the cost alone. That is neither fair, nor sustainable. I would encourage the Committee *for* Economic Development to give greater scrutiny to that, because I am not convinced that without the implementation of GST or any agreed fiscal package – and there is a chance that nothing gets voted in June – that the argument of pumping millions of pound to the benefit of the tourism sector will then be sustainable.

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So I would encourage Deputy Vermeulen to be very careful what he wishes for, because if we come out of the end of this in June or July without a sustainable package, I am pretty sure the next argument will be a reduction in public spending and always the first thing to go, and often the wrong thing to go, will be the M&T budgets. Absolutely they will be the first thing to go.

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A modest, well-designed GST strengthens our public finances. It protects essential services and allows us to invest in growth, the very thing that Deputy Vermeulen, and I think Deputy Blin as well, want. Without money we cannot invest in growth. It is as simple as that. Quite the reverse happens. We end up moving away from growth. If there is no money there – growth does not come from nothing; something needs watering. If the hospitality sector really wishes to be a strategic partner

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810 in Guernsey's economic future it must also be willing to contribute to the collective means of funding that future.

In short, I will not be supporting this amendment.

**The Bailiff:** Deputy Dorrity.

815 **Deputy Dorrity:** Thank you, sir.

Like my colleague, Deputy Burford, I see that Deputy McKenna has made a call in the local media that those Deputies who were of the opinion during the election that GST Plus was not the answer to our fiscal woes should not change their opinions. He puts forward a blocking amendment while offering no credible alternative unless, per his suggestion, the States is to find five or 10 Castel  
820 Hospitals to sell every year for the foreseeable future. If they are –

**Deputy McKenna:** Point of correction, sir.

825 **The Bailiff:** Point of correction, Deputy McKenna.

**Deputy McKenna:** Deputy Dorrity is paraphrasing that from one tiny little section where I actually said in an interview, if the States was to sell the Castel Hospital it would fund a care village at the King Edward Hospital. A care village, as you know, allows for people then who would need assisted living or would need full-time care. Deputy Oswald would know better than me. But that is  
830 what I said; if we sold the Castel Hospital it would fund a care village, so you are taking that completely out of context.

**The Bailiff:** Deputy Dorrity.

835 **Deputy Dorrity:** I wonder if he is of the opinion that such Deputies should be prevented from changing their opinion, even if their understanding improves once they become a Deputy and gain a better understanding of our fiscal situation and the options available to us all. I know that my understanding has greatly improved since being elected. Such a Deputy who ignores the evidence before their eyes and to allow for it to influence their opinions would surely be a poor politician  
840 indeed.

He suggests that all of those who voted for him did so to express their opinion on GST Plus, but the election was not a one issue matter, but that it were. If it was a one issue matter, and that matter was GST Plus, he might note that one of the loudest flag waving, anti-GST candidates who stood in the election failed to secure sufficient seats.

845 I do not believe it would be advisable to remove GST Plus as an option under the current Tax Reform Review before the full suite of sensible proposals are presented to this Assembly in the summer. GST Plus is one of the principal revenue options under consideration, precisely because it has been developed and consulted upon alongside Corporate Tax reform, spending initiatives, and savings plans. Removing such a central element now would undermine the comprehensive  
850 approach that the community, stakeholders, and this Assembly have been led to expect. It would narrow the debate before Members and the public have had the opportunity to see a full, evidence- based comparison of all credible options.

There is obviously a broader fiscal imperative. Guernsey faces a significant structural deficit, as we know, and we require sustainable, recurring revenue if we are able to protect essential services,  
855 rebuild reserves, and maintain long-term stability. As my colleague Deputy Cameron alluded to, S&P Global Ratings in its most recent review reaffirmed our A+ A- rating with a stable outlook, but made it very clear that this assumes the implementation of a suite of tax reforms, including the introduction of a Goods and Services Tax to strengthen and diversify our revenue base.

860 That is not an academic observation. Ratings agencies assess real fiscal risk and the credibility of Government's plans to address that risk. Removing GST Plus now, before we can assess it properly

against alternatives and in combination with other measures, risks weakening the fiscal strategy that underpins our credit standing. Business and community voices have also cautioned against taking options off the table prematurely. Their message is simple: preserve optionality until the evidence has been fully presented and tested. Responsible reform requires comparison, not  
865 prejudgement.

There are practical considerations too. Once removed, an option becomes far harder to reintroduce, even if later analysis shows that alternatives fall short. This summer Members will have updated modelling, distributional analysis, and stakeholder impact assessments across the full package. We must use those findings to guide our decision-making.

870 Finally, the signal we send matters. Guernsey's reputation rests on steady, evidence-based decision making, abruptly discarding a major option before the scheduled debate risks projecting uncertainty at a time when markets and external observers are watching closely. A thorough, transparent debate followed by a clear decision will inspire foreign confidence.

875 GST Plus may or may not be the right choice for Guernsey, but that judgement should be made in context, alongside the other sensible proposals that will be put before us. Removing it now without a credible alternative would be premature and could undermine both the process and our fiscal credibility. For those reasons I urge Members to keep GST Plus on the table and allow the Assembly to decide in the summer with full information for proper comparison and collective clarity.

Thank you.

880 **The Bailiff:** Deputy Leadbeater.

**Deputy Leadbeater:** Thank you, sir.

885 When I first heard about this amendment my thoughts were, 'I thought it was a by-election in April, not a general election'. *(Laughter)* The first words that sprung to my mind were, 'Show pony amendment' and I was going to compare my good friends Deputy McKenna and Deputy Vermeulen to a pair of show ponies, prancing around with their plaited manes and their braided forelocks, 'No GST' brushed into their hinds. Or maybe, realistically, like a Shetland pony and a shire horse. *(Laughter)*

890 I was going to poke fun at the silliness of this amendment coming at this stage in the process. I even considered comparing the two of them to the Lone Ranger and Tonto, or that great comedy duo Little and Large. *(Laughter)* But I decided not to. *(Laughter)* The reason I decided not to is because this is far too important a subject to just draw attention to the silliness of this amendment. The fiscal irresponsible, the dangerous messaging, the lack of any substance as to what comes next  
895 if it is successful. This must be our focus, and not simply that this amendment is daft at this stage in the process.

900 Sir, as you may have gathered by now, I will oppose this amendment. Not because I am wedded to GST, because I am not. Not because I supported the GST package last term, because I did not. But because what is being proposed here today is deeply premature and frankly, in my view, irresponsible. This Assembly inherited a States' direction from the previous term: the GST Plus package. Some of us supported it, some of us – me included – opposed it. But it was and is a lawful direction of the States.

905 The new Policy & Resources Committee did something measured and sensible, in my opinion. They did not simply charge ahead blindly, nor did they tear up the original direction on day one. Instead they said this, 'We will continue with the preparatory work because it is our responsibility to discharge the extant resolution. But at the same time, we will establish a Tax Review Sub-Committee chaired by Deputy Parkinson', who was an opponent of GST Plus last term, 'to examine alternative options, including reforms to Corporation Tax, territorial models and other structural solutions'. Indeed, the consultation period has still yet to conclude. It closes tomorrow.

910 Those alternatives are due to come back to this Assembly in, I thought, June. Q2 was the aim, but Deputy St Pier told us this morning that it was July. So July; not February but July. That is the time for the substantive debate. Not now.

915 This amendment asks us to shut down one entire avenue of fiscal reform before we have even considered the alternatives. This is not prudence, this is not strategy, this is not leadership. It is prejudgement. It sends out a very dangerous signal externally. We operate in a fiercely competitive environment. Our financial services sector competes daily with Jersey, the Isle of Man and elsewhere. They watch news of our debates. Their industry, just as ours does, listen to what we say and do.

920 If we pass this amendment today, this amendment that says Guernsey will not consider GST for the remainder of this term, what message does that send? It tells corporate taxpayers that the only lever left on the table is most probably direct taxation on them. What will our competitors do with that? They will say to businesses here, 'Look at Guernsey. They have taken any idea of a broad-based consumption tax completely off the table months before they are due to have an informed debate on the options. So where do you think the fiscal pressures will fall next? They are going to squeeze you, the corporates, so come over to us and we will provide you with certainty'. That is not speculation,; that is commercial reality.

925 This Assembly may ultimately decide that GST is not the right path for Guernsey. I have my own reservations about the GST Plus package, as I have articulated many times previously in this room. But I am not foolish enough to close down options before we have seen the evidence. This amendment is not about careful sequencing. It is not an amendment that improves the Policy Letter before us. It is just stopping a conversation before it has even properly begun.

930 That undermines the structured process that P&R with a sub-committee embarked on only months ago. P&R tasked Deputy Parkinson to form a sub-committee which would fully explore the potential alternative solutions. Detailed analysis will be prepared for us to consider. Industry will have been consulted, and there is a public consultation that is still underway.

935 How can we, in good conscience, drive a coach and horses through the work of that sub-committee before it has even had time to finish that work and report back to the States? If Members wish to defeat the current direction of GST Plus when all the options are on the table, that is their democratic right to do so. I exercised that democratic right myself throughout the tax reviews of last term. But to rule it out now, before comparison, before modelling, before seeing the analysis of the alternatives, is economically reckless.

940 It reduces our negotiating position, it weakens our strategic flexibility and it risks signalling instability to the very sectors that underpin our revenue base. Let us have the debate properly in July with data, with analysis, with options, with modelling, with the full picture in front of us. Not with a gesture amendment that is dressed up as decisive but leaves us strategically and fiscally exposed.

945 I just want to go back to Deputy McKenna's call for the Members to stick to manifesto promises, stick to what you said when you were asking people for votes. I will take no lessons from Deputy McKenna about manifesto promises. I have had three manifestos, three elections, and I have stuck to everything I have said during those. Deputy McKenna has not. Deputy McKenna stood in Church Square singing 'Sweet Caroline' accusing Deputy Helyar of breaking a manifesto promise because he stood on a low-tax platform and then supported GST. But that was the same Deputy McKenna that during the 2020 election was asked by the Guernsey Drug Strategy Group what he thought about cannabis legislation. He said that he was all for it, 'We need to legislate, we need to bring legislation'.

955 **Deputy McKenna:** Point of correction.

**The Bailiff:** Is that a point of correction, Deputy McKenna?

960 **Deputy McKenna:** I pointed out at the time in the manifesto booklet that it was a complete misquote because I have never ever approved of cannabis legislation, and I certainly would not want to have a reputation of being Guernsey's Pablo Escobar. (*Laughter*)

**The Bailiff:** Deputy Leadbeater.

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**Deputy Leadbeater:** Deputy McKenna said those words; that was backed up. There was a spreadsheet produced and published by that group at that time. In fact I recited those words when I sat where Deputy Cameron was and Deputy McKenna, who was sat where Deputy Kay-Mouat is, was cringing as I was reading out his words because it was during the GWP debate of 2022, I think it was.

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Anyway, mean what you say and say what you mean. I mean what I say and I say what I mean and I will take no lessons from Deputy McKenna on sticking to my manifesto promises because I stick to my manifesto promises and I always have done.

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So, sir, with that in mind I urge Members not to tie the hands of the Assembly before we have even examined the alternatives. (**A Member:** Hear, hear.) Reject this amendment and let us have a real debate when we have the evidence before us.

**The Bailiff:** Deputy Niles.

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**Deputy Niles:** Thank you, sir.

I have never had the opportunity to vote for GST. I have spoken often about fiscal balance, about ensuring that we have a plan where we can afford to pay for the services that we provide. But I would like to put it on record as to where I stand on this. I think it would be disastrously premature to throw out one of the tools that we might have available to us to ensure that we have fiscal balance in the future.

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I would like to explain why I will not support this amendment. I think that to throw it out is, as I said, premature. GST will not be a panacea for everything, but it might be a tool that we can use.

My father left school in 1950. He was 14 years old, and that was the compulsory school leaving age at that time. He had no choice. There was no expectation of sixth form, university, or extended training without payment. He became a carpenter's apprentice, and he earned an apprentice wage, and it was modest. He worked hard for it. At that time, Income Tax in Guernsey had been in force for just five years, introduced in 1945 at a flat rate of 20%.

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He paid that 20%. But what did that 20% buy? It did not buy universal healthcare as we understand it today. It did not buy subsidised residential care. It did not buy structured mental health services. It did not buy long-term disability support as an entitlement. It did not buy income support systems as we now operate them. The expectations people had of the state were incredibly modest.

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In terms of support, people expected that family came first, that the parish came second, and that the state came last. We have now changed. But that was our social contract of 1950.

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Consider a school leaver today. They leave school at 18, often with A-levels, sometimes with a degree ahead of them. They enter a modern economy, a sophisticated service-led environment. They, too, pay a 20% Income Tax rate. That rate has not changed. But the expectations of the state have completely transformed. Today, we expect a fully-staffed hospital with specialist services, community mental service teams, residential and domiciliary care for the elderly, learning disability services, safeguarding frameworks, income support safety nets, long-term care funding, public health intervention, regulatory oversight, and professional standards. Health and social care alone now represents more of a third of our revenue budget, and it is rising. It is rising not because of extravagance, it is rising because we live longer, because medicine advances, because expectations are higher, because dignity matters, because safeguarding matters, because we rightly refuse to return to a system where vulnerability is met with charity rather than structure. We cannot pretend that the social contract of 2026 can be funded by the tax base of 1950.

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We still operate that flat rate of 20% Income Tax. We are proud of its simplicity and competitiveness. But the world around it has changed. The services funded by it have expanded dramatically. We now face a structural imbalance between recurring expenditure and recurring revenue. If we do nothing, we borrow. If we borrow persistently, we weaken. If we weaken, we will

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eventually cut. But what will we cut? Will we cut healthcare for the elderly, support for vulnerable families? That is the real debate that we are having here.

1020 A 5% Goods and Services Tax is not going to cure everything, but it might help stabilise it. It broadens the base rather than increasing the headline Income Tax rate. It shares the load across residents and visitors, not just employees. It allows us to maintain a competitive Income Tax system while acknowledging fiscal reality. It is a mechanism to balance the books in a world where the cost of care, which we have collectively chosen, continues to rise.

1025 My father paid 20% Income Tax into a state with very limited obligations. A school leaver today pays 20% into a state with profound obligations. The rate has stayed the same. The expectations have not.

If we are serious about balancing fiscal policy and about protecting health and social care for the next generation, then we must match revenue to responsibility. That is why I support the inclusion of 5% GST, or 6% if we have the discussion on food, as remaining on the table. I cannot vote it out today. I do not do it because it is easy. I do it because it is responsible.

1030 Thank you.

**The Bailiff:** Deputy Sloan.

**Deputy Sloan:** Sir, thank you very much.

1035 I will be voting against the amendment, and a spoiler alert, I will be voting against Deputy Camp's amendment too, because we do like a plurality of views on the Scrutiny Management Committee.

I am in favour of GST. I am on record as saying I believe in GST, I believe in consumption taxes; always have been, always will, always do. That was all the tendencies in the wrong order there, I do believe.

1040 I have even gone on record as saying yes, I believe it will end up at 10%, 15% on the present maths, of course it is; it will get there. Of course it will, we know it will. There is no point in pretending otherwise.

1045 But I wish to advise many of my colleagues, on a point of principle, why I think they should vote for the amendment. Because, quite frankly, I think this is your last opportunity to vote against GST. If you do not take it today, it will be gone. Because do not kid yourselves, there is a political playbook at work. Do not worry about the numbers, the maths is being done already. It is inevitable. It is absolutely inevitable.

1050 The next decision will be a go, no-go decision. And if you are against it, you will be fiscally irresponsible. So do not kid yourselves that there is another decision coming in the summer. It is this week. My word. I would advise you to be honest to your consciences. Last summer, last June, many of you – you might not have said it in your manifestos, but you positioned yourselves quite clearly. That was rewarded by the electorate.

1055 There was a 15% swing to those who are against GST. It was a 3,000 vote difference; 3,000 votes if you are against GST as opposed to those if you were in favour of it, and it cost many people their seats at the last election. If you genuinely do not want to see GST be introduced, you ought to vote in favour of this amendment. I, sir, will be not. But that is the conscience and the choice of principle you face today.

Thank you very much, and I will look forward to the rest of the debate.

1060 **The Bailiff:** Deputy Helyar.

**Deputy Helyar:** Thank you, sir.

1065 I feel like a close to 60 gurn who has decided in late March, near the last ormering tide, to go ormering for the first time that year. I get down to Perelle, my favourite spot, and all the stones have already been turned. The early spring sun has come out and bleached all the stones white because they have already been turned over, and that is really what this debate is about today, is it not? All these stones have already been turned.

1070 I am not going to criticise Deputy McKenna or Deputy Vermeulen, they are doing exactly what they said they were going to do, and I commend them for that. Actually I have got quite a bit of sympathy with this amendment, I have to say, because way back in 2021 when I first started off on this path, I was quoted in *The Guernsey Press* as saying that this whole thing – GST – is the right answer to the wrong question.

1075 I must admit today I have had a bit of fun really, but quite a bit of schadenfreude listening to those who fought against me heavily during the last term while I was battling uphill with this. I am the last person standing that designed this structure and several of them unfortunately did not manage to succeed in the election.

1080 It has been quite a bit of schadenfreude today, which I have enjoyed, of those putting all the arguments, which I placed in the first place, which they argued against last time, but this time they are for. It is a lot of fun to watch it.

1085 I will just say, one of the things I took away from yesterday's excellent news – it was really good news and very positive – that the economy has done so much better, is that with only just a very small change in growth in a very small number of organisations locally can make a massive difference to the way in which we can become competitive. We are doing not enough to make sure we are supporting that growth. In fact, we are actually harming it, which will be something we discuss in the next amendment.

1090 But the other point that we can take away from that, is that our financial circumstances, particularly, are built on very rapidly shifting sands. I am not criticising those who have to put together the figures that we have to look at, but we must accept that they are broadly in a range which can vary very significantly according to the international investment markets, to the performances of the businesses that rely on them, and to therefore the amount that we can put into Treasury. We should be doing much more as a counterbalance to what we are talking about taking out of the economy in tax.

1095 We should be putting much more back into ensuring we have growth that levels that up. Because it can make the whole difference in the gap between the numbers.

1100 But I fully understand Members that are struggling with believing some of them. As a Member of the P&R that was defrocked, and I stood down from my position before I was knocked off the peg, but I am sure that would have happened, as it did. Only a few days, it seemed, after we had left, it was announced by Treasury that the numbers about Pillar Two had gone up by tens of millions overnight, with no warning whatsoever. It did feel a little bit personal, if I am honest.

1105 But ever since then, I have struggled – I have really struggled – to fully believe some of the figures that I am given. I really have, and I am sure a lot of us will agree with that. We have to take some of that with a pinch of salt. That is not a criticism of any individual. But I would say that there is a vast degree of variability. We could really help our economy by trying to put some of the growth back in it.

1110 What I would like to do is – I have said that I have got some sympathy with voting for this, because one of the things that we – and I do, and it is for the right reason, because it goes back to something that Deputy Sloan has said. We need to do all of it. GST is not the answer to the problem. We do need to get hold of, we need to make a decision, as how big do we want our Government to be? How are we going to control it, effectively?

1115 I know I have been banging on about this. I have banged on about it in the last term. I have banged on about it in the election. We do not have control of the bus at the moment. It is not a criticism of P&R. In fact, my comments are designed to support it in the work which it is evidently doing to try and wrestle control of the system, and which our CEO is currently undertaking in terms of the various reviews which are ongoing. We need a culture in this organisation of not wasting money and time on things that people do not need, do not want.

There is a lot of that going on. I am not going to point out individual things. I bang on about doggy daycare and things like that, but they are the tip of an iceberg, and it is a very big one. I have had lots of conversations in the last few weeks with people who are suddenly, now we have been here for a while, taking a look at things and saying, 'Actually, yes, I am noticing quite a bit of

1120 pushback from the system'. It does not like you asking difficult questions about decisions being made that you do not know about. It does not like it. It pushes back. It tries to get you out of the door.

1125 'No, you cannot sit on that project board because we do not want you to ask questions about the gold taps'. That has got to stop. It just has to stop. Once I have got confidence that we are getting hold of that, I will have more confidence that we can move forward. I will not support this amendment for that reason, but I do fully understand the argument behind the fact that we need to gain public confidence by getting control of the way in which Government works. I commend those who brought the amendment, but unfortunately I cannot support it.

1130 **The Bailiff:** Deputy Camp.

**Deputy Camp:** Thank you.

1135 Fear of repeating, I guess, some things, but I do want to stand up and speak. The question of GST has been and remains the most politically-charged challenge facing this Assembly over many terms. None of us relishes the challenge, but we must face it. Over the weekend, I attended a public meeting focused on opposition to GST.

1140 However I ended up there, whatever the branding of the event, what it truly offered was something more important; the chance to listen. What I heard from the public who attended was not ideology, it was frustration. People feel cross, they feel unheard, they feel that while Government talks about difficult choices, stories of waste and inefficiency continue to surface unresolved and tolerated.

1145 Whether every story is fair is not the point. The point is that public trust is fragile and, once fragile, it is very hard to restore. In that environment, it frankly does not matter how many times we repeat that the Plus package leaves many better off, or at least no worse off. When trust is low reassurance sounds like rhetoric, and people are tired of rhetoric.

1150 There is a part of me that would love to support this amendment today, not because I believe it solves the fiscal challenge – it does not – but because it would force us to stop and prove that we are prepared to do better. It would force us to show that we are serious about reform, serious about stewardship and serious about bringing the people of Guernsey with us. But here is the uncomfortable truth. Whether this amendment wins or loses today, the structural pressures remain. Removing GST Plus from the agenda at this point does not, in itself, provide an alternative plan.

So, I will vote against the amendment. Not because I dismiss the concerns it raises, because I do not. Not because I believe trust has been earned, it has not. But because today is not the decisive moment for GST Plus; that does need to come later this year.

1155 But in voting against the amendment today, today must become a call to arms for better Government. If we are to ask Islanders to accept significant tax reform, then other workstreams must stand shoulder to shoulder with it; visible, measurable and serious.

1160 First, economic growth. Growth may not be a silver bullet, but failing to pursue it boldly would be reckless. Even small, sustained improvements in economic performance transform our long-term trajectory. Let us set targets rather than words and speak the language of ambition. Let us measure progress. Let us be ambitious enough to risk falling short rather than remain timid and avoid trying.

1165 Second, financial stewardship. If we are asking the public to contribute more, we must demonstrate clearly and transparently that every pound already raised is being spent wisely. Stewardship cannot sit quietly in the background. It must be elevated, it must be structured, it must be accountable.

Some have said to me perhaps that means a dedicated working group focused explicitly on optimisation and value for money, independent of members of those Committees with big spending budgets. Perhaps it means embedding financial accountability as a core performance measure for senior leadership across the service, but it must be visible and it must be credible.

1170 Finally, before we march down the road of implementing a new tax, we must have the honest question, a conversation, about the bigger picture. Ageing demographics and falling birth rates are

not just revenue problems, they are structural questions about the scale of the state, the services we expect, the way the public sector is structured, and what we can sustainably afford.

1175 If GST Plus is to be accepted later this year, it cannot simply be a means to patch over the cracks. It must form part of a coherent long-term plan. So today is not the end of the argument, it is the beginning of a test. If, when the full plan returns this summer, it lacks seriousness on growth, lacks visibility on stewardship and lacks honesty about the long term, then it will fail in the court of public confidence and whatever the debate outcome, this Assembly will have failed.

1180 This is not a moment for comfort or more words. It is a moment for credibility, and credibility must now be earned.

**The Bailiff:** Deputy Curgenven.

**Deputy Curgenven:** Thank you, sir.

1185 Can I just say, I fully appreciate Deputy Falla's communication skills by changing the use of his metaphorical language to suit the person he is rebutting. Yet I hear so many confusing big words – mostly from Deputy Sloan – I sometimes think I am trapped in an Orwellian nightmare. We also hear a lot of claims around GST, but with scant evidence.

1190 Not long ago, I sent an email to all Deputies with a calculation showing GST would bring in net, that is net – 0 to £2 million. Deputy de Sausmarez was the only one who responded directly – thank you for that – to the issues I raised. Yet many Deputies today have got up and supported GST Plus. So, to those Deputies who have done so, please can you respond to my emails without the assistance of a civil servant. (*Interjection and Laughter*) That is my point, Deputy Gollop; why support something you do not understand? Thank you for nailing that one in.

1195 With all due respect to Deputy de Sausmarez, I do not feel the response directly addressed the main points of my email. Hopefully, you might want to in rebuttal a bit later. The Chief Treasurer, responded to my email and I became even more confused.

