THE STATES OF DELIBERATION
of the
ISLAND OF GUERNSEY

POLICY & RESOURCES COMMITTEE

THE STATES OF GUERNSEY ANNUAL BUDGET FOR 2021

The States are asked to decide:-

Whether, after consideration of the States of Guernsey Annual Budget for 2021, they are of the opinion:-

1. To agree that transfers are not made from General Revenue to the Capital Reserve in either 2020 or 2021.

2. To endorse the intention of the Policy & Resources Committee to fund the forecast General Revenue deficits in 2020 and 2021 of £59million and £23million respectively as follows:

   (a) £50million from the Core Investment Reserve in 2020; and
   (b) £32million from the General Revenue Account Reserve.

3. To approve that returns of capital from the States' trading assets and capital income in 2021 be transferred to the Capital Reserve.

4. To endorse the intention of the Policy & Resources Committee to increase the standard charge specified in Section 5B(2) of the Income Tax (Guernsey) Law, 1975, as amended, from £30,000 to £40,000 in respect of the Year of Charge 2021 and