1200 This Assembly has had 20 years to come up with a plan – 20 years – and it still cannot seemingly explain these figures. I look around this room and we have some exceedingly intelligent, innovative, successful people. Authors, bankers, business people, doctors, PhDs, degrees from some of the top universities in the world. Some are authors and have a PhD too. I am lucky to be among you all, if not a little humbled.

1205 Of course, the same goes for our civil servants. I would also argue that we have some of the best financial minds in the world living in Guernsey. And guess what? They want to help; for free. So, are you really telling me that with all this intelligence, all this experience, all this passion, all we have come up with after two decades is GST Plus? Does that not seem a little bit myopic to you? Does that not raise a red flag? Why the appearance of such an obsession of GST Plus.

1210 Deputy Dorrity rightly said that once something is removed, it is hard to bring it back to the table. That is exactly the point of this amendment, as Deputy Sloan and Deputy Camp perspicaciously picked up on. We need to take GST off the table. We need to take off these GST-tinted glasses because I can almost guarantee you if we do not, we will kick the crate of cans down the Grange and into North Beach and across the Channel, into Herm, and guess what? We will have to turn a can around and come right back here again.

1215 GST is a safety net. It is an admission that this Assembly is worried and cannot come up with an alternative to GST Plus. Deputy Helyer used an analogy of turning over all stones, and he is right. We seem to be picking up the same stones over and over again and expecting to find a huge shanker. Why do we not look under different stones? Why do we not search down Vazon or Perelle? Why do we not ask professionals to help us?

1220 Therefore, Members, please consider supporting this amendment to save the time, the expense and the worry of yet another GST debate that no one wants.

Thank you.

**The Bailiff:** Deputy Blin.

1225 **Deputy Blin:** Thank you, sir.

Again, like yesterday, it has been really interesting listening to the various individuals speaking, and I do want to keep it towards this amendment because I think we are extending to the whole of the GST. So my philosophy, my view in life, my business acumen and the reason I am standing is everything around for what I believe in is rooted in growth, in growing the economy, improving productivity, driving efficiency, particularly in the public sector as we are currently working hard at that, and widening our revenue base through enterprise, through business, rather than just new forms of taxation.

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1235 So for that reason I do not and I will not, and I cannot promise that, but I do not support the introduction of GST let alone the different versions. My instinct is still at the reform, the savings, the efficiency and the growth-driven solutions, which are more extensive before we turn to the structural tax changes. But I also want to add my always support in what Deputies McKenna and Vermeulen have been doing because I understand their motivation, and they have stuck to it. In fact, we have all stuck to it since the beginning of the first term, when we were all elected together.

1240 Why I understand where they are coming from is because I have seen the same people as we have all seen, including the event in the Market Place and people voting with their feet of what they want and what they believe, and I think it was also expanded by Deputy Camp explaining at the event on Sunday people feel that they are not being listened to. So there is a huge and a true genuine public concern about GST, and those concerns deserve the respect and this is the voices that have come through.

1245 The other side of this however is that this amendment does more than just express opposition. What it does is it removes GST entirely from consideration and directs that all preparatory work cease immediately. That is not simply eliminating the option, it is halting the whole workstream within the Civil Service, the midcourse, the drive, before the Assembly has completed the comparative debate we have already agreed to hold, and we have repeated several times that it is to be around July. So again as a democracy we need to examine the options fully before we close them down, and that includes allowing the professional preparatory work to continue so that we do make a decision and that it is informed, structured and is implementable.

1250 In that forthcoming report, if it can demonstrate the growth and reform and alternative revenue measures and if any of that can close the fiscal gap sustainably, then I would look at supporting it. But we have not yet completed that full assessment. I do not favour GST but I do favour that we have got to take a disciplined decision-making process. Although I respect the intent behind this amendment I cannot support it.

Thank you, sir.

1260 **The Bailiff:** Deputy Collins.

**Deputy Collins:** Thank you, sir.

1265 I feel we are coming up to halfway stage and I make this four Members are going to vote for the amendment, 13 Members against and Deputy Gollop, again I am not really sure where he is sitting, but maybe on the fence. I think I was listening. I heard what everyone said.

1270 So where am I standing on this, sir? Like Deputy Burford, I have been here before. So in 2015 I voted against GST, and I thank the proposers to remind ourselves of what we said in our manifestos, so I have read through mine again. There is some really good stuff in there actually (*Laughter*) but then again I stood five times to get in this Assembly so I should probably know what sounds good and not good. But when I reflect on that I think, well, actually I have been in the Government and been well-informed and not been in the Government and less well-informed, so to be honest things have changed as you go along.

1275 But for me, I will not support this amendment and I am really sad to say that to my brothers in arms about GST, but I have other ideas so hopefully when we have a debate in July I have some other ideas I would like to table. I think all the options should be on the table and I know

Deputy McKenna has often – spoken twice now about Tax on Real Property (TRP), but I think there is an element of that that could be reviewed because for me I am struggling to really understand is it GST or is it not, and what are all the options on the table. I do not think we have had that opportunity yet to really look at our budgets.

1280 As I have mentioned before ESS, one of the biggest spending with lots of arms of it, £341 million in this year's Budget. I certainly want to look at that, and I am really pleased today the finance leads are meeting all together to have a presentation to start looking, starting to look under the bonnet at some of these things. So I am really passionate that that is happening, and I really want to get involved in that. So I think there are some – forgive me, sir, I know I sneezed yesterday and it made  
1285 you jump so apologies. I am not overly well at the moment.

But I really just wanted to thank the two Deputies that have brought this. I know it is really hard and it would be the easiest thing for me to support this because I have always been against GST. Back in 2015, 2016, when I was in commerce in employment, we saw the growth in the economy and we saw that yesterday, those of us who were at the presentation, the line going up and that  
1290 actually if we grow our economy our tax intake will increase, and we have resolved the problem, maybe. So for me just to repeat again, I would like to thank them for that. It is exceptionally hard but I am going to support all my colleagues of keeping all the options on the table until we can have that final debate.

So that currently makes 14 Members against. I notice Deputy McKenna has not been making notes so I thought that may be useful, sir, at the halfway stage, we have got four in favour, 14 against and Deputy Gollop.

Thank you.

**The Bailiff:** Well, Members of the States, it is always a pleasure to welcome a visiting parliamentarian in the public gallery, the only person in the public gallery at the moment. I am sure hoards will come later in the day. We have Jeannie Cameron from the States of Alderney, and I would ask you to give her the warm welcome that she deserves. *(Applause)*

Well, as no one else is rising. *(Laughter)*

Deputy Matthews.

1305 **Deputy Matthews:** Thank you, sir.

I was not going to speak. I commend the proposer and seconder of this amendment for bringing it. I do not think that you always necessarily, when you bring an amendment, need to supply all of the alternatives in it and it is a very simple alternative. It just says, 'Do not do GST' and then puts the ball back in the court of P&R and the Assembly to then decide what you would do instead. I might have hoped, though, to have heard in debate at least some sort of ideas about what you might do as an alternative to implementing GST, because the whole debate is about what are the alternatives and what would you do if you did not have GST, and it is very difficult to think of how else you would raise revenue and how you would cut costs as an alternative.

1315 During the last term I was challenged by Deputy Roffey to come up with any ideas or any taxes that could raise as much revenue as GST, and I put forward quite a detailed proposal about how you could do that through increasing property taxes as an alternative. That was very much scoffed at by Treasury officials who said that inputting any type of mansion tax would be entirely impractical and it could not be possibly done and would take a decade to do.

1320 Well, in the intervening time the Labour Government in the UK has introduced a form of mansion tax and has raised some revenue like that, although it is possibly one of the few taxes that is less popular than GST so it is unlikely to receive any great support, certainly from the owners of mansions. And with our property prices in Guernsey that is an awful lot of houses that come into that category.

1325 I would have liked to have heard some alternatives put forward about how we could have found alternatives or found alternate routes to implementing GST. I think without that it is difficult for me to support taking it off the table, so regretfully I do not think I will be supporting this amendment

at this stage, but I am keeping my options open all throughout the debate for what the alternatives are and for what other mechanisms we could potentially find to support our Government and to support our services other than implementing a GST.

1330

Thank you, sir.

**The Bailiff:** I am going to turn to the Vice-President, Deputy St Pier, to speak to Amendment 1, please.

1335

**Deputy St Pier:** Thank you; and thank you to everyone who has contributed to that debate.

I think it is important to note that the debate is not about introducing GST but whether we should be keeping it on the table, in the mix, and a vote against this amendment is not a vote for GST.

1340

A number of speakers addressed this point, starting with Deputy Burford, which is the absence of coherent alternatives presented by the proposer and seconder of this amendment. As Deputy Bury said, she would have expected more. As Deputy Matthews said, while that may not have been necessarily a fully formed plan at least some ideas would have been a useful contribution to the debate at this stage, particularly, as Deputy Curgenvin has said, this has been going on for 20 years so we really would expect to see something.

1345

Deputy Ozanne I think referred to particularly – well, a number of different groups but, in particular, I wanted to pick up the comment about middle income households concerned about cash flow and the impact on cash flow, and of course the cash flow effect of the Workstream 1 proposals would be to improve a household's cash flow through their weekly or monthly pay cheques by the reduction in social security and Income Tax to leave them to spend their increased net income how they wish, whether that is on taxable goods and services or otherwise.

1350

Also the point that she made, which is a good one, about the need to regain trust, which I think of course many of us would share. I would suggest, sir, that actually a key part of regaining trust is the demonstration that we are capable of making decisions, and that I think is important.

1355

Deputy Inder rightly referred to the contribution from visitors, and I think it is also worth noting that they of course do currently benefit from our public services when they are here. They may enjoy them rather less than the resident population, but they do nonetheless benefit from expenditure. In a sense, they are getting a free lunch currently without any contribution to the public exchequer when they are here, which of course is entirely normal for outbound visitors from Guernsey to other jurisdictions, when we of course contribute to their public exchequers through consumption taxes.

1360

Deputy Dorrity was very supportive, and I thank him for that. Deputy Leadbeater I think just picked up a couple of quotes which I thought were helpful, but described this amendment as being 'deeply premature and irresponsible. It is not leadership' he said, 'it is prejudgement.'

1365

I think Deputy Niles's quote also in concluding his speech is that he is not taking the decision that he has taken because it is easy but because it is the responsible decision.

Deputy Helyar, and I think a number of others, spoke to not wishing to pillory or condemn the proposer and seconder of this amendment, and I think that is right. They are at least being entirely consistent. There may be flaws in the approach but, nonetheless, the bringing of the amendment itself is consistent with positions that they have held.

1370

Deputy Camp spoke about the need for the demonstration of the output from the other workstreams, particularly Workstream 2 initiated by the Tax Review Sub-Committee led by Deputy Parkinson on corporate initiatives, and also Workstream 3 in relation to expenditure restraint and reductions. Indeed, Policy & Resources have been discussing this further this week and determining how we progress that further Workstream 3. We will be reaching out to Committees and Committee Presidents imminently to progress that dialogue but of course, in the meantime, we would welcome input from others.

1375

I think, particularly noting Deputy Collins's comments, we certainly need ideas well before July; we need them right now so please if you have got suggestions do not hang back.

1380 In terms of what Deputy Camp would like to see, if you like, in the whole package a commitment  
to growth, absolutely. I think it is at this juncture worth referencing the finance sector strategy,  
which was announced yesterday following the work led by Deputy Niles and  
Deputy Kazantseva-Miller and her Committee. The engagement with Oliver Wyman and the clear  
articulation of the steps which should be taken, can be taken to strengthen the finance sector,  
particularly articulating the steps that could be taken over the next five years to move the needle in  
1385 a meaningful way.

I think Deputy Niles in his presentation to States' Members yesterday articulated it very clearly  
how actually, given the size of the sector, a small – and indeed Deputy Helyar speaking today also  
spoke to that point, moving the needle on that big number can contribute quite a lot to the public  
exchequer. So that is a very important workstream, and I think Deputy Camp has shown admirable  
1390 commitment in her short time in this Assembly so far to the growth agenda, and should be  
supported in that.

Expenditure restraint and reductions I have spoken about. Corporate Tax reform I have spoken  
about and, through the Workstream 2, and also I would expect to see in the package to be debated  
and on the timeframe, Deputy Leadbeater, we certainly expect it to be published in June, obviously  
1395 for debate in July, which probably explains the references there to Q2. But I would expect there to  
be some personal tax reform in terms of taking the opportunity of this work to ensure greater  
fairness in our tax system and to stop squeezing the squeezed middle.

This brings me to Deputy Curgenvén's point where he noted that we, the States, those of us who  
have been here some of the time and indeed our predecessors – I think probably Deputy Gollop is  
1400 the only one who has been here the whole of that time – but have pursued a number of alternatives.  
It is not as if nothing has been happening, and indeed there have been a considerable number of  
tax reforms in that period. The extension of Zero-10 from merely the taxation of banking profits to  
the whole of the finance sector, substantial increases in TRP, and indeed changes in Income Tax,  
but all we are doing is squeezing the same squeezed middle and that is not a sustainable position.  
1405 So we have to stop the merry-go-round, and it is the responsibility I would suggest of this Assembly  
in July to do so.

Deputy Blin, quoting him, is he favours a disciplined decision-making process and hear, hear to  
that, which is why this amendment, sir, I think should be rejected in order that we can keep it in the  
mix.

1410 I think my final point, sir, is just referencing Deputy Collins's comment about the finance leads,  
for those listening from outside, giving some colour to that, that is a reference to the political leads  
for the Principal Committees' meeting today, and that is about helping to improve the political  
oversight of the States' finances at a Committee level, and I would like to commend in particular  
Deputy Rochester from whose dialogue with her created the catalyst for this initiative. Absolutely, I  
1415 think, and I know Deputy Collins, and I think everybody who has signed up to be a finance lead for  
their Committee, is keen to engage in that work. I think it is a subtle but important development  
and, as Deputy Collins has said, having been in this place before it is not something that has  
happened before, so it is an opportunity for us to help shape the future in relation to expenditure  
control and restraint.

1420 So with that, sir, I do encourage Members to reject this amendment.

**The Bailiff:** I will turn back to the proposer of Amendment 1, Deputy McKenna, to reply to the  
debate, please.

1425 **Deputy McKenna:** Thank you, sir.

I think it was a worthwhile debate, and I know Deputy Vermeulen and I have taken quite a few  
political bullets this morning but I tell you what, it is a good day to die. *(Laughter)* The reason Deputy  
Vermeulen and I brought this is because we believe the community have a perception that the  
Government, and I am not talking about our Committees, I am not talking about we need to take  
1430 10% off this Committee and 5%, we are not talking about us.

We are talking about, say, if you want to call it the Civil Service, we are talking about the States is almost like a colander where the water that is flowing into the colander is like cash, and it just keeps flowing in and the taps are going 24 hours a day and we are saying, 'I wonder how much water we would need to put in that colander if we turned it into a bowl, if we plugged the gaps'.

1435 So in saying we have got a lack of growth in our amendment, well, actually, we are saying it is a broken system. How broken is it? How much is needed really if we were more responsible with the hardworking people's money? That is really why we brought it.

1440 I notice one of the Deputies said I was not taking notes because I spoke with the Greffier and basically he said, 'You have got the no to GST or the yes to GST Plus, it is as simple as that', and you are not speaking with me, you are not voting for me. You are really then either voting for the 7,000 people or the 13,000 votes between Deputy Vermeulen and I. That is what we have stood on for six years, so to say there is a lack of input from us in the last six years, well, actually, the financial state of Guernsey in the last six years is getting worse so we are saying the system is broken.

1445 It is a bit like a car; we have lost the engine, we have lost the tyres, we have lost the steering wheel, we have lost the gear box. How much more of the car are we going to lose before we start working out how much it is to put it back together?

1450 I think that is what Deputy Vermeulen and I are trying to achieve, is saying, 'How much do we really need?' and I think until we reform the Civil Service of the expenditure will we actually know exactly how much it really should take to run Guernsey. So as I say, sir, this is why Deputy Vermeulen, and I am very grateful to him as I have been for laying the debate, it is either yes or it is no and I would just say for those who want to reject the amendment, well, you do your worst. We will do our best.

1455 **The Bailiff:** Well, Members of the States, it is now time to vote on Amendment 1 proposed by Deputy McKenna, seconded by Deputy Vermeulen, and I will ask the Greffier to open the voting on Amendment 1, please.

*There was a recorded vote.*

1460 *Lost – Pour 5, Contre 31, Ne vote pas 1, Did not vote 0, Absent 2*

<b>Pour</b>	<b>Contre</b>	<b>Ne vote pas</b>	<b>Did not vote</b>	<b>Absent</b>
Curgenvén, Rob	Blin, Chris	Ozanne, Jayne	None	Goy, David
Kay-Mouat, Bruno	Burford, Yvonne			Humphreys, Rhona
McKenna, Liam	Bury, Tina			
Van Katwyk, Lee	Cameron, Andy			
Vermeulen, Simon	Camp, Haley			
	Collins, Garry			
	de Sausmarez, Lindsay			
	Dorrity, David			
	Falla, Steve			
	Gabriel, Adrian			
	Gollop, John			
	Hansmann Rouxel, Sarah			
	Helyar, Mark			
	Hill, Edward			
	Inder, Neil			
	Kazantseva-Miller, Sasha			
	Laine, Marc			
	Leadbeater, Marc			
	Malik, Munazza			
	Matthews, Aidan			
	Montague, Paul			
	Niles, Andrew			
	Oswald, George			
	Parkinson, Charles			
	Rochester, Sally			

Rylatt, Tom  
Sloan, Andy  
Snowdon, Alexander  
St Pier, Gavin  
Strachan, Jennifer  
Williams, Steve

1465 **The Bailiff:** So in respect of Amendment 1 proposed by Deputy McKenna and seconded by Deputy Vermeulen, there voted in favour 5 Members; 31 Members voted against; 1 Member abstained; 2 Members did not participate in that vote because they are not here and therefore I will declare Amendment 1 lost.

[Amendment 2.](#)

*To insert an additional proposition as follows:*

*'5. To direct the Policy & Resources Committee to cease immediately all work on the introduction of any form of territorial corporation tax, including as part of the options being examined within the fundamental restructuring of Guernsey's corporate tax regime, and to direct the Policy & Resources Committee to amend the Terms of Reference for the Tax Review Sub-Committee by amending the first bullet-point under the heading "In scope" to read:*

*"The taxation of company profits (specifically excluding a system of territorial corporate tax) having due regard to the need to maintain a tax system which is competitive, internationally acceptable and maintains tax neutrality;"'*

1470 **The Bailiff:** We turn next to Amendment 2. If you want to move Amendment 2, please, Deputy Camp.

**Deputy Camp:** Yes, please, sir.

1475 **The Bailiff:** Do you want to have it read?

**Deputy Camp:** Yes. Why not?

**The Bailiff:** Why not.

1480 *The States' Greffier read out the amendment.*

**The Bailiff:** Okay. Deputy Camp to move the amendment then, please.

**Deputy Camp:** Thank you. I apologise for my lack of knowledge of whether I sat down or stood up during that last part.

1485 Sir, there is a strong feeling that the most recent election was fought in large part on taxation. Among those debates was a Proposition that a territorial tax system could replace the GST package approved in November 2024. Others cautioned that such a move carried significant risk, particularly to the stability of our finance sector. That caution was not speculative. It was informed by work commissioned by this Assembly.

1490 In 2023 the States of Guernsey engaged the international accountancy firm, Ernst & Young, to undertake an extensive review of Corporate Tax options for consideration. The report explicitly considered the unilateral introduction of territorial tax and concluded that to do so would lead to a reduction in new business and risk the relocation of existing activity. It also warned that such a shift would likely trigger reassessment by international standard setters, including the EU Code of Conduct group, creating a period of uncertainty while compliance was reviewed. Territorial systems are not unlawful. They are not inherently improper but they are highly sensitive where passive

1495

foreign income is concerned and where exemption design intersects with international anti-avoidance standards. That sensitivity carries consequence.

1500 The States were therefore told three things in 2023: that unilateral adoption would reduce new business and risk relocation; that external review was likely; and that such review would create extended uncertainty. The revenue modelling at the time also indicated that a territorial regime was unlikely to generate more than £20 million annually, insufficient to resolve a structural deficit and wide of the mark suggested by an amendment laid before the States at the time. That amendment failed.

1505 In short, the EY review concluded that the unilateral adoption by Guernsey of a territorial tax regime brought with it significant risk without substantive reward. Rather than merely objecting Guernsey International Business Association (GIBA) told the States of Guernsey that other measures, such as the introduction of a flat fee corporate levy, would be a more effective and simple way to generate additional revenue from corporates. Simply put, Guernsey's greatest competitive  
1510 advantage is stability.

Now let us ask the obvious question. What has changed? Jersey has not adopted a territorial regime and has stated it is not considering one. The EU Code group has not softened its scrutiny of potentially harmful tax practices. The global environment has not become less sensitive to double non-taxation risks and, as Oliver Wyman reminded us only yesterday, the importance of stability to  
1515 Guernsey's financial services industry has not diminished. If anything, it has become more pronounced. Guernsey's greatest competitive advantage is not innovation for its own sake; it is stability, yet despite that and in spite of fairly recent data spelling out the high risks relative to the moderate reward profile of territorial tax, the P&R review of Corporate Tax expressly cited territorial tax would be considered as part of its work.

1520 Before I carry on, I should be clear. Since joining the States and with all my long-held personal views on corporate taxation, given my heavy involvement in financing services lobbying over the years, I should be transparent that I attend the Tax Review Sub-Committee as an observer on behalf of the Committee for Economic Development. I was chosen, I believe, precisely because this is an area I am so familiar with.

1525 A consultation document was issued by P&R on 23rd January 2026 following work undertaken by Treasury and considered by that Sub-Committee in which broadly five distinct corporate taxation options were published, each showing the range of assessed revenue and details of inherent risk. That modelling published in the consultation document has not informed my views; rather, it has reinforced them.

1530 As a result, on 9th February, I submitted my first draft to HM Greffier and today's amendment was born, not because I do not believe we should consider alternative options, because I do, but in so doing we must be careful not to knowingly create unnecessary economic risk. which is something I believe a Deputy spoke to in the last amendment debate, including Deputy Cameron. This amendment seeks to protect our stability.

1535 We know from the public consultation document that the States estimate a revenue range from negative £5.1 million to positive £18.5 million per year. There is a £23 million swing between downside and upside. That swing decreases with the lower rate, but then so does the maximum earning potential of the measure. In the most optimistic scenario, territorial tax will close less than one-fifth of our structural deficit. In the downside scenario, it increases it. That is not a structural  
1540 solution. That is volatility.

Then there is the GVA risk. Revenue modelling alone does not capture the real risk. The 2023 EY review made clear that Guernsey's financial services sector is highly sensitive to changes in tax architecture and regime stability. That has not changed, as explained by Oliver Wyman only yesterday. Even modest contraction in this industry of 1% or 2% equates to a multimillion pound  
1545 reduction in economic output, and those reductions feed directly into Income Tax receipts, social security contributions, corporate fees and broader economic activity. In other words, a small percentage loss in GVA could easily exceed the projected tax gain.

1550 We are therefore contemplating risking multimillion pound output contraction for a theoretical maximum return of £18 million and a downside case of negative revenue. That is not proportionate risk management. Industry has been clear this is not merely theoretical, a point in fact that Deputy Leadbeater spoke to before. Industry has repeatedly emphasised that uncertainty itself is damaging and that damage is real. Mandates deferred; structures placed elsewhere; opportunities quietly lost.

1555 Representative bodies have consistently emphasised that clarity and stability are decisive factors in competitive positioning. That message has not changed and not because territorial tax has been implemented, but merely because it is being considered. Market price instability; competitors exploit ambiguity; capital prefers clarity. We need to do the right thing now. We need to stop this now.

1560 We operate under continuous international scrutiny. A shift towards corporate taxation would almost certainly trigger review. EY told the States that in 2023. At a time when we are repairing a £98 million deficit, voluntarily increasing regulatory exposure for a modest and uncertain revenue return is not prudent. I am not asserting inevitability of adverse findings. I am saying that where review is likely, the process of scrutiny itself introduces uncertainty and cost. That matters in a jurisdiction whose competitive proposition rests on predictability and, to my mind, outweighs

1565 £18 million in projected revenue.

The strategic question is not 'Could territorial tax raise something?' It is 'Does it strengthen Guernsey's long-term economic position?' Given the modest and volatile revenue range, the downside risk, the GVA sensitivity, industry warning, regulatory exposure and the ongoing uncertainty cost, the answer is clear. It does not. Some say this decision can wait, but uncertainty

1570 has a cost today, and that is only exacerbated the longer we sustain the uncertainty.

Transactions are happening today. They are not waiting until July. Domiciles are being chosen today. They are not waiting until July. Competitors are marketing stability today. Again, there is no waiting for July. There is no strategic benefit in prolonging uncertainty around an option whose upside is modest and whose downside is material. Guernsey's success has not been built on an abrupt shift in fiscal architecture. It has been built on careful calibration, on disciplined stewardship, on predictability and on stability.

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Territorial tax represents a limited and volatile fiscal return, a disproportionate exposure to behavioural sensitivity and avoidable regulatory and signalling risk. In a fragile fiscal environment, that is not proportionate. Removing it from consideration does not close the door on reform. It restores clarity. It protects competitiveness and it reinforces the stability upon which our entire economy and our entire public finances depend. Prudence is not hesitation. It is discipline and, therefore, I urge Members to support this amendment.

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**The Baillif:** Deputy Helyar, do you formally second Amendment 2?

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**Deputy Helyar:** Yes, sir.

**The Baillif:** Deputy Parkinson.

**Deputy Parkinson:** I would like to speak, sir.

1590

**The Baillif:** Deputy Parkinson then.

**Deputy Parkinson:** Thank you.

1595

I think it will be helpful for Members to hear my views on this amendment early in the debate because I chair the Tax Review Sub-Committee of the Policy & Resources Committee. However, I am not responding to the amendment on behalf of the Policy & Resources Committee. That task will fall to, I presume, Deputy St Pier who is also a member of course of the Tax Review

1600 Sub-Committee. These remarks are my personal opinion. In a sense, I am grateful to Deputies Camp and Helyar for giving me the opportunity to update Members on the work of the Sub-Committee.

1605 However, I most strongly urge Members to reject this amendment for reasons which I will set out. The Sub-Committee has engaged with a lot of interested parties and put out a consultation document asking for comments on five different options for reforming our Corporate Tax system. The option of a territorial corporate Income Tax at either 10% or 15% is one of the options on which we have invited comments. The consultation period is open until tomorrow, so we are still actively canvassing the views of companies, industry bodies and private individuals. We are in the middle of this process and it should not be stopped today.

1610 So far, we have received more than 50 responses and the Sub-Committee will go through all of the responses carefully before deciding what action to recommend to Policy & Resources. The plan is to submit a report to Policy & Resources by the end of March so that P&R can put a Policy Letter in front of the States on the future fiscal strategy of the Island, as we learned yesterday, in July. Our report to P&R must be thorough and the timeline for producing it is challenging, but if it is to command the respect and confidence of the people of Guernsey, the job must be complete.

1615 The Policy Letter which we are debating today is, of course, designed to clarify the principles on which a GST option would operate, and that option would be included in the July debate as one alternative proposal or perhaps part of a combined package. This Policy Letter has nothing to do with Corporate Tax reform. We have received more than 50 responses to the consultation document so far – and it is still open – from local companies, industry bodies and individuals.

1620 But one response I think is of particular interest. This was received from Pascal Saint-Amans, the former director of the Centre for Tax Policy and Administration (CTPA) at the Organisation for Economic Co-operation and Development (OECD). He served in that role from 2012 to 2022. He is regarded as the architect of the OECD's two-pillar tax reform and of the Base Erosion and Profit Shifting initiatives better known as BEPS. I stress that he contacted us in response to the consultation, and we have now invited him to attend a meeting of the Sub-Committee by video link on Monday to give us his views on the direction of international tax policy and the options available to Guernsey.

1630 It is essential that the work of the Sub-Committee should not be fettered by this amendment. The people of Guernsey have shown that they do not support GST by a majority and P&R have promised that we will leave no stone unturned in a review of Guernsey's fiscal options. If we are prevented from reviewing some important alternatives and if P&R decides to recommend to the States a fiscal policy which includes a GST, the public will most likely reject the proposals. We will not have kept our word and the supporters of GST will suffer the consequences.

1635 We heard yesterday morning that the States had a gross revenue surplus last year of £73 million. While this will have contained some volatile elements, it will also have been based on conservative assumptions about the revenue we can expect from Pillar Two. The figure of £73 million does include the investment returns attributable to the States of Guernsey, which are estimated at a further £33 million.

1640 In my opinion, a territorial corporate Income Tax could generate I think £20 million to £25 million for us in addition to the revenue we have received under the existing Zero-10 regime. Together, these two amounts, plus the revenue we can expect to receive from Pillar Two, would mean that the corporate sector would be paying something in excess of £100 million per annum in total. We would have effectively have repaired the damage caused to our public finances by Zero-10. We would probably not need a GST.

1645 It is important to stress that the additional tax collected would be largely paid by companies active in our domestic economy. For most of the companies doing business in our finance sector, there would be no change. A territorial corporate Income Tax would not affect the taxation of Guernsey's funds, which would remain exempt, or of Guernsey's banks, which will be within Pillar 2 in any event. We have no intention of taxing capital gains.

1650 A consultation assumes that we can carve out certain key sectors, particularly fund managers and the capital insurance sector, outside of course Pillar Two, but that may or may not be possible.

We need to explore the options with people like Pascal Saint-Amans, and we are very mindful of the need to preserve Guernsey's competitive position. The option of a territorial corporate Income Tax is one which cannot be dismissed out of hand. It may not be possible to implement it in a way which would be both competitive with international tax policy standards while still being competitive, but we do not know that.

1655

What we are trying to do is to ascertain the limits of what is possible and, in our conversations with Monsieur Pascal Saint-Amans on Monday, we do not want to be in a position where we cannot discuss certain options. If we have the benefit of advice from a very senior figure in the world of international tax regulation, we need to be able to talk to him frankly and openly about what we can and cannot do.

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This amendment, if successful, would tie one of our hands behind our backs in the important policy development process we are undertaking. It would do so at a critical time. It could throw a spoke in the wheels of that process. Crucially, it would be a breach of trust with the people of Guernsey to whom we have promised a complete and thorough review of all the options and, ultimately, it might well be the final nail in the coffin of GST. So I strongly urge Members to reject it, even if they do support GST.

1665

We need to complete this process to maintain public trust in it and to be able, in the course of the next few months, to advise the States through the Policy & Resources Committee of what is possible, what we think the outcomes could be and to allow Members to make an informed decision. I urge Members to reject this amendment.

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**The Bailiff:** Deputy Sloan.

**Deputy Sloan:** Sir, thank you very much.

1675

I promised I would speak against both my political colleagues on the Scrutiny Management Committee today, and here I am honouring that promise. But first if I may reminisce that, time-wise in 2011-12, you will be aware, sir – but many Members will not – I actually directed a Corporate Tax Review as a civil servant back in the day before Pillar Two, before BEPS and before Substance. It was a long time ago. Being quite frank, I do believe we missed a golden opportunity at that time to introduce a territorial regime. I ran the Corporate Tax Review and that is when I first met our Director of Corporate Tax Policy who actually we took on secondment from Deloitte to manage the Corporate Tax Review.

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We were ready, we had a regime, we were ready to rock and roll, we had the wind in our sails, we had public confidence, we had economic confidence, we had promises from the UK, but we did not take the opportunity, but that was then and this is now, obviously. Today, I genuinely do not believe that the situation is in any way similar. I genuinely do not believe that the territorial regime will have the requisite attributes and characteristics for us to move forward on that route.

1685

However, that is not the debate of the amendment, and this is for another time. Uncertainty, yes. Firms do dislike uncertainty and the Government's job is to provide certainty and stability in as much and as far as is possible. However, change, by its nature, creates uncertainty and the mere process of change and consideration of change does bring an uncertainty and, yes, there is a cost, and that is the cost of democracy, I am afraid.

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If one wants to make a change to a policy, there has to be a time when that policy is considered, and the fact is that this process has been done, it has been signalled and it has been transparently outlined within the timetable. As Deputy Parkinson just said, there is a consultation process that has not yet closed so it would be, in my view, wrong to close it before that has been considered.

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So, in that respect, I would like to support Deputy Parkinson's objection to the amendment and urge my colleagues to continue with this process. I genuinely do not believe it will be a final option on the table, but that is my personal opinion, which I will share at the appropriate juncture. For today, it should remain on the table and we should allow the process to conclude.

1700

Thank you, sir.

**The Bailiff:** Deputy Ozanne.

1705 **Deputy Ozanne:** Thank you, sir.

I too will not be supporting this amendment for a report that is due in just a few weeks' time by a very eminent group, who have been working at significant pace and taking much of our resources, which I think we have invested.

1710 Members heard yesterday that over a trillion pounds of assets are currently managed or administered through Guernsey regulated licences each year. A trillion pounds. That is an eye-watering and impressive sum. It is a number that reminds us just how true it is that modern Guernsey is literally built on money, but not necessarily our own personal money.

1715 I am not implying here there is a green-eyed monster at stake, but rather a heartfelt cry among many for fairness. Anyone who has studied international finance will know when the rich get richer, the poor inevitably get poorer, and so politicians need to work harder to ensure their tax systems are fair. Islanders do not believe that our tax system is fair, I would suggest, and this Chamber has frequently, sadly in many eyes, favoured those with significant wealth rather than those who are finding the cost of living significantly difficult. I believe we owe it to the people of Guernsey to turn over every stone, as so many of us promised, rather than throw those stones into the sea.

1720 But perhaps most importantly, I believe we need to take people with us. That means we need to build trust and we need to show that we are looking at all options. To do otherwise will be yet another reason for many to not trust us and to confirm their prejudice that we do not have their best interests at heart and, for me, that is the greatest cost at stake here. People's trust is priceless and something I think we need to keep and try and build so, please, do not support this amendment.

1725 Thank you.

**The Bailiff:** Deputy Gollop.

1730 **Deputy Gollop:** The thing is good but earlier, perhaps I, almost Tourette-style, uttered one or two things, and I apologise to Deputy Collins because I did not mean to say that he did not understand what I said. Maybe I do not put it clearly enough because a lot of what I put is quite nuanced because, for example, we are going to have an interesting and maybe seismic by-election – not in Guernsey but maybe we will as well – in Manchester tonight, and it will be interesting to see if the Greens win. I am a Member of the England and Wales Green Party, for the record, but I do not necessarily agree with them and I will explain why in a minute. *(Laughter)* They are putting out, not an extreme, but a very vocal anti-wealth message.

1735 They are saying, 'Stop running' to the ordinary people who want to vote, 'Because the billionaires are taking your money'. That kind of thing. We, in Guernsey, do not have steel as an industry or coal or motor cars and certainly we do not really have tomato growing or guesthouses on the scale we did. There are obviously many other industries Deputy McKenna spoke about, such as digital and so on, but 40% I believe of our economy is directly related to finance, and you could probably add another 30% with services and facilities.

1740 I think it was Deputy Inder who said, 'If a few shops close in town, that is unhappy, but it does not necessarily take our lunch away. If a few core financial institutions and high net worths go, that is a different story'. We have all praised Deputy Niles for the work he and Economic Development are doing in their work. I only attended the lunchtime presentation because we were working in here and I had a statement to make, but I understand in the professional audiences that the issue of tax came up a few times.

1750 As Deputy Ozanne said, it is about building trust, but it is also about perception, and we will come on to that maybe in the main GST debate. Much as I would like to see an improvement to public services, a redistribution of wealth to a degree and people to have more money in their pockets who are not well-off, that needs to come from economic growth rather than affecting or undermining our main wealth provider at the moment. Sadly, we cannot afford to tax the poor anymore, but we cannot necessarily afford to tax corporate people in a way that may change their

1755 behaviour. I think the perception, even if it is not the reality – and we will come on that in the main GST debate on other areas – is that a territorial tax is a move too far at this stage.

As Deputy Parkinson outlined, in his expert opinion – and I would not understand as I am just getting my mind around Base Erosion and Profit Shifting and Substance and all those things – there is a view in Guernsey that territorial tax would put our businesses at a potential and not an actual disadvantage, and will restrict and discourage growth for people looking at alternative corporate centres. We need to maximise growth, we need to maximise our opportunities and we need a degree of certainty.

1760 An argument we have heard today where Deputy Parkinson, as I would expect, put his points very learnedly, appears to be that we will not know what the eventual outcome will be, but let us go on reflecting on it at the moment. My point – although I usually take an open mind and abstract approach – is that while this remains on the table, there are two disadvantages. The first is the lack of certainty and worry it obviously creates in some people in the financial offshore and corporate sectors, and not just here but outside of the Island potentially.

1765 The other problem is it might encourage some Members and members of the public to think there is a magic bullet to be had by a combination of more corporate taxation and economic growth. Ironically enough, I was one of those who voted for Zero-10, and possibly the last survivor of that in the States in a political sense. I remember it was very unpopular, and the political leaders of the day did a roadshow where they said there were advantages in growing our economy and staying in business with Zero-10, but it was less fair than the old system and it did affect middle Guernsey indirectly.

1770 I am afraid to say, however far we try to reform our tax system and charging and so on, it will not be as fair as it would be in a Scandinavian social democratic state or some mythical island where we would look for taxes from significant players. But I think it is too dangerous for that, which comes to my second reason for wanting actually to support Deputy Camp and Deputy Helyar's amendment today. I think it will encourage our minds by the summer to either financially restrain ourselves, which I doubt will be possible in many areas, or to bite the bullet and look at GST or a variant of it.

1775 I think while we believe and we have comfort for the fact that we might somehow raise £100 million from the corporate sector, without a cost and without a reduction in business turnover or employment or activity or knock-on expenses or services to professionals, it will encourage us to maybe make the wrong decisions. So, reluctantly in a way, I think the best approach is to vote for this amendment and simplify the discussion. We can still talk about changes to corporate taxation and fill in that report, but I think territorial is a red flag too many.

**The Bailiff:** Deputy Burford.

1790 **Deputy Burford:** Thank you, sir.

As a member of P&R, I feel I need to put my personal reasons for my vote on record where this amendment is concerned. I am truly sympathetic to the amendment. In my manifesto, I was clear that we needed to raise more income, but that we must not risk our competitive position. On the information I have to date, I do not currently consider that territorial tax will end up being part of the final tax package.

1795 However, this issue has been going around in circles for many years now and we have to arrive at a point whereby if it is not being implemented, that decision is as the result of a detailed open process and one that has been allowed to run its full course and, in particular, in the light of the role that it played in the election. I hear, and indeed acknowledge, the concerns over business confidence in the interim, but the Tax Review Sub-Committee does not have long to go now before it reports. A matter of weeks.

1800 Furthermore, P&R does not intend to wait until July to publish the result of the Tax Review Sub-Committee. At worst, the Policy Letter containing the report will be published in June, but the Committee is investigating reporting earlier on the work of that Sub-Committee. On balance, and in the same way as I voted to keep GST on the table, I believe we have to keep this on the table.

Therefore, at this stage and while fully understanding the reasoning carefully articulated by Deputy Camp, I will be voting against this amendment.

Thank you.

1810

**The Bailiff:** Deputy Curgenvén.

**Deputy Curgenvén:** I saw your face. I assure you I will be quick so we can all go for lunch.

1815

**The Bailiff:** Be as long as you want, up to the 15 minutes.

**Deputy Curgenvén:** Thank you, sir.

1820

There is a lot of talk in the abstract here, which I think Deputy Gollop picked up on and Deputy Burford was talking about a lack of information. So, can we talk about facts? The other day I met with an individual, who you all know, I am not going to name, and this person is thinking of leaving Guernsey because of the threat of territorial taxes. I do not know how much this person brings in, but it is in the millions and he is very well connected.

1825

So I do worry about people like that leaving, because it is not just the taxes. It is obviously if they buy a property over here, there are local businesses, tradesmen going in there and stuff like that. These types of people add to our economy hugely. They employ a lot of people. They bring in a lot of taxes. We are not talking about personal Income Taxes, we are talking about corporation taxes and we are also talking about our economy. They give a lot of people jobs over here. So I am worried about this certain individual and some of their friends leaving because we are losing out on millions.

1830

One of the only things – I am thinking about abstaining and I hope that Deputy Camp could maybe push me one way or another, and it was again raised by Deputy Burford – that the Tax Review is only a few weeks away. Only a few weeks away. So I would support Deputy Camp's amendment if she can explain why we need this now rather than wait for two weeks' time to see what Deputy Parkinson and the rest of them come back with.

1835

Just finally, in sum and in short, I just want to say to Deputy Parkinson, this is no slight on you or the Tax Review or anything like that. You are all experts in what you are doing when you know what you are doing.

Thank you very much, sir.

1840

**The Bailiff:** Deputy Inder.

1845

**Deputy Inder:** I think I can help Deputy Curgenvén. There is a very good reason to take it off the table; it is about Guernsey's brand, protection, definition and planning. The argument being made by those who will not be supporting the amendment is that we are only a few weeks away. You can do a lot of damage to Guernsey in a few weeks. The damage has already been done. The fact that we are even having the territorial conversation, the damage has already been done.

1850

Just coming from my background, anything you can do to retract from that position is a good place to be. If we can signal today that a certain taxation package is off the table, because I think we know this is going to happen. Deputy Parkinson, I entirely accept his position. I genuinely believe he has run out of road. At the end of this position, I generally do not believe – whether Deputy Parkinson will ever believe it himself, because he has got the confidence of his own belief, that he may not even set the outcomes. But if we, as a body corporate, take a position today, the territorial tax change is over.

1855

It is our message. Do not leave it in the hands of people who may never accept it. You here, all 38 of you, including the two reps in the corner up there, you are put in here by the people of Guernsey. You cannot allow the destiny of this Island to be put in the hands of four or five people, one of which is unlikely to accept the outcome. They have not accepted it since Zero-10 started. So why do you think they are going to accept it today?

1860 So to answer your question – or, sorry, through you, sir, the question of Deputy Curgenvin directly, the reason to get rid of it today is because it is the right thing to do. It draws a line in the sand. That conversation is over. Our marketing guys and girls at Guernsey Finance can crack on and they have got a position to take. Right now, Jersey Finance has been popping its corks for the past two and a half, three years. It is out there saying, ‘Come to Jersey, we have got fiscal certainty, you know where we are. Do not go over to Guernsey because what are they going to do in June or July’. I know why they are doing it, because it is exactly what I would do.

1865 Thank you.

**The Bailiff:** We will now adjourn until 2.30 p.m.

*The Assembly adjourned at 12.30 p.m.  
and resumed its sitting at 2.30 p.m.*

### **Tax Reform – Workstream 1 – Propositions carried**

1870 **The Bailiff:** Deputy Helyar.

**Deputy Helyar:** Thank you, sir.

I do not want to give anybody indigestion, I will not be as grumpy as yesterday, that is what I was going to say. Good.

1875 As anybody who has sat in Deputy St Pier’s position knows, the first place people turn to when the subject of increasing tax comes up is finding somebody else to pay it, and it comes up repeatedly. You have probably had all the conversations as well about what we are going to do, what kind of stops can we pull and levers and so on. Trying to find somebody else that can pay is usually the first approach that everybody has. The finance sector has always been in the firing line for it.

1880 Deputy Ozanne is not here but the word ‘fairness’, again, in connection with tax was used earlier on. These two things are not synonymous with one another. There is no fairness in any tax, really. In an ideal world, Government would not have to put it up and we would all be happy with no services, and that would be absolutely fine.

1885 I was really not surprised to hear that Deputy Parkinson had invited somebody from the OECD that invented the idea of territorial tax.

**Deputy Parkinson:** Point of correction, sir.

1890 **The Bailiff:** Point of correction, Deputy Parkinson.

**Deputy Parkinson:** We did not issue an invitation to Pascal Saint-Amans, he responded to our consultation.

1895 **Deputy Helyar:** That is a fair point. Let me rephrase. I am not surprised that somebody who is very anti the offshore world, has seen an opportunity to step in and advise that we should adopt territorial tax because that is what he likes to do, apparently. I can see from having been through his CV over the lunch break. The OECD is not a fan of the offshore world. It is not. I should think it would be a fantastic opportunity for someone like Monsieur Saint-Amans to step into Guernsey and advise us to adopt a territorial tax approach so that it can be used *pour encourager les autres*, shall I say.

1900

It reminded me of – it is very unusual to be able to work Winston Churchill in, apart from the lifting people up in a bucket speech, to use one of his other famous quotes. This one does apply, though, in terms of inviting the OECD to advise us on what tax we would like to charge. An appeaser is someone who feeds a crocodile hoping he will be eaten last. That would very much apply, in my view, and certainly I would think so across the finance sector quite broadly to the OECD.

The last place you go to ask somebody what you can and cannot do is a regulator, because the answer is always, 'No. Now what is the question?'

I very much support the Proposition. I fully respect Deputy Parkinson's view that he is convinced that this is the right thing to do. I think in 20 years' time, if the whole world can agree that everywhere should charge a territorial tax basis, then it would work, but it does not. Tax is a matter of competition between jurisdictions. Tax is a major part, if not the main part, of the reason that people come to Guernsey to do business. We have a stable system. We have a transparent system. It is low. It is not secret. We do not shelter gains and so on. We are very compliant from an international tax basis, and that must be the backbone of it. The backbone, though, overall, is stability in that system.

Merely questioning the idea that we might start fiddling with it is enough, as we have already heard from Deputy Camp, to stop business coming. As I have said on previous occasions, we do not keep a record of who does not come here to do business. They just do not turn up or they make a decision before they start engaging with people. This is something which, if we started to tinker with it, I am afraid, would not just stop business coming, it will make it go.

So I am very much against it. I really wish we could put the whole thing really in a drawer and forget about it until such time as everybody else is willing to play by the same rules.

Thank you.

**The Bailiff:** Deputy Blin.

**Deputy Blin:** I look at this very similarly to the amendment we had earlier by Deputies McKenna and Vermeulen. I agreed with them implicitly that I do not support GST, but I did not want to stop the process before it had been done completely. It is not about the territorial tax in this case, and I will reiterate in this instance as well, I totally endorse the views that unless you do the taxes unilaterally it will just damage the economy, and that is already out there. It has been out there for many months. I remember during the hustings, I did ask to work with Deputy Parkinson. I did say that I may not agree with the territorial tax for Guernsey on its own but I know the day will be right one day, when it will work, when it is unilateral.

Therefore, I focused back on the process. This is the same thing. Deputy Parkinson spoke a bit earlier and gave some examples of some of the work he is trying to do in the processes. I very much appreciate that, but we cannot just stop it on the basis of just one part. We have started the process and we do need to continue.

What this is about now is removing an option mid-review and it will change the nature of the review. I spoke to a few colleagues and, over lunch, I spent some time with people who are in the fund sector and an ex-managing partner of a law firm. The point is this, is that in the same manner, we cannot just pull out. We have a lot of serious businesses here and they understand that mature jurisdictions review their tax systems from time to time. What they value is the stability, consultation and clarity, but not political indecision, where again during one debate we are going to shut down all the work that we have started to process to do.

I will reiterate again, I do not support the concept of territorial tax on its own, but this is part of the tax reform for all parts. If businesses are going to say they are going to withdraw because of a statement like this continuing, I cannot accept that. Again, we are doing things in the wrong order. So we agreed to the structured review. It is in progress and we will get the results soon and will be able to then democratically discuss it.

To me, this is just a déjà vu of the one just before. I supported Deputies McKenna and Vermeulen in their anti-GST but not the way they are doing it. In this case, I do not fully support the territorial

1955 but we have to allow the process to finish and then we can make the decision in the Assembly in a democratic way.

Thank you, sir. Sorry, I was late.

**The Bailiff:** Deputy Dorrity.

1960 **Deputy Dorrity:** Thank you, sir.

1965 Sir, I find that I am supportive of this amendment. Like Deputy Sloan, I do not expect this option to still be a serious consideration come the summer after survey respondents' responses have been received. I believe we would be best to remove it from the options now to end the damage being caused by its very consideration. Having reviewed the five choices offered to respondents in the Corporate Tax Options Survey and the accompanying consultation document prepared by the Tax Review Sub-Committee, I want to address the dangers of introducing a territorial tax system in Guernsey, specifically options 4(a) and 4(b) in that survey.

1970 In particular, I wish to highlight the very real risk of grey listing by the ICCG during their review of any new tax regime. If such reform were to trigger grey listing pending assessment, the consequences would not be theoretical or long-term, they would be immediate. Financial institutions, fund managers and multinational groups operate under strict compliance rules. Many are restricted from doing business in, or increasing exposure to, jurisdictions under enhanced monitoring. Mandates would be paused. New structures would be diverted elsewhere.

1975 Capital is highly mobile. It does not wait for regulatory reviews to conclude. Even if Guernsey was ultimately cleared, after a process that can take several cycles, each lasting six to 12 months or more, depending on how quickly reforms are adopted and compliance clarified, even if Guernsey was ultimately cleared upon completion of the review process, the damage during that period of uncertainty would most certainly have already been done.

1980 When, or if, that green light were received, we would face the arduous task of negotiating a substantial number of double-tax treaties to ensure our clients are not exposed to double-taxation. While such agreements would be of the utmost importance to Guernsey, we are a tiny jurisdiction on the world stage. These DTT requests would not sit at the top of larger nations' to-do lists.

1985 More concerning still is this, we would never truly know how much business had been lost. The promoter who quietly chooses another domicile, the board that opts for certainty in a competing jurisdiction, the investor who decides not to proceed. Lost opportunities leave no clear footprint. Business that never comes to Guernsey because of uncertainty does not appear in statistics, yet it represents real revenue, real employment and real long-term growth that simply never materialises.

1990 This risk is amplified when we consider the immense effort invested in preparing for evaluation by Moneyval, years of legislative reform, major upgrades to regulatory systems at significant cost to Government and industry alike, extensive training, recruitment and compliance enhancements. All of that work has been undertaken to demonstrate that Guernsey meets the highest international standards of transparency, supervision and financial crime prevention.

1995 To then, after all that work, face grey listing, even temporarily during an ICCG review, would risk undermining that hard-won achievement. So, after investing some £25 million and committing years of effort to prove our credibility, we would find ourselves under enhanced monitoring anyway because of a decision to establish a territorial tax regime. The cost and the work devoted to Moneyval preparation would appear wasteful and reputationally shambolic. We must weigh all of this against the projected financial return.

2000 According to the Tax Review Group's own analysis:

Even at the higher proposed rate of 15%, territorial tax might raise, at best, approximately £18.4 million per year and, at worst, result in a loss of £5.1 million annually, depending upon behavioural responses.

That is a direct quote and that phrase alone makes clear how uncertain the outcome could be. By their own admission, it is a risky move. They simply cannot predict behavioural responses. In

2005 short, the potential gains are uncertain and relatively modest while the downside risk includes reduced revenue, reputational harm and business flight. We would be placing Guernsey's hard-earned reputation, the very foundation of our finance industry, at significant risk for a policy whose projected net benefit is highly questionable and which could ultimately leave us worse off than when we started.

2010 Reputation once lost is costly to rebuild. Business loss during uncertainty may never return. Unquantifiable missed opportunities can quietly outweigh projected gains. Reform must be considered carefully. If we are to put our economy back on an even keel, we may need to select one of the less perilous options from the Corporate Tax menu, along with GST Plus, Civil Service reform and a meaningful savings initiative. But we must avoid introducing a territorial tax regime that risks immediate grey listing and undermines years of Moneyval preparation, particularly when we are told that even contemplating such a move is already affecting business confidence, all for a modest and uncertain fiscal return.

2015 In my view, the territorial tax proposition is a gamble we are not in a position to take at this time. Guernsey's strength has always been stability, credibility and trust. We must be absolutely certain that we are not placing those foundations at risk for relatively meagre rewards that may never fully materialise.

2020 Thank you.

**The Bailiff:** Deputy Kazantseva-Miller.

2025 **Deputy Kazantseva-Miller:** This is, if my memory is correct, the third time we are having a corporate tax, or specifically a territorial tax, discussion through amendment. In this I think lays the problem of the debates we have had so far, is because the debate is brought to us through amendments. So in the last political term I think there were two amendments by Deputy Parkinson through different debates, and today we have got the amendments from Deputies Camp and Helyar. Usually it is amendments which are, let us say, two-page amendments with no further details. I think in this lays the problem with the debate we have had so far, because it does not end. It is not enough to have some good speeches, and we have had some really good speeches and from Deputies who have a very technical understanding of the finance sector outlining their concerns. But the problem has not been presented to other Deputies so that we could get a definite majority to completely knock these proposals out.

2030 I think I have got some understanding of how a territorial tax may work based on the research I have done, but I am still very unclear what a territorial tax regime would look like. I am sorry, but I do not know exactly where the boundaries would be, where the source of income would be calculated. I think this then – if I am uncertain, because it is very unclear where those boundaries are, it means a territorial tax by implication is extremely uncertain. This is what creates an extreme sense of uncertainty in terms of what it actually is.

2040 But perhaps the biggest mandate for this debate was through the general election we had last year. So to some people it may have been obvious that we should not even be contemplating talking about the territorial tax, but clearly that is not the case for a lot of people, or specifically – I do not know – 9,000 people who voted for Deputy Parkinson, and Deputy Parkinson stood on a very clear mandate. But not only that, this Assembly elected Deputy Parkinson into the position of P&R with a very significant majority of, I think, 30-plus votes, knowing what Deputy Parkinson stood on.

2050 We then had the P&R Committee who came up with the terms of reference and the Sub-Committee group that was to be chaired by P&R back in September, I believe. So, six months ago. Six months ago was the time to potentially put on those brakes. Why were those brakes not put on hold?

The Committee *for* Economic Development was quite concerned about the setting up of the Sub-Committee and the work to be undertaken. We requested that a Committee member was

2055 represented on the Sub-Committee, and we are very grateful that actually P&R accepted that decision, and this is the reason Deputy Camp was elected to be a member of that Committee.

2060 So from the Committee's perspective, we have not had any chance to look at the outputs of this work and no one else has had. We have not had any discussion about any of the feedback that has been received, and we do not have a Committee view. I know certainly at least one member of our Committee will be actually quite supportive of these proposals.

2065 Do I want to be having this discussion today? No, absolutely not. We should be having these kind of discussions very quietly behind the scenes and figuring things out without a public debate. Actually, ironically, having amendments like this today makes things worse because there will be articles in the media, it will be picked up. We are actually putting fuel on the fire through having premature debates like this. While I probably 100% agree with the technical analysis of where territorial tax is likely to lead us, as Deputy Camp gave us, I feel from a democratic perspective the only time to properly end this debate is to ensure the work progresses. Because it is literally at the last minute of the consultation process, the damage has already been done.

2070 Jersey is already doing very well, winning business from us and saying how stable their political environment is ahead of their elections. The horse has bolted. It is too late. So I think actually P&R has done a reasonably good job to keep this work reasonably under tap? In fact, when I met with Jersey counterparts, they were trying to question exactly what was happening with this workstream because it was so quiet.

2075 I think we are trying to manage it in the least disruptive way possible and the sooner that process can finish with improper debates, then I think we are allowing for that democratic process to end. So while I probably very much agree with the technical analysis that this should not be an option and should not, please, be considered as part of the final proposals, I just feel this debate will never end and Deputy Parkinson, in particular, will feel very aggrieved not to have had the chance that has been democratically given to him by this Assembly to complete this piece of work and present their proposals in a proper Policy Letter with proper details, proper research that we can all look at and make a democratic decision with the direction forward.

2080 I will not be supporting, or at least I will be abstaining, from these amendments, but not because I do not disagree with what they are trying to do but because I think we need to ensure the democratic process runs through.

2085 **The Bailiff:** Well, as no one else is rising, I will turn to the Vice-President to speak to Amendment 2, please.

Deputy St Pier.

2090 **Deputy St Pier:** Thank you very much, sir.

2095 P&R understands the anxiety which is expressed by those moving this amendment on behalf of many in the business community. I have been lobbied myself by a number of people from that community, but we have set out a clear process and a clear timeframe, and that timeframe is being adhered to. I think there would be a stronger case for this amendment if, for whatever reason, we were running months behind in the timeframe that was set out in September last year. We do expect to be able to report the output of the Tax Review Sub-Committee shortly after Easter, at the beginning of April.

2100 I would suggest, as others have spoken as well, I think not only the community, which is, I think, in essence, Deputy Kazantseva-Miller's point, but Members of this Assembly are entitled to see the benefit of that work that has been undertaken.

Deputy Parkinson, when he spoke, said that he was speaking personally. Because of his leave, he was not present at this week's Committee meeting at which this amendment was discussed. But actually his speech perfectly reflects the views of Policy & Resources. Actually, he said that it would be a breach of trust with the people of Guernsey.

2105 Deputy Ozanne also spoke, she has spoken a number of times to this meeting about the need to build trust and, in order to do that, the need to look at all the options. I think that, in essence,

again, was Deputy Kazantseva-Miller's point that this debate will never end if we have not been seen to have seriously lifted the lid and looked at this issue.

2110 I think while responding to Deputy Kazantseva-Miller's point, she made the point that Deputy Parkinson stood on a very clear mandate in relation to this issue. It is also worth emphasising that the President of the Committee also, when standing for election for that position, had a similar position as well.

2115 Transparency is needed if we are to build the trust and confidence of the community that this issue has been seriously looked at. Otherwise, what on earth was the point of creating the Sub-Committee, its terms of reference bringing in the eminent experts that are there, if we are going to cut its legs off at the knees before the process is completed.

2120 Deputy Sloan's comment, I think, is absolutely spot on. This is the price of democracy. We knew there was going to be a delay after the election, as a result of the election, and the signal that was sent through the election of a desire to look at this, and this is simply the price of that. What the Committee sought to do was set out a clear and short path to look at this as quickly and as urgently as possible.

2125 Indeed, Deputy Helyar, when he also stood for the role that the President now occupies, also made the same point. He said, responding to a question, 'I will support continuing to review the ever-changing landscape of Corporate Tax, including the potential for dialling up Zero-10 to Zero-15, and again to consider other forms of territorial taxation urgently. Now, of course, that was in July, we are now in March – nearly in March – so the argument could be from Deputy Helyar that it has not been urgent enough, and therefore hence his support for the amendment. But actually the urgency was established by the Policy & Resources Committee in setting up the Sub-Committee and the timeframe that was laid out then. So it is, as Deputy Sloan said, the price of democracy.

2130 Deputy Curgenvin, my response to him would be we simply cannot make policy by anecdote. The fact that he has spoken to a bloke who has got quite a lot of money who says he might be thinking about leaving, is not a basis on which this Assembly can be making informed decisions. My advice and my suggestion to him would be to return to that contact and say, 'Please, before you make any decisions, wait until the publication of the Tax Review Sub-Committee's report around Easter this year'.

2135 I think Deputy Inder also spoke about the election having provided a clear mandate to the approach that has been adopted. Deputy Dorrity spoke about many of the concerns around a territorial tax and indeed Deputy Kazantseva-Miller touched on them, what is the definition of source. These are the issues which the Tax Review Sub-Committee is, or has been, and will consider and address. Deputy Dorrity's speech was very much presuming that we would be proceeding either through the – it was an assumption that we were at that point where we were proceeding with a set of proposals that he did not like. But that is not where we are. At the moment it is just allowing time for proper consideration of the issues.

2145 In various different ways in responding to those that have contributed to this debate, it is simply saying to the Assembly that the Policy & Resources Committee's position is that we should allow the time and space for the process that was set out to be completed, and we strongly encourage Members of the Assembly to vote contre to this amendment.

Thank you, sir.

2150 **The Bailiff:** Finally, I will turn to the proposer of Amendment 2, Deputy Camp, to reply to the debate, please.

**Deputy Camp:** Thank you very much.

2155 There has been quite a fair amount said, and I think a few questions raised by people as we have gone along, and hopefully my technology is working for me. So we started off with Deputy Parkinson. Yes, obviously there was the point about allowing this OECD chappie to keep on coming in and tell us how to operate our own tax system. As Deputy Helyar – I cannot disagree with anything Deputy Helyar said in that regard. When you ask someone who has created the system to

2160 tell you about it they will say it is great, and they are not coming from a background of  
understanding our jurisdiction or anything along those lines. He also stated that in his personal  
opinion territorial tax can raise £20 million to £25 million. Now, I took my facts and figures from the  
consultation document that the Tax Review Sub-Committee published, of which he is the Chairman,  
and which, having been an observer in that room, not a member, I can confirm that he was party to  
2165 that consultation document. I think we are talking about anecdotal; I think that personal opinion  
should be taken as anecdotal as anything else that anyone else likes to think is anecdotal in this  
room.

I think there was something around if we take Pillar Two and we take this belief in territorial tax  
that we do not need GST. My understanding is we have already banked the Pillar Two receipts and  
we still have a structural deficit of around £98 million, so I refute that argument.

2170 We certainly have an issue where we carve out sectors, which is actually part of a proposition on  
the table. Carving out sectors is the thing that makes a review more and more likely because that is  
when your tax system becomes seen to potentially be more adverse and more unfair in terms of  
your treatment of domestic and international taxpayers, when you are treating various parts very,  
very differently.

2175 We are talking about public trust, and a lot of people talk about public trust. The difficulty I have  
with public trust is that this Assembly, including many Members who have stood up and said, 'Let  
us carry on this process' have been here before and they have been told exactly the same thing  
time and time again. Yet, they are asking the public to trust them rather than this amendment, which  
I find pretty difficult, given that this process is not demonstrating any different outcome to the one  
2180 that was followed in 2023 and onwards there. It is the same result, it is exactly the same warnings,  
and nobody is learning the lesson as to what the point of this amendment was. Could we learn the  
lesson? In fact a lot of the speeches I have heard today have said, 'We know this, we know this  
already, territorial tax is financial suicide potentially. But let us carry on anyway. Let us carry on  
talking about our own financial demise.'

2185 Deputy Sloan, thank you for the history lesson. I always find them incredibly informative.  
(*Interjection and Laughter*) He called me trouble too earlier today, so I think I have earned that one.  
Again, we are talking about a democratic process unfurling here, but what we have all done as an  
Assembly is we have accepted a unilateral direction by P&R to place this on the workstream. So  
I would like to question that idea of democracy.

2190 This is the first time we have even had any real opportunity to discuss whether this should even  
be an option. It was not something that we put on the table. It was something that P&R, five  
Members of our Assembly, have put onto the table potentially.

Deputy Ozanne talked about fairness and the quote she used was:

When the rich get richer, the poor get poorer.

2195 The trouble I have with these kinds of statements is the bit that never gets said that when the  
rich leave, the poor are toast. There is nothing left at that point. This is precisely how you build  
fairness. We need to reframe fairness with a context we find ourselves in and not the world we wish  
we were in. We simply are not there. Our finance industry, as Deputy Gollop said, is responsible  
2200 directly for about 40% of our economy. He said you could add support services, but the trickle-  
down impact is so great. The reality is the finance industry is our economy. We can talk about  
tourism, we can talk about other things but the loss of those would not have anything like the same  
impact that the loss of a fraction of our finance industry has.

2205 I think we have got to start reframing that fairness argument around the fact that this is our  
economy today. We can hate it, we can want to change it, that is part of our job, but right now that  
is where we are.

I think it was Deputy Gollop as well, was talking about the position of undermining our main  
wealth provider is not advisable. I hope that is really coming across. It is not so much only about  
discouraging growth, it is about the fact that we know that moving unilaterally, which would be the

2210 only outcome if territorial tax was accepted later this year, against our competitors will devastate the industry. It is not about discouraging growth. It is none of that. It is the fact that our finance industry is mobile and it is sensitive to taxation.

This amendment does not seek to remove corporate options from the table. Some are there, and, as I said, some are there with far more certainty about the benefits they bring to our economy without that major risk attached to them. So why are we focusing our energy on those, rather than 2215 the one that many people who spoke today said is a certainty that it will not be picked up in July?

We have spoken about timing, and I think perhaps Deputy St Pier has now confirmed that the Tax Sub-Review Committee – not the right phrase – will tell us the outcome of this in April. Okay, that is a bit better than July or June, which other speakers were potentially talking about. I eagerly 2220 await that and I hope at that point that we can end the madness, if we are not going to decide to end the madness today. But again, legitimacy. I was listening to Deputy Burford’s talk about legitimacy of allowing a process to complete; I get it, I completely get it. It is also legitimate to cut off your own arm, but we would not advise that.

Deputy Inder was broadly in support – well, very in support – and, yes, I enjoy the pragmatism 2225 of Deputy Inder’s response, it is nice to hear. Deputy Helyar put a very good case forward far more eloquently than I am doing in this response. Deputy Blin, again, do not stop the process. I am so struggling with this. This is like the captain of the Titanic, if he had been told just a bit earlier, going, ‘Do not worry about it, we are going to keep on going until we hit that iceberg.’ If the Titanic had had that forewarning, they would have turned. We will not, we will carry on going because that is 2230 the process. We cannot move the ship. I think as well Deputy Blin spoke about industry not valuing political indecision. Here we are, political indecision.

Deputy Dorrity, capital is mobile. That is a universal truth. Again, just referring to the point that was made around the fact that we put in a lot of time and effort into Moneyval and here we are 2235 potentially undoing a lot of our own good work. We just do not seem to have a joined-up strategy that results in stability, credibility and trust that he spoke of.

Deputy Kazantseva-Miller, again, I think it is another example of we do not like this option, we are probably not going to vote for it in July. Let us carry on. Now, she spoke about my amendment fanning the flames of the problem. The difficulty is, actually, the fire was created by P&R. What I am 2240 trying to do is douse the flames now, put them out, because this fire has been burning for too long.

I know Deputy Curgenvin asked me about timing. I think this has been a useful debate to have had, because I think what we have ended up with is a concrete – at least, the worst position that we could possibly have is that at least we will know whether this is on or off the table in April if we do not take it off the table now. If it is still on the table in April, then we really are still talking about 2245 June or July. That is still a very long time to be having clients, anecdotally or not, talking about going. The difficulty is that anecdotal actually fuels the problem. The evidence comes after the anecdotal stuff has created the actual activity that you are talking about.

Then to Deputy St Pier. He talked about breach of trust. My view is that there was a breach of trust by bringing this back to the table when it is so frequently and publicly known by external 2250 experts that territorial tax is not something that Guernsey can do unilaterally. So I just cannot accept that; this would be a breach of trust. I cannot accept that we have to keep on looking at all the options, because looking at all the options is creating just this problem of this endless doomed spiral that we are in.

I do not buy that taking territorial tax off the table today somehow completely removes the purpose of the Tax Sub-Committee. The purpose of the Tax Sub-Committee is to look at sustainable 2255 Corporate Tax options. This is not a sustainable Corporate Tax option. So perhaps we ought to question what the role of the Tax Sub-Committee is.

Yes, I think that has probably come to an end. But just to repeat, in summing up all of those responses, keeping something on the table just for the sake of it is not a good enough reason for me to keep discussing this. The reason to take it off the table now, it does set us on a path that is 2260 really unhelpful to us. One, by even considering it at this point, is doing us a heck of a lot of damage.

If we ever get to the point in July where people think it is clever to actually put this on to our tax books then we are all sunk.

Thank you very much.

2265 **The Bailiff:** Members, at this stage it is now time to vote on Amendment 2 proposed by Deputy Camp, seconded by Deputy Helyar, and I will ask the Greffier to open the voting on Amendment 2, please. Thank you.

*There was a recorded vote.*

2270

*Not carried – Pour 13, Contre 23, Ne vote pas 1, Did not vote 0, Absent 2*

<b>Pour</b>	<b>Contre</b>	<b>Ne vote pas</b>	<b>Did not vote</b>	<b>Absent</b>
Camp, Haley	Blin, Chris	Kazantseva-Miller, Sasha	None	Goy, David
Collins, Garry	Burford, Yvonne			Humphreys, Rhona
Curgenven, Rob	Bury, Tina			
Dorrity, David	Cameron, Andy			
Gollop, John	de Sausmarez, Lindsay			
Helyar, Mark	Falla, Steve			
Inder, Neil	Gabriel, Adrian			
Kay-Mouat, Bruno	Hansmann Rouxel, Sarah			
Laine, Marc	Hill, Edward			
Malik, Munazza	Leadbeater, Marc			
Montague, Paul	Matthews, Aidan			
Niles, Andrew	McKenna, Liam			
Oswald, George	Ozanne, Jayne			
	Parkinson, Charles			
	Rochester, Sally			
	Rylatt, Tom			
	Sloan, Andy			
	Snowdon, Alexander			
	St Pier, Gavin			
	Strachan, Jennifer			
	Van Katwyk, Lee			
	Vermeulen, Simon			
	Williams, Steve			

2275 **The Bailiff:** In respect of Amendment 2, proposed by Deputy Camp, seconded by Deputy Helyar, there voted in favour 13 Members, there voted against 23 Members, 1 Member abstained, 2 Members were absent at the vote, and therefore I will declare it lost.

So we are now going to go into general debate. The first proposition is going to have to be voted on in a number of different ways. So let me try and explain that to you before general debate opens.

2280 There is going to be a vote first on 1(a), then there will be a vote on 1(b). If there needs to be a vote, there will be a vote taken on 1(c) and then there will be a vote on 1(d), (e) and (f) taken all together because of the big capitalised 'ands' at the end of (d) and (e), which shows that they are designed to be voted on together. There will then potentially be a vote on Proposition 2, Proposition 3 and finally Proposition 4 taken separately.

2285 So, who wants to speak in general debate?  
Deputy Gollop.

2290 **Deputy Gollop:** I do not want to happen again what happened yesterday when I held back and I missed a trick. The first thing I would say is I am in a bit of a dilemma, probably a lot of us are, but I have in the past stood on a manifesto position whereby on balance I did not think, at least initially, that GST being put on food, particularly not restaurant food – although I think there is an argument there as well to support hospitality – is the right way to go. It comes back to some of the arguments Deputy Ozanne and others have made about public trust, about perception, about the art of the

2295 possible, about if you are putting forward tax reform and changes, I think you need as big a  
consensus as you can get, and clearly there are many members of the public who do not want it on  
the food.

Now, clearly we have within the package a lot of mitigation, and I notice on page 25 of the Policy  
Letter the argument is made not all food is essential, and things other than food are necessary, and  
indeed some of the food people buy is luxury. I believe Deputy Helyar and others have argued that  
2300 the wealthier people in our community tend to buy more luxurious food, instead of, like me, having  
a bag of crisps and a Mars bar, they may go to some of the more prestigious supermarkets or  
whatever. That is a point.

The argument is also made that the Essentials Cost Relief Payment Scheme is on the table. By  
the by, we talk a lot about Alderney, and I did support Alderney yesterday and will support Alderney  
2305 to get the runway within the pay constraint, or even a little bit more if it comes to that. But just to  
make the point that we do support Alderney, all the States' Members in Alderney and all the people  
of Alderney. Policy & Resources are making positive views too, I think.

If you turn to, I do not know, page 19, the argument is made that Alderney residents, 4.4, also  
experience higher prices in some areas, particularly in relation to food and energy. The basket of  
2310 goods applied for a working age couple would cost around 7.5% more in Alderney and incur  
between £69 and £85 a year more in GST. In an ideal world we might not be putting GST at all, or  
exempting Alderney, but I think bearing in mind Alderney does receive – until we get perhaps some  
of the economic benefits that Alderney Representative Mr Hill eloquently spoke about yesterday,  
they are a net recipient of income as far as we know, although their gambling and other sectors are  
2315 important.

But, again, if you turn to page 18, this is quite interesting areas, the argument on Alderney is  
made actually, yes, that 29% of households would qualify for the Essential Cost Relief Payment  
Scheme – that does not step off the tongue very easily – whereas only 15% in Guernsey would. One  
of the reasons for that is the average mean income in Alderney – significant family household  
2320 income gain now on page 19 – is £52,000 compared to £70,000 in Guernsey. Indeed, that varies  
from parish to parish. But my point is Alderney benefits, so to a degree Alderney is likely to have  
support.

I think my arguments are that for the less well-off people in both Guernsey and Alderney, they  
are particularly appalled at the idea of GST on food because it affects their feel-good factor towards  
2325 it. But if you go back to the Essential Cost Relief Scheme, you find out that if we made the decision  
instead to have a 6% GST and exempt food – and there are variations on how you can do that –  
strangely enough the mitigation would be less because you would not need to pay people so much  
because the food would not be covered. So, actually, the very frugal people might be worse off.

I have already mentioned the argument that the well-off pay more for food, perhaps. I listen to  
2330 what economists say. We were only hearing a few minutes ago we should listen to the professionals.  
I think when you listen to economists across the world, they would generally argue that food  
exemptions are counterintuitive to raising income. The paper suggests that only a minority of  
countries zero-rate food. In fact, of course, you could put it the other way and say only a minority  
completely include food because many of the administrations exempt some foodstuffs and so on.

2335 But I think I did agree actually with some aspects of the Deputy Ozanne, Deputy Matthews  
attempted sursis this morning, because I think they make the point that the food is one of the  
crucial votes and you do need to not necessarily be entirely drawn along by expert opinion, which  
can be in some people's eyes Civil Service advice. But the civil servants will give us the most rational  
and informed perspective, whereas we have to balance that against a political perspective.

2340 I have had the good fortune to be on the Home Committee, and I have represented the  
Committee at the GST Working Party with Deputy Camp and Deputy Bury. I have been representing  
Home. I have to say that from a Home perspective, there is no doubt that the people who work for  
us really hard behind the scenes in customs and migration and IT are very much aware that most, if  
not all, of the retailers would prefer for GST to be applied to food. The Co-Op perhaps gives  
2345 ambivalent messages, but everyone else.

From an administrative point of view, from a staff numbers' perspective, from an efficiency perspective, from an information technology perspective, from doing things smarter, it is actually better to have a 5% general rate and food included. It also gets around all the complexities of whether a Jaffa Cake is food or a cake or a sweet or whatever, and there are many other examples. We were given an amusing example of a Christmas hamper, a teddy bear, a bottle of wine and a Christmas pudding. Where do you include that?

I am torn personally between a manifesto commitment and the wise words of some Deputies, both past and present, who wanted the food exemption, and the duty to act pragmatically to come up with a system that is favourable to retailers. I think there are other issues that go beyond that. Again, I do support the Home position on *de minimis*. Although I would love to see a really low *de minimis* to help Guernsey retailers and encourage retail trade, I can see the risks in terms of implementation and information technology to move too quickly on that. I am not particularly keen on a two-thirds majority. We have seen the mischief that can lead to with our yo-yoing on by-elections. You could have a situation where you got nearly two-thirds wanting a change in GST and one-third not and a stalemate. So I am not supportive of that.

I will support the package as a whole, and I do not apologise for suggesting that I actually would like to see more redistribution of wealth, maybe a more efficient higher rate of GST at some point, if not immediately, but compensated by tax cuts, reductions, and improvements in public services and targeted, if not universal benefits. Because we are already seeing we are falling behind Jersey in terms of the cost of pharmaceuticals, in terms of GP visits, in terms of other packages. What we do not want to see is what I heard a little bit of with the GST meeting, which was worth going to but quite animated at times, a scenario where we get more and more tax and less and less services, and charges. Now, that would not help anyone, so we really have to work on this in a measured way.

I think when perhaps Deputy McKenna upbraided me – the original Chancellor of the Exchequer was World War I, not just after World War I, apologies for that – what I meant to say was that it is not acceptable that we have lost so much money with e-government and Agilisys and other projects that have not gone right. Therefore, I can understand political and public resistance to the GST because we are just rewarding failure. But they are intrinsically mostly one-off projects, and our problem in needing revenue is not the good fortune of a bank repayment or the bad fortune of a project that has gone awry. It is the yearly costs of the Home Department, Social Security, Health, Education. One of our colleagues – he might not wish me to name him so I will not – asked a pertinent question to the President of Social Security recently as to what the current quantum of income support was. The figure came back of £53 million. I was part of the reform that took out rent rebate and included it, but the downside of that was actually we increased the eligibility and, therefore, the cost. So, we are paying out, despite coming under budget this year, £53 million for income support and we know that the GST package in itself would raise perhaps a net £50 million. That is food for thought, I think, because we are already redistributing money and the GST Plus would go further.

So I am very supportive of the approach taken by Policy & Resources. I perhaps wish that they would be more flag carriers for a particular option but maybe this particular process is working in terms of building consensus. I reserve my right as a private person on the GST food debate, but I would say I should persuade you that the working party and the officers and team at Home would welcome on balance not a zero rating on food but food being included as part of the 5% similar to Jersey.

**The Bailiff:** Deputy Dorrity.

**Deputy Dorrity:** Thank you, sir.

I want to address the issue of exemptions proposed as part of the GST Plus package and, in particular, the suggestion that food should be exempt from the consumption tax. Members should be clear about the practical consequences of such an exemption. Removing food from the GST Plus

2400 base would not simply be a neutral adjustment. Yes, it requires for there to be an increase in the headline rate from 5% to 6% in order to raise the same level of revenue but, more importantly, it would result in our replacing a single, low, broad-based tax rate with a very slightly higher yet far more complicated one. That change would make the tax harder to calculate, harder to administer and, as we heard during the presentation of the steering group's feedback on consultations with retailers, far more difficult for businesses to comply with. Retailers would be required to distinguish between those taxable and non-taxable items and manage the additional compliance costs this would generate.

2405 For a small jurisdiction such as Guernsey, simplicity is not a luxury. It is essential to the successful implementation of the GST Plus package. More importantly, a food exemption is unnecessary. The cost of essential expenditure, including food, is already accounted for within the wider GST Plus package. The reduced Income Tax rate and the social security cap are specifically designed to increase disposable income and protect lower and middle income households from the extra costs they will experience as a result of GST Plus. These measures provide targeted support in a way that a blunt consumption tax exemption cannot. Exempting food would therefore deliver Ltd additional benefit while disproportionately favouring those who spend more on food overall, while at the same time eroding the tax base and, as I have said, increasing the complexity of its administration.

2415 There is also a broader principle at stake. Once exemptions are allowed beyond rents and mortgages, we risk tying the implementation of GST Plus in knots. Other sectors and lobby groups will inevitably come forward, each with a credible case as to why their goods or services should also be exempt. The result would be a patchwork tax riddled with special cases and increasingly difficult to deliver on time and within budget.

2420 To reiterate, the strength of GST Plus lies in its simplicity, a low, broad-based rate with fairness achieved through the Income Tax system and social security arrangements rather than through multiple carve-outs in the tax itself. For these reasons, my fellow Deputies should be cautious about exemptions. A food exemption would increase the rate, complicate the system and solve a problem that has already been addressed elsewhere in the package. If we want GST Plus to work as intended, we must resist unnecessary exemptions and judge the proposals as a coherent whole.

2425 Thank you.

**The Bailiff:** Deputy Curgenvén.

2430 **Deputy Curgenvén:** Thank you, sir.

I think my biggest weakness is my biggest strength, that I am not afraid to look like an idiot. This amendment and, in fact, any GST-related amendments operates on one assumption and that is it brings in £50 million a year, but no one has come back to me yet to explain the calculations. Sorry, I am going off on one.

2435 The email that I sent to everyone explaining that the £50 million does not actually look like £50 million, I have not had a response yet. Well, I have. I apologise. I do not understand that (*Laughter*) and I do not feel it addresses the main issues. The email that I had from Deputy Sloan, if he wants to stand up and talk more about it, explains I think he agrees with me – sir, I will give way.

2440 **Deputy Sloan:** Is that okay, sir? I was just checking because it is the main motion, not the amendment. That is what I said, 'Oh, it is the main motion'.

To Deputy Curgenvén's point, my apologies – there are letters that I do not see in the right order, you appreciate – I saw those numbers about the net figure of £50 million and I did respond at lunchtime because I had not appreciated with the email thread what question you had asked. I do think that the points that you make are legitimate. There are some second round effects in there that I do not think the modelling takes into account.

2445 I think the point you are making, that effectively one might think it is a reasonable assumption that the public sector might through its trade union negotiating skills be able to negotiate an inflationary-linked pay, and so therefore there would be some second-round effects in there, there

2450 would be a tâtonnement process going in to find out where the equilibrium would be, but there  
would be some revenues there. There would be that sort of uplift to pay for the pensions, which  
I presume, like I said, is a Guernsey Policy and Economic Group (GPEG) type argument that I had  
heard them talking about. I do think when the numbers were presented to us at the Candie Gardens  
2455 there were some numbers with regard to social security, and some of those incremental revenues  
are already factored into the programme. So they are not actually to do with this measure per se in  
my understanding of it, so I would not net them out in terms of where you are.

I think there is something in there. I have not had the – to tell you exactly where you are. I think  
the point you are making is there is probably some second-round effects in there that is not factored  
into the calculations and, yes, I do not think necessarily the revenues, the prize, is as big as is  
2460 purportedly shown for what is quite a significant, material change to the regime.

**Deputy Rochester:** May I do a point of order?

2465 **The Bailiff:** Point of order, Deputy Rochester.

**Deputy Rochester:** It may be incorrect but my understanding is that we are debating GST on  
food or not on food and that the financial impact of that is negligible. So I am not sure why we are  
debating the overall income of GST in its widest form.

2470 **The Bailiff:** Well, Deputy Curgenvén has raised on two occasions now the fact that he had sent  
an email to everyone. I am not sure that that is a valid point of order in respect of the debate that  
is now happening, but if you can focus, Deputy Curgenvén, on the Propositions because that is  
really what needs to be addressed at the moment.

2475 **Deputy Curgenvén:** Thank you, sir.

I think Deputy Sloan said it best. It is just what we are talking about is predicated on the  
assumption that we are actually going to get £50 million in, in a nutshell. I just want confirmation  
that that is factually accurate before we go any further. We cannot really talk about exemptions or  
anything else if we do not know how much money we are getting in.

2480 Thank you.

**The Bailiff:** Deputy Leadbeater.

**Deputy Leadbeater:** Thank you, sir.

2485 I am going to focus my remarks very narrowly on the operational delivery because basically  
Home Affairs have the mandated responsibility for the Guernsey Customs & Immigration Service,  
so it is our guys that are going to be at the border dealing with all this, whatever we decide. So I am  
not going to really go into whether GST is philosophically right or wrong or the broader fiscal  
strategy but what will happen at the border.

2490 The Guernsey Customs & Immigration Service is not a large Department with deep reserves.  
There is no spare capacity. It is a small, very professional, highly committed team operating in a  
pressured, real-time environment. When goods arrive, they must be cleared because delays have  
consequences. When we talk about exemptions, what we are really talking about operationally is  
introducing complexity into that environment. I think Deputy Dorrity has just pointed that out. Most  
2495 consignments arriving in Guernsey are consolidated shipments. Within one load you can have food  
products that will qualify for an exemption, non-food products that will not, and goods that fall into  
grey areas. That means line-by-line assessment, separate declarations, judgement calls, more  
queries, more corrections, more follow-ups. Every additional step increases the risk of delay.

2500 Now let us look at the experiences of the States of Jersey. Jersey has operated with GST for  
18 years. They considered a food exemption and they chose not to introduce one. When GST was  
first implemented in Jersey, even with a relatively high *de minimis* threshold, customs experienced

immediate operational pressure. There were bottlenecks. There were delays. There were high volumes of enquiries, and that was without laying in an exemption for food. Jersey Customs have been clear about this. Implementation brings surge pressure and if you start with too much complexity you amplify that surge.

We need to be honest with ourselves about our scale and our capacity. Jersey has a larger population, yes, but also a far larger customs resource than we do. If they experienced strain at implementation, we should not assume that we will glide through smoothly, particularly if we introduce additional complications that they did not have to deal with. We also need to understand that GEMS, the Guernsey Electronic Manifest System, is not set up to be able to deal with such exemptions. (**A Member:** Hear, hear.) That will mean if we do carve out exemptions we will first need to upgrade our systems, and we have clearly got a brilliant track record with IT projects.

Now I need to speak about our *de minimis* as well. A lower threshold means more consignments detained, more electronic declarations, more first-time importers navigating a system they have never used before, more phone calls, more emails, more disputes. In the early months of implementation, that volume will not be theoretical as it will arrive at the counter, on the phone and in in-boxes of our small team immediately. GCIS, although an agile service, does not have unlimited elasticity. It cannot instantly double its capacity because we pass a Policy Letter and the Propositions contained within it. If we overwhelm the system in the first phase of GST, we risk backlogs at the border, frustration for freight agents, delays for local businesses and public dissatisfaction right in the very early life of the regime. Once confidence is shaken, it is difficult or sometimes impossible to rebuild.

I say this not to alarm or obstruct but because my responsibility is to ensure that the service I politically oversee is not set up to struggle from day one. If Members wish to introduce a GST, then in my view we must prioritise simplicity at the border. (**A Member:** Hear, hear.) Uniform application is far simpler than exemption. A sensible starting *de minimis* is safer than an aggressive one.

If we do end up with a GST, we can review and refine once the system is embedded. Jersey did just that, reducing their threshold only after the public and businesses were familiar with the process, but starting with a complex system and hoping to cope is not a strategy.

Sir, the officers in the Guernsey Customs & Immigration Service will do everything asked of them, I have no doubt about that. The question for this Assembly, though, is whether we ask them to implement something operationally deliverable or something politically attractive but structurally fragile. That is the lens through which I will view this decision, not because I favour a GST at all. Do I want GST on food? No, I do not. I do not want GST on anything, but we have to be realistic and we have to be realistic about the operational capacity of the services that need to deliver whatever decisions we make today. So I ask people to consider what I have said before making their decision on whether to carve out exemptions or not.

Thank you.

**The Bailiff:** Deputy Niles.

**Deputy Niles:** Sir, with the emphasis on realism, in the future if and when we introduce a Goods and Services Tax we must do it properly. That means low, simple and broad based. For that reason, I support a 5% GST applied across goods and services alongside the mitigations already built into this package. The Income Tax changes, the social security reforms and the essential cost relief payments, the more that we fragment the base with exemptions and special treatment, the more that we can increase complexity to it, distort behaviour and ultimately push the rate higher. The analysis that we have done already shows that zero rating major categories would require a 6% rate elsewhere to maintain revenues. That is not progress; it is dilution.

A clean 5% rate is economically coherent and administratively sound. However, there are two areas that I must highlight. First, education, which has a minor effect of 0.1%. Education is not a discretionary consumer good. It is an economic enabler. It strengthens productivity, supports social mobility and underpins the long-term stability of our community. On a small Island economy where

2555 we are aiming to enhance our value proposition, we should be encouraging the widest possible educational provision, not adding fiscal friction to it. Families investing in education are investing in our Island. That benefits all of us.

2560 The second area where I cannot agree is the proposal for a two-thirds majority to increase the GST rate in the future. This is not about making tax rises easy. It is about preserving democratic integrity. No Assembly should entrench fiscal policy in a way that binds future Assemblies beyond the normal democratic threshold. If a future Assembly believes the rate must change, it should make the case, win the votes and secure a majority. That is exactly how democracy works.

2565 So my position is straightforward: support a broad-based 5% GST with mitigations, do not apply it to education and do not require a super majority to change it in the future. That preserves economic clarity and respects the principles of this Assembly.

Thank you.

**The Bailiff:** Deputy Matthews.

**Deputy Matthews:** Thank you, sir.

2570 Sir, my starting point in answering the central question in this debate is straightforward. Applying tax to food is simply morally wrong. (**A Member:** Hear, hear.) Food is an essential for life. Government should not be getting in the way and charging a fee for something that is needed every day. Of the 175 countries that levy VAT or GST, the majority of these provide some reduced rates or exemption on essential food items. The UK applies 0% on most basic non-luxury foods. 2575 Ireland has a 0% rate on many food items. Cyprus and Portugal recently applied a temporary 0% rate on essential foods. Australia, most basic foods are GST free. In Japan, following a landmark election victory, the new Government plans to abolish VAT on food entirely in 2026 to ease cost-of-living pressures. There are many other examples. Malta, Lichtenstein and Switzerland provide very low rates between 0 and 2.5% on certain food items. In the OECD report 'Consumption Tax Trends 2024', it says that all OECD countries that operate a VAT, except Chile, apply reduced VAT 2580 rates to various goods and services to pursue specific policy objectives, most often the promotion of equity on food, health and hygiene products and culture on books, magazines and shows.

I give way to Deputy Inder.

2585 **Deputy Inder:** I completely accept where the Deputy is coming from but I have spent some time in Japan so I know a little bit about the country. Japan's system consists of a progressive personal tax rate from 5% to 45% with a 10% consumption tax. So might he accept that a country with a larger tax base can probably afford to give some sort of deregulation on food rather than Guernsey, who is going lowballing in at 6%, or 5% and hoping it does not make the six? So when he does 2590 speak on this could he paint the whole picture about the tax bases of these countries like I will?

2595 **Deputy Matthews:** I thank the Deputy. I am sure there are an awful lot of things that Japan can afford that we cannot, but my point here that I am making is not really about comparing our overall fiscal position with Japan. It is merely to point out that an awful lot of countries have lower rates and exemptions on food or on various items in their consumption tax regimes. It is not an unusual thing.

2600 The Treasury has cited New Zealand as a model for our GST proposal as a rare exception where a flat 15% GST rate is applied to all goods including food. Now, New Zealand is a country that I know well, or quite well. In fact, I know many Guernsey people who have relocated to New Zealand to escape the high cost of living and housing in Guernsey. So should Guernsey copy New Zealand's example? Well, first consider the major differences between our economies. Like us, some goods can be expensive due to, for example, the higher freight charges for imported goods. But one thing New Zealand has absolutely no shortages of is food. New Zealand is a major net exporter of food, producing enough to feed nearly 40 million people, far exceeding its population of 5 million. The

2605 country heavily exports dairy, meat, fruit, wine, with food products accounting for a significant portion of its total export revenue.

If Guernsey were to suddenly increase its agricultural output such that in proportional scale we were able to produce enough food for half a million people from our Island's population of 65,000, then I would agree that GST on food is, like New Zealand, not much of a problem. But we do not.  
2610 We are a net importer of food and we already have some of the most expensive food prices in Europe.

If we bucked the global trend and applied a standard rate of GST on food, we make the tax vastly more noticeable to the people of Guernsey. Every loaf of bread, every litre of milk, every tin of baked beans will carry a charge to pay for Government services. We have all heard criticism raised that the  
2615 extra revenue raised by GST is to help, as some people would say, to cover Government inefficiency in service provision rather than to provide essential services. Well, for critics of the States of Guernsey, every day, every time they are at the supermarket checkout, that sentiment will be reinforced.

There are two arguments put forward as to why taxing basic foods might be counterintuitively a good idea. Firstly, that the revenue collected, including from the ordinary working man and woman buying their essential food, can be redistributed via tax allowances and social security to those on low incomes. Well, sir, those who trust that tax and social security systems can accurately and efficiently identify those groups in most need are far more confident than I am in their ability to do so without some falling through the gaps. We would be attempting to essentially 'rob Peter to pay Peter' through our administrative processes. I am sceptical of the likely success of that  
2620 venture overall.

The argument also goes that the rich pay more because the rich spend more on food. Really? In what proportion to their wealth? We know that wealth distribution roughly follows a power distribution, a pattern discovered by Vilfredo Pareto in the 1890s when he was investigating land ownership in Italy, and he found a pattern that seemed to apply universally across various European economies at the time. Unlike a bell curve, a normal distribution where most people cluster around a mean, power laws show a few elites holding extreme amounts of wealth with a long tail. Now, does food expenditure likely follow a similar pattern? I think not. It is likely to be far more linear. While it may well likely increase with increasing income, it is nothing like the rate seen with a power  
2630 law distribution. It is disingenuous to say the wealthy spend more on food so it works out okay, because that disregards the very great difference in the rate of increase.

Secondly, the argument goes that a flat rate tax with a few exemptions is far more simple and straightforward to administer. I find myself instinctively bristling at the idea that as policymakers we should be asked to set aside principles to ease the burden on our bureaucracy. It has become obvious, for example, from some of the difficulties Islanders currently experience in submitting their annual tax returns, that our Revenue Service is not quite the well-oiled machine that some may have believed that it was. Bearing that in mind, some advise that throwing a spanner in the works by supporting an exemption to GST for food would stymie the implementation process. But is an exemption for food really the straw that would break the camel's back when most jurisdictions  
2640 around the world that implement consumption taxes also support some form of exemptions or differential rates in their rules? I think the question has to be asked: if a simple exemption is said to jeopardise the otherwise eminently achievable implementation process, is that process really as secure as it is claimed? For almost any putative change, for almost every bright idea and suggestion, we so often hear the refrain, 'We do not have the resources'. It is such an irony that this all-purpose damper, this universal wet blanket, is applied to the very revenue collection mechanism intended to help resolve Guernsey's financial shortfall.  
2645

The fact is that with such a wholesale change the implementation is likely to be troublesome no matter what happens, but we must not let operational difficulties dictate policy principles. We have also heard from representatives of some large retailers through consultation who, with the implementation of GST, would effectively be recruited in to become tax collectors, reluctantly  
2655 sharing the administration with the States' own superannuated civil servants. While I approve of the

principle of wide consultation, and we should be mindful of the views that we receive, we need to place them in the proper context.

2660 Predictably, our new recruits to the tax collection world are broadly opposed to exemptions. Well, of course they are. It has not taken them long to settle into their role. For those who frequently say that we must not be pushed around by the idea of Government by Facebook, we equally should not be swayed by the comments that are overheard in Waitrose. For any Members who are unfamiliar with the humorous musings posted across various social media platforms by a social media account – I will provide a couple of them. Jemima: ‘You will have to take the rosemary off the focaccia before you feed it to the ducks. They cannot digest it.’ ‘Can you believe I was 40 before I had quail?’ ‘I am putting together gift bags for my builders.’ These are apparently things that are overheard in Waitrose. *(Laughter)*

2670 For the better-off members of the middle classes who might originate similar sentiments while visiting some of our own local stores in Guernsey, adding 5% additional charge on food may not be startling enough to cause great concern, but for the less well-off the increase will be more acutely felt almost every day. Of course, this assumes that the rate will stay at 5%. As we have heard, a rate of 10% or 15% is far from unlikely in the future. Would anyone in this Assembly be happy with the idea of 10% on food or 15%? With no option for any kind of exemption, that becomes a real prospect.

2675 Sir, I suspect most Members know an exemption for basic foods is the right thing to do in principle. If we allow ourselves to be led by the nose by operational concerns, then we will have let the bureaucracy, the form fillers and the paperclip counters override the policy principles. Sir, I ask Members to vote with their principles rather than on operational concerns.

Thank you, sir.

2680

**The Bailiff:** Deputy Helyar.

**Deputy Helyar:** Thank you, sir.

2685 Just very briefly, given that I was directly involved in creating the majority of these proposals, I think the arguments are well made in the Policy Letter, and I would not stand against them. But there is one thing that bothers me, and it is perhaps because I am now in a different role at STSB looking down the other end of the telescope. In 1(f) we are asking the application of other exempt and zero-rated supplies should be as outlined in section 8, and that would include fees and charges which are rendered by entities underneath STSB. So it would be water, electricity and so on. If say, 2690 for example, Guernsey Electricity Ltd makes a return, it has a budget under which it can invest that return in its equipment and in the infrastructure which it creates and so on. If we want to ask for money out of general revenue or some kind of capital charge, we then fall into a process and it is a nightmare. It is a complete nightmare. It is a massive frictional cost to doing project work.

2695 So we use this misnomer ‘business case’ but most of the cases are not a business, they are never going to produce a return. A recent example – and it is not a criticism of any politicians, we just have this process and we cling to it – some of the staff at STSB had to fill in a very long form, many pages of questions on a business case about replacing a piece of milk packaging equipment at the Dairy. Obviously, it is a binary thing. If you do not replace the packaging equipment, you do not have a Dairy. It does not need pages and pages and pages of questions for somebody else to answer 2700 to pass on to a process and into and out of and so on.

2705 So it does worry me that we have businesses within STSB that are very capital intensive and do need assistance from time to time because they run and they need access to general revenue. By increasing their charges and giving that money that is raised to Treasury and then creating a process where we have to, even though those businesses have levied the charges themselves, go and ask for it back in order to pay for something we need, we are creating a vast amount of internal frictional cost which should not be there. We have had discussions about it in STSB, including should we bring an amendment to sequester that money and keep it in STSB and spend it on whatever we feel like. I do not think that is an appropriate way to do it because we do have a collective Government.

2710 We should be capable of making those decisions in a collective way, but they add a lot of time and therefore cost and we have a vast amount of bureaucracy which we do not need and we do need to move over to one side.

I am very pleased to see some of the developments that we have had from P&R on those processes, and I am looking forward to really being able to get into some of those procurement and Treasury exercises and RIBA, and all of the other processes that we have, to try and make sure that they are proportionate to the risk that we are taking. Because at the moment we are taking too long to make decisions. That in itself is costing us money. So that is really a warning for the future, I suspect, rather than I am not in favour of, so I will support the Propositions.

**The Bailiff:** Deputy Bury.

**Deputy Bury:** Thank you, sir.

I will not be long, but because of my decision and wrangling on this I do feel that I should get my thoughts on record. Very much like Deputy Matthews, I have been wrangling between principle and practicality in my deliberations around the food exemptions. Having thought about it long and hard, I think in the end I am going to come down on the side of practicality, which is quite unusual for me, I think. *(Laughter)* I am normally led more principally, even to the point that when Deputy de Sausmarez nominated me for the role I take she laughed when describing how principled I am. I think on this occasion the practicality is the more sensible option, all of this caveated in the fact that today we are discussing what GST should look like if we bring in GST in the summer. Again, my decisions around the Propositions in front of us do not necessarily dictate how I will vote in future, but it would be irresponsible not to take part in this part of the process. Because ultimately, if GST does end up coming in, then I would like to make sure I have influenced it in the best way I am able to.

It will probably fall on deaf ears but it is worth a go. A plea to the media to try and at least caveat whatever happens today and tomorrow that they inform the public appropriately (**A Member:** Hear, hear.) what decisions we are making today, and that the big decisions will actually be made a few months down the line. But let us see, shall we, if that gets me anywhere?

Yes, so I do think that the practical element is going to win out for me this time. I think it is described in the Policy Letter around essential. Food is essential but so are lots of other things. So if I was really going to stick to my principles, then I would be proposing lots of other exemptions: sanitary products, nappies, baby formula, toilet rolls. Things like that are essential and are not food. Yes, for me if I was going to really stick to my principles, then it would all get very complicated. Although I appreciate a lot of the points that Deputy Matthews made around that principality, I think one of the overriding factors in what is being proposed to us is the low rate that is being proposed does not necessarily then justify the level of exemptions that other places with a higher rate necessitates. So that is my main point that I really felt I should get on record, because I can imagine those that do know me and voted for me based on my principles might be a bit surprised with that decision.

Obviously, that decision is made in conjunction with the fact that we have the essentials cost relief payment scheme, which I think is very valuable. I am still concerned, as I always am and I know colleagues of mine on ESS are also, that we will miss people, the people that fall just above. It is always just above these lines that we have in place, particularly in ESS, around how you qualify for benefits, how you qualify for something like this scheme. It is always those people just above that suffer the most, the real squeezed lower middle that we have in Guernsey. I would really like to advocate for some sort of calculator that I do not believe could be beyond the wit of man, AI or technology, that everybody could go online and put in their earnings, their bits and bobs, and figure out will they be better off under GST. Because that is what everyone keeps being told, so if that is the truth let everybody go and figure it out. To Deputy Ozanne's point, we will not have to drag them kicking and screaming, they will be able to trust that that is what GST will do for them. I have been told by another Member that this was discussed at a presentation I was not able to attend,

unfortunately, and that we were advised that it is not possible. Okay, I am getting shakes of heads, so that is good to hear. Hopefully, we will hear something positive on that front.

2765 There are lots more things in the Policy Letter but right now, I think in terms of the Propositions that we have in front of us, the principle of food was one of the most important ones I wanted to address and, as I said, get my thoughts on record.

Thank you, sir.

**The Bailiff:** Deputy Inder.

2770 **Deputy Inder:** Sir, just briefly, Deputy Leadbeater made reference to complications that his team may have to embark upon should GST not apply to food. He also went on to say indirectly that they will get on and do it. I sort of somewhat agree with Deputy Matthews on some elements of what he said. I am just going to refer Members to a letter we all received on 28th January 2026. It is from the Retail Group signed by the Head of Retail, Mr Creasey. I want to go through it inasmuch as he  
2775 said in bold:

If GST is introduced, it must apply to food at the standard rate.

2780 He made arguments mentioned by and reiterated by Deputy Leadbeater: costly for retailers, difficult to implement, difficult to administer, complex requiring extensive guidance, open to dispute, dependent on ongoing policing, damaging to the sustainability of the non-food retail in Guernsey. He then goes on to say:

If GST is introduced we urge the States to apply it uniformly, food and non-food, with no *de minimis* threshold on imports to avoid unnecessary exemptions.

2785 Now, given what Deputy Bury has said, and I would not say she has become more practical or even, indeed, left her principles at home, the only thing I would ask – and I will support the Policy Letter in its entirety – is there a middle ground? Staples, virgin olive oil, quinoa hearts for mousse and Fijian bottled water? No, quite seriously, is there a middle way, bread, butter, possibly bacon or something like that, rather than panicking and applying it to nothing, to suit some of what Deputy Bury said and some of what other Members have said? Is there a basic basket of staples  
2790 that P&R could come back with which do not eat too much into the 5% and 6%, which could be some kind of compromise that stuff on the Island – because bread is going to come in 40-foot containers. Some of it will be. It is not going to be mixed up in mixed consignments. I would imagine a lot of this stuff comes in palletised and should be relatively easy to manage. Not much bread is made in Guernsey – I will give way.

2795

**Deputy Leadbeater:** I thank Deputy Inder for giving way.

2800 Myself and the Administrator of Population Management went down to meet with Ferryspeed and the guys down there and had a look around at their operation, had a look where the M&S stuff comes in, where everyone else's stuff comes in. It all comes in mixed consignments and then it has to be broken down. They talked us through the nightmare that they would have, just that one organisation there, if we had to carve out exemptions on food. I can understand what Deputy Inder is saying and if it is stuff that is not coming across the border, if it is local produce, then that does not impact on our service. But anything coming across the border, certainly from the big supermarkets, etc., it all comes together and then that is when the problems will arise for Guernsey  
2805 Customs & Immigration Service.

**Deputy Inder:** Okay. I will be a bit more straight.

2810 If, as Deputy Niles has said, he has some indication that we are going to start giving exemptions off education, I will not support this at all if we do not – if exemptions on education come in, college fees come in, and we do not do anything at the bottom end, I will not support this in any way, shape

or form. So humour me, P&R. Give me some kind of compromise. If that is the route P&R are going down, which they have been talking to the colleges and considering exemptions, and I understand that they may well be, do not come back here punishing the poorest on the food staples and giving exemptions to the colleges. That is the only advice I can give, but in the main I will be – I will give way.

2815

**Deputy Hansmann Rouxel:** Thank you, Deputy Inder, for giving way.

There is an entire section in the Policy Letter which explains that P&R did look at adding the exemption to the colleges but chose not to, and therefore there is no Proposition which does that.

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**Deputy Inder:** I might not have got that far. *(Laughter)*

**A Member:** Section 8.

2825

**Deputy Inder:** Or past the first page. *(Laughter)*

Anyway, my position is very clear. If it comes by amendment, Deputy Niles, I will not be supporting any of this. But I will support the Propositions as they are and would ask P&R if they could not find a compromise on the basic staples to see if anything could happen.

Deputy Niles, I will give way.

2830

**Deputy Niles:** Thank you for giving way, Deputy Inder.

It is probably not for the reason you think you are giving way, but I would just like to say that if it is helpful, when the Committee for Economic Development met with one of the groups that represents retailers on the Island, they very clearly said to us that if we were to introduce GST, then they requested that it be done across all of their goods and that there was not any exemption for very many of the reasons that have been explained of the technicalities and the difficulties of applying it with exemption.

2835

Thank you.

2840

**Deputy Inder:** Shall I start again?

I think I read that out through the use of technology of the 26 – anyway, the point remains, just so I am absolutely crystal clear, if there is anything that looks like an amendment and is successful that seeks to preclude the colleges from the 5% or 6% GST and it wins, I will make every effort to throw the whole lot out. Because you cannot tax the basic staples of foods and give college parents that kind of advantage over everyone else.

2845

So I would ask Deputy de Sausmarez and the rest of P&R just to look at some kind of staples basic exemption at some point. I will just leave it at that.

I am not giving – oh, are you waiting for me to sit down? Sorry. *(Laughter)*

2850

**The Bailiff:** Deputy Ozanne.

**Deputy Ozanne:** Thank you, sir.

I would like to start by posing a couple of questions to P&R. I very much agree with Deputy Inder on much of what he had to say. I fear that some of the confusion around this debate is that the Policy Letter goes much further in certain sections than the Propositions that we are being asked to vote on. The Propositions are clearly on food but the Policy Letter touches on a range of other issues and reinforces the debate, as I understand it, that Members had in a previous Administration.

2855

So it would be helpful to understand when and how those elements like burial fees or education fees or pensions will be brought before us in a way that we can debate. Because I do think there is confusion, and the fact that we have all received an email from a trustee of a grant-aided college on the matter shows that it is not just on social media where those confusions lie.

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2865 The second area which I am often asked on is, 'Jayne, I am really concerned', and we have heard that voiced in this Chamber, 'that the rate may well go up, but would it ever come down? If Pillar Two receipts do turn out to be much greater than currently being forecast or if, as we have seen yesterday, our deficit is not quite as big as it is and we do not need GST, will it be zero rated? Will it be taken down to 2%? Or will you just lock it in?' The truth is most people assume, because they do not trust us enough – and I think we have not earned that trust – that it will be locked in even if the accounts and the structural financial position shows differently. So question: is there opportunity to go up and down?

2870 I was going to make some of the comments that Deputy Matthews has so ably done about other jurisdictions and comparisons of where they have been able to charge different levels of GST. I am absolutely against, for the same moral reasons, adding GST on food – I perhaps should have said that up front – so I will be opposing this motion. I have various concerns, one of which is the basket of goods weighing up that we do to create an essential cost-relief payment scheme is not indicative of the typical type of a basket of goods that people on low incomes tend to purchase. I am afraid, either because of their ability to access certain stores or their habits, they do not tend to buy lots of fresh fruit and vegetables at the same level as that basket of goods would indicate. Their diet is quite different. We may wish that that was different and we may wish that they actually changed that, but most of them have to buy on a weekly basis. They cannot afford to go to Waitrose or M&S or wherever our chosen major supermarket might be and buy a large weekly or even monthly shop.

2880 I will give way.

**Deputy de Sausmarez:** I am really grateful to Deputy Ozanne for giving way because actually I think she is talking about a really important area. It is an area that I have been very involved with because, of course, in the previous term the Committee for Employment & Social Security, of which she is the Vice-President, I was the Vice-President then. I do want to just make absolutely clear that the baskets of goods are very much – we went to a lot of pain and actually the Committee for ESS challenged those figures, and we made the poor people doing the exercises go back and double and triple check that they were going to the most cost-effective stores. Actually, really counterintuitively in some aspects, Waitrose was the cheapest in some of the basics. We actually made sure that we were getting a really good cross-section of the retail outlets that were available in Guernsey for precisely that reason. There was an awful lot of challenge that was applied at that stage, and so I think she and other Members can have confidence that the basket of goods is representative for the kinds of shops that people in Guernsey can access.

2895 Thank you.

**Deputy Ozanne:** I thank the Deputy for her intervention.

2900 As she rightly points out, I am the Vice-President of ESS and we have looked at this. We did challenge straight back when we got the papers looking at this about the nature of the make-up of that basket of goods. It is not just where you buy it, it is what you are buying and what types of food you are putting in your basket. As I think Deputy Inder has rightly said, we may well need to look at absolute staples.

2905 Now, in a former life – I have worn various hats in my former life – I happened to be European Brand Manager of feminine care for Kimberly-Clark. That meant I had to go round various stores across Europe comparing the prices of things like sanitary towels and tampons and toilet paper and the rest. That was fine for me. My male boss found it a little bit more embarrassing, particularly when he had to buy them and take them back. But it meant I am used to going into stores and looking at price comparisons.

2910 Having moved back, as many of you know, to Guernsey, over the last few years I have seen my grocery bill treble for the same basket of goods. The cost of our food over here is well above what I see as reasonable. It is not just about costs to do with courier charges and transport. It is because they can charge because of the market that we are in. Dare I say, just as an aside, in case the media

want to carry on with this line, the sell-by dates are normally the next day and the quality of the goods is not great.

2915 But the bottom line is that that part of our cost of living is exceptionally high. So there are two groups of people I would really like to pull out this afternoon. It is right that this Chamber rightly hears from people involved with business and those like Deputy Leadbeater who are involved with the operational side of this. The voice that often gets lost are Islanders who are struggling on either side of the social security support gap.

2920 The first group, as we have already touched on, are those in what I call the squeezed middle, those who have seen their rents go up by 57% in the last five years, those who have chosen to stretch themselves to beyond capacity to have a mortgage because they are trying to get out of the rental market, who are trying to give their kids the best start in life by investing in their educational future and do not know how they can make ends meet each week. These are people  
2925 on good salaries, both parents, if there are two people at home, working often, and yet they too are going to Citizens Advice. They too are going to the foodbanks. They too are going to the Community Foundation for advice. How do I know? Because I have been talking to those charities.

I am very glad that the consultation did not just talk to businesses. It did have a 40-minute meeting with a broad cross-section of charities and the Community Foundation and Citizens Advice.  
2930 Forty minutes to hear the voices of Islanders who are struggling I suggest is not perhaps enough. It is better to look at the data. That middle income part of Guernsey who so often feel taken for granted have seen huge increases in their utility bills, in their grocery bills, in their petrol bills. Goodness, I tried to stop that one.

They are the ones who are trying to give their children the best start in life. They cannot afford,  
2935 many of them, to send them off to university. Now we are asking them to find more and they are not likely to benefit. I know many of you feel that we have a wonderful package; the GST Plus part of this is really going to make a difference to them. Well, I am afraid for many they do not believe that their lives reflect the nice – I am going to be polite – way that we have managed those wonderful charts that we have seen that prove that they are supposed to be better off. I am afraid  
2940 it is just not believed.

Perhaps the group I am most concerned about are those who are often invisible to us, the migrant workers and the seasonal workers, those who come in, often with one objective which is to earn as much money as they can, cash in hand, to send home to their families abroad. They often come and they live in accommodation that is provided. They have no rights. They cannot apply for  
2945 income support or social security. They ought to be on contracts but more often than not they are not. We are seeing an increase in a number of them having the courage to come forward to Citizens Advice Bureau, and if any of them by any chance hear what I am standing up and saying today, I wish they would contact me.

I know that we have an issue and I am sure many of you do, too. We have an issue with people  
2950 living below what I call the radar. I have heard anecdotally from some of them that they are not on any form of contract because their employer thinks it is easier to risk not being taken to court than it is by giving them one. As we have seen over the water in Jersey, that can have quite catastrophic consequences. These are the people who are going to be hit the hardest because they will have no access to any of the support that we wish to give.

2955 We may just say that is hard luck, maybe you should not come over, but our Island really requires people to work in our hospitality, cleaning, public health, public sector, particularly in our healthcare, our care workers. I am really concerned that they are going to find Guernsey just too hard, too expensive, and we ourselves are going to find it very difficult to have what I would traditionally call a working class.

2960 So, how do we hear the silent majority? We do not. We take care of our business interests and we take care of those who we know, but I would seriously urge us to think again about adding GST to food. I fear that we have not got a mandate to do so. I fear it will only serve to undermine even further the trust that Guernsey Islanders have with us and I fear most of all that the most vulnerable amongst us will get hit the hardest. Please do not support this.

2965 Thank you.

**The Bailiff:** Deputy Van Katwyk.

**Deputy Van Katwyk:** Thank you, sir.

2970 Just very briefly, I will be supporting the Propositions, though that is in no way indicative of how I plan to vote in June/July. We will wait and see how that unfolds.

I wanted to pick up on a point of Deputy Bury about the calculator that could put people's minds at ease a little bit when we are talking about cost of food and this sort of thing. It is a point that I raised with a member of P&R a couple of months ago, and actually somebody from the public has gone forward and made a calculator. I do not know if anybody has seen it yet, but I used to work with this young gentleman. I managed a team of client services in the finance industry. I used to love summer because I would have two really smart young guys come back from top universities in the UK and this guy was one of them. So I just wonder if anybody in P&R can tell us is this calculator as good as I expect it to be and is it something the public can reliably use?

2980 Thank you.

**The Bailiff:** Alderney Representative Hill.

**Alderney Representative Hill:** Thank you, sir.

2985 I suspect there are quite a few in this Assembly today wondering exactly where Alderney fits in this difficult debate. The basic problem that we have in Alderney, as is well-known, is we have additional transport costs that go on to our food. In fact, we did our own little assessment the other day where I asked somebody to go and shop in Zurich in the same shops for things that we would buy in Alderney, and Alderney was more expensive than one of the most expensive capitals in Europe. So it is a very difficult dilemma for us.

2990 We are not saying we are anti-GST. We are just asking the question today is whether we put 5% on everything or 6% exempting food. So the problem we have got, and my problem today – and I share that with Representative Snowdon here – is we have not actually had time enough to go through the data and to actually sit down with all the people involved, all the stakeholders, and work out how it will affect.

I am not such a big buyer of the argument about practicality because you can quite simply, on an EFTPOS machine, see what is 5% and what is 6% or whatever you are going to add on to it. So that, I find, is an argument that is slightly less plausible given our situation. I am not talking about Guernsey because remember we have a ship that comes from Poole to Alderney first, so we have a smaller customs operation to deal with the supplies that come into Alderney.

3000 So as it stands – and I am probably not going to be popular with P&R about this – at the moment, we do not have that data to make a decision. It does not mean we are not going to do it, but we just need a little bit more time to actually weigh up how it will affect the most vulnerable in our community. As you are well aware, there was a survey done I think about six months ago where we had a poverty level of 25% which shocked us and (*Interjection*) – but I am not going to give way, okay, sorry.

3005 But, however, we would just request from our side a little bit more time but, in the meantime, we would probably take the decision not to put VAT on food on the grounds that we just need a little bit of time to assess its real impact. I agree also with Deputy Inder. I think what you propose today is potentially a solution to cover some of the basic things, which could be a useful halfway house, particularly on items that are produced in the Island such as the dairy and the bread. I do not know, but I am quite sympathetic to that concept.

3010 But as it stands, we have not got the data to make that decision. But we are not saying we are not going to but we just take the fall-back position as to where we are today, which is what you are asking.

3015 Thank you.

**The Baillif:** Deputy Sloan.

3020 **Deputy Sloan:** Thank you, sir.

At the risk of making Deputy Camp cringe with a historical reference, I have still not heard in the debate even, 'Thatcher, Thatcher, milk snatcher taxed food' but there you go. For me, I have made my position clear on GST. I am an economist, I like them, they are consumption taxes. But my point with respect to the debate at present is – and I am probably going to say some things that I was  
3025 looking to say during the sursis debate – it has been validated by comments I have heard this afternoon; comments from Deputy Rochester and comments from Deputy Niles.

Deputy Rochester said, 'So this debate is just about food and non-food'. No, it is not. It is about the whole ball game. It is about the whole structure of the GST package because it is unlikely to be revisited come the summer. Like I said earlier, today is the day, guys. It is happening today. It is live.  
3030 It is not happening in three months' time. It is today. So that is why I am not going to make the comments. I have made some of the comments in the press and so I am going to take an incredibly populist position, I am sure, on some of these things.

We have not had time to digest all of these points and I do think, in terms of the timing and the way it has been presented, as the Scrutiny Committee, we would have liked to have done a public  
3035 hearing on this before it was debated. I will be frank. Half of us in the room have never debated the aspects of this package. Yes, it is a policy direction and it is a policy direction from the previous States and the Propositions are comprehensive. It is all of it. It is not just partial.

Sorry, sir, through you, Deputy Niles, if you were to wish to exempt the colleges, that ship sailed today. It is not here, is it, because there are no amendments laid? I suggest the fact that there are  
3040 no amendments laid gives the evidence that not many people realise that today is the ballgame. It is not in three months' time. Deputy Niles also made one of the best speeches I have heard him make today when he talked about his father, and he talked about the States back in the day and the States today. He is absolutely right.

The role of the States has mushroomed. It mushroomed over the 20th century. It is mushrooming  
3045 over the 21st century and, as that extension of mandate grows, therefore the tax franchise also has to grow with it. So I make this little ditty that some people have wealth, most people have income and everybody can choose. That is why economists like it because, actually, it is broad and comprehensive.

So, in principle, this is on the one hand and on the other, Deputy Bury, as an economist. In  
3050 principle, you would like to have the broadest net of the tax but, in principle, I would also like to exempt food because I just do not believe that you should tax such a basic necessity. But Deputy Nile did explain that. He said, 'The role today compared to yesterday is very different' which is why I really do not like the plus part of the GST package. I like the idea of having a broad-base consumption tax. What I do not like – and I set this out in an article in the press today – is the 'plus'  
3055 bit. It is the fact that what we are setting today is we have a structural deficit.

We need to find more revenue to fund the activities of the States and I said, 'Look, I am going to have to read this' but if, on first principles, it has a faintly perverse feel because the problem is if  
3060 we do not raise enough money to fund the activities of the States, then how is it that the solution begins that most people pay less? How is that logically sensible, when we need a reasonable revenue, that 60% are going to pay less? How is that fair? And 'fair' is an incredibly subjective term, by the way. It means very different things to different people, and that does not feel fair to me and not when it is going to get locked in.

So next time around when GST gets to 10%, because it will and it has to, Jersey are only waiting  
3065 for it to be able to raise their rate. They have been waiting for years. *(Laughter)* So when it gets to 10%, it gets locked in again and we get more redistribution. Most people have not really thought through these issues. They do not get them, to be quite frank, do they? That is my issue. The other thing I really do not like about this package is it hits families hardest. **(Several Members:** Hear,

hear.) I mentioned this to Deputy Bury this morning and I said, 'I said this three years ago. I made this point three years ago'.

3070 If you look at that Proposition paper – and I will find it – from 2023 in the report, if you look at the columns, you have the one adult; 16 to 64 with children. Single parents; yes, their incidence is higher than any single adult. Two adults with children; yes, all the way down. It hits them the most. Nothing has been done in three years, and when it was raised at the briefing at Candie Gardens, it was, 'No, it is just the illustrations we have done in the report' and nothing has changed on that incidence. Shake your head, but it has not.

3075 I do not like the incidences on families, I do not like the idea of what we are trying to lock in on the redistribution. Let me say this – I have got an interest to declare here – I think I am in the top 40% of the income distribution, but it does not feel like a particularly exclusive club, quite frankly. Yes, I get the guys at the top 0.5%. There are a few billionaires on our Island, but everybody else and most people from 97.5% on down, have also been struggling over the cost-of-living crisis. It did not pass them by, and you are talking about you are going to hit people actually at 50% if they have got kids, so do not give me that.

3080 On the food position, I have made myself very clear. I believe in the partial exemption, so why not an amendment, Deputy Sloan? Well, again, I just do not think there was that time to do a rational amendment. I have been trying to work out this afternoon if you raise the percentage by so many per cent, could you actually get rid of that essential payment relief? Again, I cannot believe that our elegantly designed solution is to expand the role of welfare. We are going to introduce a tax and bring more into welfare paid benefits of 1,500 and we are marvelling at our cleverness of bringing more people into the welfare state.

3090 Dependency culture is not good for people and for their sense of self-worth. Why are we so excited about it? We have not had time and we would like to have done a public hearing, but there will be time for amendments. I guess there will have to be now because, quite clearly, hopefully, I will have woke you all up because if you look at the structure of this – and there aspects that I think I find common ground with some people – today, I cannot vote for this Proposition. I cannot vote for the GST package. I will have to go through it. I will vote for the one amendment against food because if it comes to it, I cannot live with anything on food. Otherwise, I will be voting against the rest of the Propositions.

Thank you very much, sir.

3100 **The Baillif:** Deputy de Sausmarez.

**Deputy de Sausmarez:** Thank you, sir.

3105 I think while they are fresh in my head, I might start with some of the points raised just now by Deputy Sloan. To his overall point about the logic – and I do need to basically say I am one of those people that still very much has concerns and questions, and my P&R colleagues will attest to the fact that I have been kicking the tyres on some of this as well – he posed the question, 'If most people are better off than they are now, how does it raise money net?' Well, the answer is because when we are talking people in that sense –

3110 **Deputy Sloan:** Point of correction, sir.

**The Baillif:** Point of correction, Deputy Sloan.

**Deputy Sloan:** I said nothing about net.

3115 **The Baillif:** Deputy de Sausmarez.

**Deputy de Sausmarez:** Okay, well, he said that the definition of fairness is subjective. I think most people would agree with the general principle of regressive taxation being unfair. So

3120 regressive taxation is a tax that hits people on lower incomes proportionately harder, and I think most people in this Assembly would agree that that is unfair, and so the mitigating measures are put in place to try to balance that regressiveness out. This is not a package that I designed and I actually very much share Deputy Sloan's concern about impact on families. One of the things that officers are indeed investigating is how that can best be mitigated.

3125 But actually the overall question for those that are puzzling over the logic of how, if most people would be better off, does it raise any money at all? The answer is quite simply because it broadens the tax base, so there would be an estimated £10 million to £12 million raised from businesses, and a further £6 million to £7 million from visitors for a start. But also it means the individuals and households in that top 35% are paying more proportionately.

3130 So Deputy Sloan is quite right that fairness is subjective, but I think most people would probably agree on the broad principle that regressive taxation is unfair, and where it can be mitigated it should be. What we are really dealing with today, as Deputy St Pier outlined when he opened the debate, is I think we can all also accept that nobody wants more taxes, and we are all hoping that we can limit the negative impact as far as possible, so really a lot of what we are talking about is the least worst option. That is really what we need to decide. So I think I have touched on some of the issues that Deputy Sloan has raised.

3135 Just following on actually from that issue of fairness, if we do accept that we want to minimise the impact on people with the least means in our community – and I respect Deputy Sloan's opinion and he has every right to it – I think most people within the Assembly, and possibly within the community, would accept that that is a reasonable and fair aspiration. Then the debate around principle verses practicality I think is a very useful framing.

3140 Deputy Matthews talked about principles. Well, to me, the principle is under what system are those people best off? Actually, the work that we have done and we have set out in the Policy Letter shows that they would be marginally better off on the whole and, on balance, under a broader-based system of 5% as opposed to 6% on everything other than retail food.

3145 So, actually, I do not think there is an inconsistency. I think Deputy Bury can vote with her principles because actually the evidence shows that people who are most in need of that additional support will be getting it through that 5% version. The issue of complexity and bureaucracy that Deputy Matthews also talked about – he was very eloquent, as he often is – not wanting to vote against principles for the convenience of avoiding bureaucracy, I should stress that that is not a selfish interest.

3150 Deputy Leadbeater talked about the impact on customs, and that is a very important consideration, but actually I think we need to recognise that the vast majority of the bureaucratic burden would fall on businesses and not on Government. From the Government's perspective, it is relatively straightforward from a revenue service perspective, but for Deputy Leadbeater's team from the border, it is very complicated. But actually the majority of the bureaucratic burden would fall on businesses, so I think it is important that we recognise what we are talking about when we are talking about bureaucracy.

3155 I think it was a fair challenge from Deputy Inder. I would say the UK is one of the jurisdictions that does try to differentiate between what is truly essential in terms of food and what is not and I am just going to give a couple of illustrations about how difficult that is. The general principle in the UK – and I think Deputy Bury's point that they are starting from a much higher base from which to discount – is theirs is 20% VAT.

3160 They would consider bread a staple, but I think then you have to look at, 'Well, what type of bread?' Is a seeded sourdough still essential? Is gluten-free essential? It certainly is for anyone with celiac disease. In Guernsey, a bread very close to my heart, especially given my proximity to Senners, is Gâche. That is a bread. Is that a staple or a luxury? Biscuits is a brilliant example. Someone mentioned Jaffa Cakes earlier. Deputy Gollop is nodding with enthusiasm about the Jaffa Cakes.

3165 The UK system tries to differentiate between the essentials and non-essentials, and they are just a small sample. I do like biscuits as well. I am with Deputy Gollop on that. Jaffa Cakes. Essential or non-essential. It is a shame we cannot get a bit more interactive here. It would be great to run a

little quiz. Just a spoiler in case anyone is going to attend my quiz, where this is one of the rounds. Essential. No VAT on Jaffa Cakes. Great news. Deputy Gollop will agree. Penguins? Decadent luxury. VAT applied. Hobnobs?

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

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

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**Deputy Kazantseva-Miller:** Well, as Deputy de Sausmarez was inviting a bit of interaction, (*Laughter*) I think that Jaffa Cake-gate was not because of whether it was essential or non-essential. It was whether it was a cake or a biscuit. (*Laughter*) I think there are other examples, if the Assembly wanted to participate. (*Laughter*)

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**Deputy de Sausmarez:** Deputy Kazantseva-Miller is quite right, and actually one of my favourite court cases of all time involved bringing a Jaffa Cake as evidence into the court, leaving it overnight and then testing it again the next morning to see whether it had gone stale. (*Laughter*) So this shows how complex it is. But Hobnobs might be essential but chocolate Hobnobs, again, absolutely decadency should be applied.

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So to Deputy Inder, genuinely I do believe it is a fair challenge, but any amount of exemption introduces the complexities that Deputy Leadbeater talked about. So I think any kind of exemption on the food will introduce that complexity regardless of how much we choose to limit it. So I do think there is a serious point underpinning all this, and I do think the point that Deputy Bury quite rightly underscored is that there is a big difference from exempting a category or certain types of food from a rate of 20% than a rate of 5%.

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There is also, Deputy Matthews, some of the logic that we have heard does assume that there would be a direct read-over from the tax that is applied by Government and the prices in shops, and actually experience shows that that is not necessarily the case. For example, Deputy Bury and Deputy Ozanne mentioned sanitary products. When the UK made the decision to categorise them as non-essential, we know that actually the prices did not come down. So actually the retailers, or whoever, were pocketing the profit essentially. So that was a very principled move on behalf on behalf of the Government.

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We might be supportive of that under their system, but the problem was it did not deliver the benefit to the people that the Government ultimately intended. Actually we know that we have a lot of shops in the Channel Islands which operate in both Guernsey and Jersey and it is just not true that you can compare two identical products and consistently find that an item in Jersey is 5% more expensive because they have got a 5% GST, whereas we do not.

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That actually just raises one other little point. It is only small but actually, in terms of Jersey, if we were to exempt retail food and apply 6% on everything else, the nuance would be lost and the headline would look as though Guernsey had a higher rate of GST than Jersey. I think that is only a small detail but one that is possibly worth mentioning. So I would say that I think I have covered most of the points that I wanted to, and I have only really talked about food. I think Deputy St Pier will cover a number of other issues.

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But I would say, like Deputy Sloan, if people do have concerns about the package, again rather like the debate we had on Amendment 2, I really would urge Members, if they have got concerns or suggestions, to please bring them forward. We would much rather hear about them now than in the summer so it gives us an opportunity to do any work required on them, but I would like to thank Members for what I think has been an interesting and helpful debate so far.

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I hope that Members will support the Propositions, and certainly P&R's preference is for the 5% including food rather than the 6% more complex version.

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Thank you.

**The Bailiff:** Deputy Oswald.

3225 **Deputy Oswald:** Sir, thank you.

I am not sure if we have wound up yet but I did have a couple of points to raise. The first is I appreciate many of the points which have been raised now, and I have got sympathy for Deputy Inder, Deputy Matthews and Deputy Ozanne's point, but also I am very supportive for Deputy Bury's view. I too have come down to the practical point that I think we should apply it

3230 across the board. In my election manifesto, I actually said a consumption tax was inevitable but I favoured variables of the sorts that we have just been talking about, but I realise that is impractical.

In terms of Proposition 3, in terms of the variable vote for any future change, having served as a chairman of a group associated with the provision of medical practice on this Island, we had different variable votes for different forms of decision-making, and it was an absolute nightmare, so I cannot support Proposition 3.

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In response to Deputy Niles's point about education, my understanding is that most private colleges in the UK are registered charities and, of course, recently they lost their VAT exemption. I am not at all sure what the state of the local colleges is. Are they charities? Are they proposed to VAT exemption? What is the situation with them because clearly, if they are registered charities, according to Proposition 3, they should be exempt from the 5% GST.

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Thank you.

**The Bailiff:** Deputy Collins.

3245 **Deputy Collins:** Thank you very much, sir.

I have got a few points, starting with Deputy Leadbeater, which made me think of the situation about Sark. If my Uncle Pete jumped on his bike and went over to Sark and did his weekly shop for the entire family assuming Sark prices are cheaper than Guernsey – probably not but assuming they were – I do not know whether they would be stopped at the border because they are suddenly bringing food in or can you go just out at sea and buy a load of goods and do you have to pay GST? So I wondered about that.

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A very quick point. Deputy Ozanne mentioned a basket of goods about the UK, and I thought that was really relevant, and we are clearly going to be talking about that on ESS again certainly when we talk about pensions again. Living in the UK, it is a lot cheaper buying food than it is in Guernsey. The President of P&R; I do not know whether she was hungry. I have a spare Wispa bar here, but she was chatting about biscuits and chocolate, so I did not know whether she was typically hungry. But she raised a valid point again I have mentioned about options.

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At the moment – I know she is aware – we seriously have a data problem in our organisation about population. At the moment, I cannot put in numbers in my spreadsheet to tell you variations of the tax ideas I would like to bring because I do not know how many people really live in this Island, how many people are really paying into things, and how many people are really going to contribute to the ESS.

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We know this package is actually going to reduce Income Tax, it is going to fiddle with ESS – and there is going to be lots of fiddling – and it is through a presentation that ESS members had that we are that close – and that is just an inch – from having one combined system and, personally, I would love to get rid of Income Tax. Would it not be brilliant if we just collected it all through contributions in some way and actually every month we had a cheque or back payment that came in and it was collected? So while I am principally against GST, it is actually an easy way to collect money.

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So this brings me to one of my ideas that I have talked about, and Deputy Matthews has talked about just previously before. It is about TRP, and I know some Members keep talking about TRP and it is either expensive or cheap. I have done a lot of research – and thank you to the Treasury officers, and I will not give away the detail because it is a guarded secret a little bit – but we have 8,597,455 units that we charge. Well, that raises about £42 million. Interestingly, of that, 19 of those 86 categories are of the open market which raises about £3.1 million. So between the 1,550

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properties, it works out at about £2,000 a year, so it works out at about £5 a day on average. These are just average figures.

3280 In theory, someone living in an open market property – who clearly are here and possibly wealthy but possibly not – will contribute the amount of £5. If you look at the numbers on the local market, that is about £38 million or £39 million – when you do the numbers it works out at about £4.20 – but actually when you look at some of the categories, the unit rates are the same. So if you are living in an open market, you are paying the same rate as the local market. Yet, if you are buying your house, you are probably paying a lot more and, of course, we know open market properties can have a big footprint, small footprint and all sorts of footprint.

3285 I certainly would love to look at that as an option when you come to the table because, at the moment, I think the system that is there, if you needed to raise another £10 million or £20 million while it might hurt some people, there is a system already there that could do that. So that is one idea I certainly would like to look at.

3290 Deputy St Pier raised, when he started the debate, squeezing middle Guernsey. I really still do not know what middle Guernsey is. I really do not know. When we all had an email – except you, sir – about family allowance, and we were chatting about the capacity which is £125,000. Are we saying we will blow £125,000 in middle Guernsey? Where are we? What are the numbers?

3295 So, for me, my thoughts to this process have always been exactly to Deputy Helyar's point. I would like other people to pay tax first, whether that is companies or whichever way we can do it. So absolutely my first thing is what can we get from corporate and what can we get from everything else before we start taxing locals more and visitors and everybody else? For me, there are options I would like to bring. There are, for me, lots of things.

3300 When we look at Income Tax – and I have raised this with Treasury and had a couple of meetings looking at what makes Income Tax up and whether we can do something different – if we had a blank sheet of paper because we need to raise £1 billion. How could we do that? What could we do in charges? Does the user need to pay a little bit more? So, there are lots of options.

That is all I was going to waffle on about. Oh yes, the intelligent conversation we are meant to have today is food, yes or no, I will bid 5%.

Thank you, sir.

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**The Bailiff:** Deputy Camp.

**Deputy Camp:** Thank you, I will try to be brief.

3310 When I prepared for this, I thought the food conversation feels easy, but it is not easy at this point in time for me. I get the argument for the 5%. I am going to have to say I have been gradually taken to the side of why we are favouring simplicity for businesses over certainty for the people who spend the money on food. So, I think I will end up at the 6%, notwithstanding the fact there probably would be, at least in the first year, an inflationary impact as businesses, not inflation, but a cost impact as businesses would probably just pass on that additional cost of administration to their customers. But over the long term that would be better.

3315 My major point around this whole package, and like Deputy Sloan, we are hard-baking GST Plus in here today. I do not think this is really about waiting until July to hard-bake, we are doing it here, which is around the mechanisms, one to link GST with the benefits provision, and the other one is around the two-thirds supermajority. Now, it looks really attractive. Embedding these requirements in primary legislation is probably the constitutionally strongest course available to us. It is far superior to mere political reassurance alone.

3320 However, no Assembly can bind its successor in perpetuity. Any legislation we pass today can, in time, be amended or repealed. That is not a flaw in our system. There is a feature of parliamentary sovereignty within it. So, I do not believe the value of the safeguard. My fear is the safeguard is being promulgated as some kind of permanent solution. But, when fiscal pressure is on, the first thing to go would be the plus benefit. I do not think it would be the rate going up, because that

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would feel politically harder. It is the same in that we have never changed Income Tax, but we have increased everything else by stealth.

3330 Back to Deputy Niles earlier on talking about the fact we have not changed in all that time. But, we are not paying 20% Income Tax flat. We are paying TRP. We are paying fuel duty. We are paying alcohol duty. These things have gone up and up and up.

So, the safeguards in the plus package, and the super majority, I do not put a lot of stock in them, to be perfectly honest. So I definitely will not be voting for those.

Thank you.

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**The Bailiff:** Alderney Representative Snowdon.

**Alderney Representative Snowdon:** Thank you, sir.

3340 It has been an interesting debate, the last taxation that we have had. If I remember correctly, I believe Deputies Matthews and Gollop brought an amendment to this Assembly looking at the exempting on food. Maybe before or after that, former Deputy Prow and Deputy Inder also brought an amendment as well, if I remember off the top of my head, if I have got that correctly.

3345 We have had some conversations with our other Members in the States of Alderney. I think it is fair to say myself and Mr Hill have had quite a lot of exchanges with our Members in Alderney. It was rather a split feeling from their guidance about which way to go with all of this. Obviously, the benefits that would come in with the 5% and the cost of the whole section of it would be beneficial to everyone. However, what keeps ringing in my head are Deputy Gollop's comments from, not this debate, some time ago, about would it be more acceptable if it was not on food.

3350 Looking at the Alderney side of it and the Guernsey side of it, because we do go to the shops and we do look at the prices, and I was talking to a Member who works in one of the supermarkets in Alderney, small supermarkets in Alderney, to be fair. But they did say that their price increases is not 10p-20p, it is pounds. So the food is going up by pounds in Alderney, which I am sure it is down here and everywhere, and we do not know how much food is going to go up in the future and how much inflation is hitting it.

3355 This really comes back to, whatever we decide today, in the July debate I am sure amendments will be flying around for lots of different bits and pieces, and this debate will probably happen again, because we have had it quite a few times already, but it will probably happen again. But, we do need to give some guidance to Policy & Resources. But, really, what it comes back to, is it acceptable for a basic need to put the GST on food. However, the exemptions that Policy & Resources and the former Policy & Resources have put together are very good.

3360 Listening to the debate so far, and also the colleagues in the States of Alderney, I am not there with putting it on food. I think you need food to survive, even though the exemptions would be in place. As Mr Hill also said, I am not there with it.

3365 But, we also need to talk about, potentially, how we have not really made a decision about where the taxation is going, whether it is corporation tax, GST, savings, efficiencies, whatever it is. It is really difficult to have these little debates on different subject matters, trying to come to a view when we have not agreed as an Assembly the direction of travel, which we will hopefully do in July, fingers crossed, about where we should be headed. So, this debate is good for guidance, but whatever the outcome is of this debate, I have got a feeling that it will be revisited when we come to the July debate.

3370 Unfortunately, the Law Officer is not in the room, but I just wanted to give clarification, maybe through you, sir, if a Law Officer does come back before this debate ends, or another future time, but I know some Deputies are a little bit concerned that Alderney potentially would not be paying GST if it came in. We have had Law Officer advice at the time and it said, if it is brought in, GST would apply to Alderney. So, just to give that reassurance now, or a Law Officer can give some reassurance as well.

3375 If I could just give some comments, because this is about also getting the information, looking at this debate as we move forward. I sympathise with P&R, because you have got a really difficult

3380 hand to try and sell, whatever the tax package is, to the public. But I do think there needs to be  
more communication with the public, and how our financial pressures in the States of Guernsey are  
extremely difficult.

I know everyone is trying, but I do not think the message is getting across. Not quite sure how  
you get the message across, but however you can, there needs to be more communication about  
the funding pressures and difficulties, and that some sort of tax plan must be found. I am not saying  
3385 what the solution is, but some sort of tax plan must be found. Otherwise, we are into substantial  
cuts. If we go into substantial cuts, what do those substantial cuts look for in our communities in  
the Bailiwick?

So, I am just going to say also, well done to P&R, because this is a very difficult one, but thank  
you very much.

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**The Bailiff:** Deputy Montague.

**Deputy Montague:** Thank you, sir.

3395 May I start by saying how much I am enjoying listening to the speeches of my colleagues. I think  
the debating has been of a very high standard.

Three very small points, if you will indulge me, sir. First of all, can I congratulate Deputy Sloan,  
I really enjoyed his impassioned presentation? I almost channelled briefly my inner David Cameron  
and almost said, 'Calm down, dear'. But, I really do enjoy hearing people discussing issues to do  
with fairness. Deputy Sloan and myself have very different opinions about what fairness is. But, this  
3400 is not a new debate. In the early 1970s in America, there were two titans of American philosophy.  
On one hand, we had John Rawls, and on the other hand, Bob Nozick.

Deputy Sloan is more in the Bob Nozick category. In 1974, he wrote a book called 'Anarchy,  
State, and Utopia', in which he basically argued that any taxation is theft, really. It was saying,  
fairness is not about the Government taking tax. Fairness is about people having what they have  
3405 got. There are some amazing thought experiments that he used to persuade this, and I really enjoy  
reading Nozick.

I am more on the side of John Rawls, who had a far more redistributive understanding of what  
fairness looks like. I would say, just with regard to this debate, because I am hoping that  
Deputy Sloan and I can have conversations about Rawls and Nozick soon. But, in regard to this  
3410 debate, if you said to most people in Guernsey, 'What is more fair, GST or GST Plus?' I think they  
would say GST Plus. That would be the common sense.

In fact, those people in the top 40%, I have spoken to many people who put themselves in that  
category, and, they also believe that GST Plus is more fair. But, I do not think it is appropriate now  
to get into a long discussion about fairness. But that is just where I sit on this GST versus GST Plus  
3415 element.

My second point is inspired by my Committee colleague, Deputy Matthews. As he was speaking  
to us earlier, his desire not to have any GST on food, I had written down principle versus practical.  
So, when Deputy Bury stood up to speak, I was looking at those two words, and when she said she  
erred on the side of practicality, I did under my breath, out loud, I said, 'Correct'. This is because,  
3420 when we first started looking at this, I started doing some research in October, November and  
December, and I have become convinced by the economists around the world who say that if you  
want to alleviate the tax burden of the poorest people, exempting food is not the best way of doing  
it. There are other better ways of doing it. So, on that point, I am with the practicality on that point.

The third element I would like to discuss briefly is education. The first one is a slight niggler. The  
3425 Policy Letter does say that the Committee for Education, Sport & Culture was consulted. We spoke  
about it, but we never gave a clear Committee feedback. There was no vote in our Committee. We  
fed back, in a sense, a little bit more in an arbitrary, non-Committee-based way. So I am just going  
to speak briefly about it from my own perspective.

First of all, before I do this, I should confess that I do have a slight conflict of interest here. I think  
3430 that when we do speak about education, we need to be clear if we do have conflicts of interest.

Mine is that two family members, one who is paid to go to the Ladies' College and another one who we pay to send to the Ladies' College.

3435 But that, in any case, I would say that Proposition 2, which starts at 8.28 of the Policy Letter, does give that option 2 element. I do believe there is a possibility, as Deputy Inder said, of people coming forward with some kind of amendment to this. That needs an awful lot of thought. I am very torn on this. I am not going to say what I believe at the moment. But part of me feels that education is an investment, not a service or a commodity. So part of me thinks I would love for any courses that businesses want to buy in order to raise the skill level of people on this Island; I am wary about that.

3440 On the other hand, I see that is a mixed area. I am someone who believes that, if we are going to introduce GST, it needs to be as simple as possible and there should not be exemptions. But I just wanted to say that I am aware that the education matter is a very complex issue. I think also we would need to take into account the grant to any college's funding debate and the sentiments around that with regard to, at that point, they were aware that GST may be coming in, so that complicates it further.

3445 So, to sum up, sir, with regard to Rawls versus Nozick, I believe that GST Plus is, to most people in this Island, the more fair option. I believe we should stick with the practicality of not exempting food, and I just wanted to raise the issue of –

3450 Sorry, I beg your pardon. I thought you were just getting up to excuse yourself. *(Laughter)* You could just put your hand up. Yes, I give way, Deputy Vermeulen.

**Deputy Vermeulen:** Thank you for giving way.

3455 I have been watching the UK and school fees in the UK, how they were exempt from GST, and then they were not. It is obviously 20% in the UK, the rate. But the amount of children educated at private schools in the UK, I was going to say is, but it was 6%. But since that GST has come in, it is remarkably reducing. By comparison, in Guernsey, the number of children is significantly higher. I think it is as high as currently –

**Deputy Montague:** It is 13% between the ages of 11 to 16, 14% in private.

3460 **Deputy Vermeulen:** So what are the implications likely to be now that, by a super majority, you have said the genie's out of the bottle and we are going to go to GST. Is there going to be a movement to the States' system, and is that going to incur greater costs if GST is included on school fees?

3465 **Deputy Montague:** Thank you. I wish I had not given way.

All I wanted to say, sir, was that with regard to that final education, whatever we do over the next few months, can I please encourage us to work collegiately on that? What we do not want to do is allow that to become an issue that divides us unnecessarily when we could find some middle ground. **(Several Members: Hear, hear.)** I am still very open-minded about that issue. As I say, I am personally conflicted on it. But with regard to that, my final comment was that for me is still open.

3470 I am not sure I share Deputy Sloan's cynicism about everything being done and dusted. I know that politically there is always the capacity for people to seek amendments and try to get some movement in the future.

3475 Those are the three comments I wanted to make. Thank you very much for your time.

**The Bailiff:** Deputy Kazantseva-Miller.

3480 **Deputy Kazantseva-Miller:** Sir, I just wanted to speak again to the importance of the practicality of not exempting food. I am not going to name the retailer, but we have received quite a comprehensive email from a large retailer locally, which just outlines, from my perspective, the nuances, some of which Deputy de Sausmarez was trying to explain to us in terms of the Jaffa Cake

gate and so on, and how complexities really accelerate very quickly the moment you start exempting food.

What is food? I will read out from the letter specifically:

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Should the States decide to exempt food, it is imperative that the UK VAT legislation, which details definitions for food and other essential items, is adopted.

So the retailers are very clearly suggesting that, if you were to make any exemptions, you really have to align them with the UK, which then removes our ability to be legislating ourselves if we were to keep the principles of practicality. So this was a very strong imperative, if we were to exempt food:

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Failure to do so would inevitably lead to considerable complexity and administrative burden, both for the authorities and for retailers. Jersey's approach in this regard was ultimately proved effective. Clarity regarding the taxation of hospitality, food and hospitality, is also essential. If the retailer or other retailers are subject to the GST on food, but not hospitality, and which both outlets have running next to each other, then it becomes very complex.

So, for example, if you have got a Waitrose which also has got a café and it is taking the products from the retail environment, one is potentially taxable, one is not:

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It is crucial to avoid any disadvantages so hospitality outlets should be included. The inclusion of local takeaways and similar establishments is also paramount. An exemption for these businesses would create an unfair competitive advantage. If you are starting down the exemption route, they anticipate potential lobbying to exempt local produce. It could be milk, it could be liberational, etc. Such exemptions would introduce significant complexity and create again an unfair competitive environment and potentially lead to breach of trade policies, WTO as well.

So this is just a few extracts from the email of those who would deal with the implications of these exemptions on a daily basis, and are really strongly saying that please keep it simple on the food side of things.

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But I did want to, as outlined by other Members today, is that while this debate was presented as reasonably narrowly GST on food or not, it is quite a much wider policy lesson. Some of the elements, including the educational elements, I do believe need a bit more consideration and have gone under the radar. Some of the educational establishments, I would say, have not had time to understand what is being proposed. So I do think some of the exemptions that are being potentially proposed or have not been proposed, potentially need to be re-examined in more detail.

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But I support Deputy Montague's direction. If we were to reconsider those questions, we should do it in a detailed, collaborative manner and not through last-minute amendments on the floor of the Assembly.

I also want to point, a bit like Deputy Camp, towards Propositions 2 and 3 in specific. Number 2 is suggesting that we bake in the mitigation adjustments into effectively primary legislation. I agree that, first of all, all of that can be changed. But more importantly, especially in relation to Proposition 3, this creates a very bad and dangerous precedent because it could be putting us in a situation where, like we had in the previous tax debates, you have got several proposals being put against each other; it could be an Income Tax proposal, a territorial corporate tax proposal, and a GST proposal, and because GST is subject to a two-thirds parliamentary majority, you could have proposals like a territorial tax proposal going through because it is not subject to such restrictions.

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It is completely unreasonable to be exempting a very niche, specific taxation lever, but nothing else that we do in Government, except reform law, and so I would really strongly encourage for Members to vote against Proposition 3 and for P&R not to take such proposals forward.

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Thank you.

**The Bailiff:** Deputy Burford.

**Deputy Burford:** Thank you, sir.

3525 Just briefly, the issue of food or not food; I was one of the ones who voted in the last term to look at this because my instinctive belief at the time was that putting GST on food was not right. Therefore, that passed by a majority and that has led to this Committee investigating this and coming back with the details in this Policy Letter.

3530 Although it might seem on the surface, and this reflects what Deputy Bury and Deputy Montague said about the moral case versus the practical case, the fact is that the practical case is that, to have a flat rate of 5% as explained in the Policy Letter, people on low incomes will be better off. If you are standing in the middle of the Co-Op, or whatever, you are not going to be warmed by the moral case so much as you will be by the practical case and being able to put those things in your basket.

3535 The other thing about the complexity is, talking about the burden of bureaucracy and thinking maybe we should not worry about that or whatever, some of it will fall on the States, but a lot of it will fall on retailers. If there is an additional burden placed on retailers, they will need to recoup that money. How will they recoup that money? By putting the price of goods up. So by being purist about this, there are these unexpected consequences that are simply not going to improve things for the very people we purport to be trying to protect.

3540 The 60% of people being better off has been questioned quite a lot on social media. It is very logical that it is questioned because you think, well, how can you make over half the population better off and still raise all this money that you say you are raising? There are quite a few factors that come into this. This is, firstly, because it is a shift of taxation from the public back to visitors and corporates, because many advocates were saying we just need to put a few pence on Income Tax. That is going to fall an awful lot more on individuals. This spreads that burden and spreads the tax base. Also, it is fair to say that somebody on lower incomes being 2% better off is a lower amount of money than somebody on higher incomes being 2% worse off. That is where the figures go.

3545 Just my final point on that is, it has been expressed that there is a fear that this pulls more people into the welfare net. Now, we do have the essentials cost relief payment, but that is not forecast to be needed for that many people. The main reason people are going to be better off through this is the tax cuts, Income Tax and social security. Those two things together pull in around about £2,000 for the average taxpayer. So it is a tax cut for those people rather than anything to do with welfare or benefits.

3550 Thank you.

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**The Bailiff:** Madam Procureur, when Alderney Representative Snowdon was speaking, he questioned the application of a Goods and Services Tax in Alderney. Are you able to assist?

**The Procureur:** I will try, sir, yes.

3560 Sir, in relation to the application of GST in Alderney, there are fundamental provisions which are relevant, which are provided under the Alderney (Application of Legislation) Law 1948. Particularly section 2 of that Law that effectively provides that fees and rates that are levied in Guernsey shall be levied in Alderney. That is the nub of it, sir.

3565 What that means in practice, is that Alderney does not have a fully independent tax system. It relies on Guernsey for the administration of Income Tax, Corporate Tax and other fiscal matters. But there are provisions under that legislation that specifically provide that levies that are levied in Guernsey will apply in Alderney. Of course, it is possible, if Guernsey consented, that changes could be made, but the basic point is that Alderney does not have a fully independent tax system and what is levied in Guernsey would likely apply in Alderney.

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**The Bailiff:** Thank you very much.

I will turn to the Vice-President to reply to the debate, please.

3575 **Deputy St Pier:** Thank you very much; thank you to everybody who has contributed to the debate.

One small point to just draw attention to is a competitiveness issue. Just to consider that if the mood of the States is to support a standard rate of 6% but exempting food, of course there would be a misalignment with Jersey that the subtlety of whether it applies to food or not would be lost in perhaps some of the public relations (PR) presentation of that from our colleagues to the south. So it is just perhaps to keep in mind that competitiveness issue.

Deputy Gollop was torn. Not, I would suggest, for the first time, sir. I am quite sure almost certainly not for the last either. He, as of course did Alderney Representatives Hill and Snowdon, speak to the implications of a potential GST in Alderney, understandably raising those questions for that community. It is worth drawing attention to paragraph 4.5 and that consideration will be given to whether there should be a higher essentials cost relief payment in Alderney, whether that is needed.

It is also worth drawing attention to the fact, as others have mentioned, that if food is exempt, that essentials cost support payment will be lower, and therefore Alderney residents will be disproportionately affected by that, given that they have more who will benefit from that as a proportion of their population. So they will be disproportionately worse off as a result of the loss of that essentials cost support scheme. So the real question is not whether the GST should be on food or not, it is whether GST should be 5% or 6% on everything else. That is a different question.

In essence, this is a head over heart decision, which is always a difficult one, particularly for Deputy Gollop. I suspect he may well go with the heart, but, picking up Deputy Montague's observation, the practical response based on the analysis, as others have said, and it is a counterintuitive position, those on lower incomes, of which there are disproportionately more in Alderney, will be better off with a lower rate of 5% on everything.

Deputy Dorrity set out very well the case for not creating exemptions. I would like to thank Deputy Leadbeater for his analysis of the challenges faced by the teams for which his Committee are responsible. Deputy Niles absolutely nailed the need to focus on a low, simple, broad-based system.

Now, Deputy Matthews was the first to refer to the application of GST to food as being 'morally wrong', because food is essential. Well, of course food is essential, but there are lots of other essentials as well. Is it morally wrong to apply GST to those other essentials? Indeed, is it morally wrong, if it is morally wrong to apply to food, to apply it to all food? For those who are purchasing, I do not know how you purchase quail eggs, because I do not tend to buy them, but whether it is in a can or a jar or whatever it is, but if one is purchasing quail's eggs, is it morally wrong that they should be subject to GST? If you want to vote with your principles, the principle is that those on lower incomes, those on the lowest incomes, I should say, will be better off without an exemption for food.

The other question is, if exempting food, would it change food prices in the shops? The reality is, and we all know this, many retailers are pricing off UK models, or indeed Jersey models. So their prices do not necessarily reflect the absence of a consumption tax in Guernsey. Now that varies very much from retailer to retailer, and it varies also based on the goods in question. But there is no simple assumption that simply exempting food would lead to lower prices in relation to those.

That was the Jersey experience. When they introduced GST in Jersey, there was not necessarily the full application of the uplift of GST to all prices. In other words, retailers who in some cases were used to, at the time, perhaps receiving 15 or 17.5% VAT, now 20% VAT, and were reflecting that in their pricing, were very comfortable with a substantially increased margin and they were able to absorb the rates of GST in Jersey through the reduction in the size of their margin. One can reasonably expect that will happen in Guernsey on some items with some retailers. That should not be lost.

Deputy Helyar very validly drew attention to some of the business process issues which are faced by the organisation. That, of course, is not really a GST issue. I am grateful for his observation that P&R are seeking to address some of that and also I would agree with his analysis that far more is required in that direction. But, of course, if one were, for example, to exempt electricity, then based

on the extension of that argument, then one will presumably also need to exempt gas and oil, which, of course, are not public businesses owned in the same way.

3630 Deputy Bury and Van Katwyk questioned where the calculator was. That has been produced. It is ready for imminent release and I would expect that there would be a media release on that very shortly. There is not much more to be said about that.

But in relation to Deputy Inder's point, and the President has addressed that, and Deputy Inder seems satisfied, so I will move on.

3635 I will just draw attention, the one further point in relation to colleges is paragraph 8.21. Having considered the two options, I believe the Policy & Resources Committee is not proposing any change to the previously assumed treatment of the colleges as described in option 1, and therefore no proposition on this subject is included. So that addressed his other point in relation to the colleges.

3640 Deputy Oswald, yes, they are all charities. But the P&R's position is clearly set out in the Policy Letter, as is the alternative option. As others have noted, that may be a subject for further debate another day.

3645 Deputy Ozanne questioned when there would be an opportunity to deal with some of the detail to which there are not propositions attached. The schedule of what is exempt and not exempt, that has been spelt out both in the previous debate and is reflected here. Clearly, if this workstream forms part of the final package, that will be the opportunity at which the go/no-go decision point for any amendments, in the same way as we have talked about in relation to education, for example.

3650 Will it come down? If we strike the proverbial oil, whether maybe that is the wind farm or whatever it is that produces a gusher in terms of revenues, can we then lower GST? Yes, absolutely. That is certainly possible. However, whether it would be the right thing to do at that stage or whether you would want to use those revenues in other ways, through perhaps lowering other rates of Income Tax, for example, that would be a judgement that would need to be made at the time. So, again, it is a question of what would be right at the time.

Short-term workers, it is worth emphasising that those in our community, they would of course benefit from lower rates of Income Tax and social security through this package.

3655 In relation to Alderney Representative Hill's point, and again this to some extent has been addressed by the President's speech and the question of staples and how one could deal with that. It is possible to deal with it in exactly the way that he suggested through an EFTPOS machine to designate. The problem is, you are putting the burden on the business to determine, item by item, and of course retailers will have often lines that are running into the hundreds or thousands, but they would need to determine item by item whether it is or is not classified.

3665 That is precisely why the retailers have come out so very strongly to say, 'We do not particularly like GST', no great surprise there, 'but if you were to introduce it, please, whatever you do, do not introduce complicated exemptions, whether it is the alternative that has been presented in the Policy Letter, or whether it is something even more complicated in relation to the production of a list of essentials'.

'How is it possible?' Deputy Sloan asked, and that has been addressed by others. The contributions from corporates, visitors, and those who pay more is the reason that the majority can be better off.

3670 In terms of the expansion of the welfare state and the workforce culture, of course, again, the Policy Letter does address this, that there will be, it is anticipated, a reduction in the levels of income support that are required because of the increased net income that is delivered through lower Income Tax and lower social security.

Now, Deputy Sloan, as an economist, was strongly in favour of consumption taxes. He loves the idea. But he does not like the personal income mitigations. That is where, again, the theoretical –

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**Deputy Sloan:** Correction, sir.

**The Bailiff:** Point of correction, Deputy Sloan.

3680 **Deputy Sloan:** I think the mitigations go too far. I have no rules in me. It is just that the idea that raising more tax, only 40% pay more, that is the distributional issue I had.

**The Bailiff:** Deputy St Pier.

3685 **Deputy St Pier:** Thank you, sir.

Thank you to Deputy Sloan for the correction and I apologise if I misunderstood.

3690 So I am pleased, through that response, that he certainly suggests that there would need to be mitigations in order to be able to practically implement a consumption tax. The debate therefore is the extent of those mitigations and who benefits from them. I would again suggest to Deputy Sloan that is a debate for – I will give way to Deputy Kazantseva-Miller.

**Deputy Kazantseva-Miller:** Would the Vice-President agree with me, while it is maybe only 40% of Guernsey households that will be paying for, but there will be 280,000 visitors potentially paying more, and more companies paying more, so it is the distribution value of the tax package that is the combined value?

**Deputy St Pier:** I would agree with Deputy Kazantseva-Miller. Yes, thank you for that.

3700 But I would suggest to Deputy Sloan that the opportunity to alter the mitigation and the redistribution package, again, similarly in response to the question from Deputy Ozanne, would come at the time of any substantive debate that may follow if this is part of the package. If Deputy Sloan does not like it at that stage, then he will have the opportunity to seek to amend it at that point.

3705 Deputy Collins suggested TRP, as others have done. Quite a lot of work has been done on that in the past, and I am sure that can be shared. It is also worth recognising that TRP has increased substantially. It was starting from the days when Deputy Collins was on the Treasury and Resources Department with me over a decade ago, and it has continued on a long path since. So we have to really give consideration to the extent to how much further the taxation of property could really go. But it is a valid observation.

3710 Who are middle Guernsey? It is, of course, difficult to put a number on that, because it does depend on individual circumstances and their spending patterns. But the definition which I would use, that I used in my opening speech, is by definition, for me, it seems obvious that it is the 25th to 75th percentile. Hence, the observation that it is the wealthiest third that are paying more in order to enable this package remains valid and that middle Guernsey, in essence, summing up, those lower-income households will be better off. The middle-income households will be protected and higher-income households will pay more. I think in simple terms that sums up what this package could deliver.

3715 Finally, he wants everyone else to pay more first. He is not unique. I think most people would very much, when it comes to taxation, always want somebody else to be able to pay more before coming to them.

3720 Deputy Camp referred to the safeguard. I would agree, because of our democratic parliamentary democracy where the Assembly of the day is sovereign, it would be possible for any safeguards to be changed. However, I would describe them as being a hurdle. The personal income mitigations would be hardwired into the legislation, which would then need to be consciously unwound rather than being just quietly allowed to erode. So that does still have value.

3725 Now, I would also, at this point, jump to Deputy Kazantseva-Miller's observation in relation to seeking to embed any super majority in the legislation. That is precisely why Policy & Resources did not put a proposition to that effect and recognised that there are very real issues that need to be considered. That is why it is only a proposal to consider. It is not a firm proposal because we do recognise exactly the kind of questions which Deputy Kazantseva-Miller has raised, and that work has not yet been done. But I accept that she may feel that it is not worth doing that work and

therefore wants to take it off the table, but just to give some reassurance that we do not yet have a firm position on that.

3735 Now, Deputy Montague, and I mean this genuinely, I love the fact that he continues to educate and that we are now the beneficiaries of his education, and that every time he speaks, we do learn more. I would very much hope that that will be a hallmark of his service in the Assembly. It is always valuable.

3740 But it has provided an important hook to refer to some of the political research that has been undertaken over the last few months, trying to understand the community's understanding of the fiscal challenges, the various different alternatives. What has become very clear is that the better informed people are, then the more supportive they are of change. That then speaks to the comments of some that we really do need Alderney Representative Snowden to find ways to communicate. That was precisely why that research was done, to try and understand who knew what, and therefore which groups needed to be reached through the communication process.

3745 Practicality. The practicality that Deputy Montague was referring to was the practicality versus the principles of any taxation on food. The practical impact of this is that the biggest beneficiaries of exempting food are the wealthiest. That ultimately, hopefully, can square his principles and his ideas of fairness with the practicality as well.

3750 In relation to education, again, this will be one where Deputy Montague did not nail his colours to the mast on that, because he recognises he wants to do some more thinking on it. But, again, it is one where his principles in relation to how he would like education to be treated may well clash with the practicality of seeking to extend any exemptions to other education beyond the colleges. In other words, creating categories of exemptions and the implications of that, and departing from the low, broad-based model that Deputy Niles referred to.

3755 I have mentioned the calculator. The President is reminding me to refer to the calculator. I am grateful for that. But, yes, I have referred to calculator. It is due to be online imminently. I stand corrected, sir. It is online at [gov.gg/taxpackage](http://gov.gg/taxpackage).

With that, sir, I am grateful. We are beyond 5.30. I do encourage Members to support all the Propositions. Certainly, not all of them, but the ones that P&R support.

3760 **The Bailiff:** We are going to take a vote first on Proposition 1(a). I am going to ask the Greffier to open the voting on Proposition 1a.

*There was a recorded vote.*

3765 *Carried – Pour 31, Contre 4, Ne vote pas 2, Did not vote 0, Absent 2*

<b>Pour</b>	<b>Contre</b>	<b>Ne vote pas</b>	<b>Did not vote</b>	<b>Absent</b>
Blin, Chris	Collins, Garry	Curgenven, Rob	None	Goy, David
Burford, Yvonne	McKenna, Liam	Sloan, Andy		Humphreys, Rhona
Bury, Tina	Ozanne, Jayne			
Cameron, Andy	Vermeulen, Simon			
Camp, Haley				
de Sausmarez, Lindsay				
Dorrity, David				
Falla, Steve				
Gabriel, Adrian				
Gollop, John				
Hansmann Rouxel, Sarah				
Helyar, Mark				
Hill, Edward				
Inder, Neil				
Kay-Mouat, Bruno				
Kazantseva-Miller, Sasha				
Laine, Marc				
Leadbeater, Marc				
Malik, Munazza				

Matthews, Aidan  
 Montague, Paul  
 Niles, Andrew  
 Oswald, George  
 Parkinson, Charles  
 Rochester, Sally  
 Rylatt, Tom  
 Snowdon, Alexander  
 St Pier, Gavin  
 Strachan, Jennifer  
 Van Katwyk, Lee  
 Williams, Steve

**The Bailiff:** In respect of Proposition 1a, there voted in favour 31 Members, 4 Members voted against, 2 Members abstained, 2 Members are absent. I will declare Proposition 1a carried.

3770 Now, we will have a vote on proposition 1b. You do not have the opening words, but you can read those in from the last Proposition. I will invite the Greffier to open the voting on Proposition 1b.

*There was a recorded vote.*

3775 *Carried – Pour 24, Contre 12, Ne vote pas 1, Did not vote 0, Absent 2*

<b>Pour</b>	<b>Contre</b>	<b>Ne vote pas</b>	<b>Did not vote</b>	<b>Absent</b>
Burford, Yvonne	Camp, Haley	Blin, Chris	None	Goy, David
Bury, Tina	Curgenven, Rob			Humphreys, Rhona
Cameron, Andy	Gollop, John			
Collins, Garry	Hill, Edward			
de Sausmarez, Lindsay	Kay-Mouat, Bruno			
Dorrity, David	Laine, Marc			
Falla, Steve	Matthews, Aidan			
Gabriel, Adrian	McKenna, Liam			
Hansmann Rouxel, Sarah	Ozanne, Jayne			
Helyar, Mark	Sloan, Andy			
Inder, Neil	Snowdon, Alexander			
Kazantseva-Miller, Sasha	Vermeulen, Simon			
Leadbeater, Marc				
Malik, Munazza				
Montague, Paul				
Niles, Andrew				
Oswald, George				
Parkinson, Charles				
Rochester, Sally				
Rylatt, Tom				
St Pier, Gavin				
Strachan, Jennifer				
Van Katwyk, Lee				
Williams, Steve				

**The Bailiff:** So in respect of Proposition 1b, there voted in favour 24 Members, 12 Members voted against, 1 Member abstained, 2 Members were absent. So I will declare Proposition 1b also carried.

3780 That means we do not need a vote on Proposition 1c, which was the alternative. But we will now take a vote on Propositions 1d, e, and f. I will invite the Greffier to open the voting on Propositions 1d, e, and f.

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*There was a recorded vote.*

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*Carried – Pour 32, Contre 2, Ne vote pas 3, Did not vote 0, Absent 2*

<b>Pour</b>	<b>Contre</b>	<b>Ne vote pas</b>	<b>Did not vote</b>	<b>Absent</b>
Blin, Chris	Kazantseva-Miller, Sasha	Matthews, Aidan	None	Goy, David
Burford, Yvonne	Niles, Andrew	Montague, Paul		Humphreys, Rhona
Bury, Tina		Ozanne, Jayne		
Cameron, Andy				
Camp, Haley				
Collins, Garry				
Curgenvén, Rob				
de Sausmarez, Lindsay				
Dorrity, David				
Falla, Steve				
Gabriel, Adrian				
Gollop, John				
Hansmann Rouxel, Sarah				
Helyar, Mark				
Hill, Edward				
Inder, Neil				
Kay-Mouat, Bruno				
Laine, Marc				
Leadbeater, Marc				
Malik, Munazza				
McKenna, Liam				
Oswald, George				
Parkinson, Charles				
Rochester, Sally				
Rylatt, Tom				
Sloan, Andy				
Snowdon, Alexander				
St Pier, Gavin				
Strachan, Jennifer				
Van Katwyk, Lee				
Vermeulen, Simon				
Williams, Steve				

3795 **The Bailiff:** So, in respect of Proposition 1d, e, and f, there voted in favour 32 Members, 2 Members voted against, 3 Members abstained, 2 Members were absent. I will declare Proposition 1d, e, and f also carried.

Proposition 2 on its own, please. I will invite the Greffier to open the voting on Proposition 2, please. Will you now please close the voting, Greffier? Have we broken the system? Everyone has voted. So, we are going to say that the system is broken, are we? You have all broken the system.

3800 So, what we will do is we will have an *appel nominal*, because the voting system is unavailable. Who are we going to start with, Greffier? This is still on Proposition 2, because you broke the system. Who are we going to start with? Deputy Gollop, all right. So, listen carefully, you have to put your microphone on, answer your name, pour or contre, or *je ne vote pas*. This is to explain it to those who might not have experienced this before.

3805 On Proposition 2, start with whoever is first.

<b>Pour</b>	<b>Contre</b>	<b>Ne vote pas</b>	<b>Did not vote</b>	<b>Absent</b>
Blin, Chris	Camp, Haley	None	None	Goy, David
Burford, Yvonne	Collins, Garry			Humphreys, Rhona
Bury, Tina	Curgenvén, Rob			
Cameron, Andy	Gollop, John			
de Sausmarez, Lindsay	Kay-Mouat, Bruno			
Dorrity, David	Kazantseva-Miller, Sasha			
Falla, Steve	Laine, Marc			
Gabriel, Adrian	McKenna, Liam			
Hansmann Rouxel, Sarah	Sloan, Andy			

Helyar, Mark  
 Hill, Edward  
 Inder, Neil  
 Leadbeater, Marc  
 Malik, Munazza  
 Matthews, Aidan  
 Montague, Paul  
 Niles, Andrew  
 Oswald, George  
 Ozanne, Jayne  
 Parkinson, Charles  
 Rochester, Sally  
 Rylatt, Tom  
 Snowden, Alexander  
 St Pier, Gavin  
 Strachan, Jennifer  
 Van Katwyk, Lee  
 Williams, Steve

**The Bailiff:** Members of the States, in respect of Proposition 2, there voted in favour 27 Members, 10 Members voted against, no Member abstained, 2 Members were absent, and therefore I will declare Proposition 2 carried.

3810 We will now have a vote on Proposition 3. We are going to try the system again. I am going to ask the Greffier to open the voting on Proposition 3, please.

*There was a recorded vote.*

3815 *Carried – Pour 23, Contre 14, Ne vote pas 0, Did not vote 0, Absent 2*

<b>Pour</b>	<b>Contre</b>	<b>Ne vote pas</b>	<b>Did not vote</b>	<b>Absent</b>
Blin, Chris	Cameron, Andy	None	None	Goy, David
Burford, Yvonne	Camp, Haley			Humphreys, Rhona
Bury, Tina	Collins, Garry			
Curgenven, Rob	Gollop, John			
de Sausmarez, Lindsay	Kay-Mouat, Bruno			
Dorrity, David	Kazantseva-Miller, Sasha			
Falla, Steve	Matthews, Aidan			
Gabriel, Adrian	McKenna, Liam			
Hansmann Rouxel, Sarah	Niles, Andrew			
Helyar, Mark	Oswald, George			
Hill, Edward	Rochester, Sally			
Inder, Neil	Sloan, Andy			
Laine, Marc	Strachan, Jennifer			
Leadbeater, Marc	Vermeulen, Simon			
Malik, Munazza				
Montague, Paul				
Ozanne, Jayne				
Parkinson, Charles				
Rylatt, Tom				
Snowdon, Alexander				
St Pier, Gavin				
Van Katwyk,				
Williams, Steve				

**The Bailiff:** In respect of Proposition 3, there voted in favour 23 Members, 14 Members voted against, no Members abstained, 2 Members are absent. I will declare Proposition 3 carried.

3820 Now we will see if we can get Proposition 4 up. I will invite the Greffier to open the voting on Proposition 4.

*There was a recorded vote.*

3825

*Carried – Pour 31, Contre 4, Ne vote pas 2, Did not vote 0, Absent 2*

<b>Pour</b>	<b>Contre</b>	<b>Ne vote pas</b>	<b>Did not vote</b>	<b>Absent</b>
Burford, Yvonne	Camp, Haley	Blin, Chris	None	Goy, David
Bury, Tina	McKenna, Liam	Sloan, Andy		Humphreys, Rhona
Cameron, Andy	Ozanne, Jayne			
Collins, Garry	Vermeulen, Simon			
Curgenvén, Rob				
de Sausmarez, Lindsay				
Dorrity, David				
Falla, Steve				
Gabriel, Adrian				
Gollop, John				
Hansmann Rouxel, Sarah				
Helyar, Mark				
Hill, Edward				
Inder, Neil				
Kay-Mouat, Bruno				
Kazantseva-Miller, Sasha				
Laine, Marc				
Leadbeater, Marc				
Malik, Munazza				
Matthews, Aidan				
Montague, Paul				
Niles, Andrew				
Oswald, George				
Parkinson, Charles				
Rochester, Sally				
Rylatt, Tom				
Snowdon, Alexander				
St Pier, Gavin				
Strachan, Jennifer				
Van Katwyk, Lee				
Williams, Steve				

3830

**The Bailiff:** So, in respect of Proposition 4, there voted in favour 31 Members, 4 Members voted against, 2 Members abstained, 2 Members are absent, and therefore I will declare Proposition 4 also carried, which means that Propositions 1a, 1b, 1d, e and f, 2, 3 and 4 have all been carried.

We will now adjourn until 9.30 a.m. in the morning.

*The Assembly adjourned at 6.00 p.m.*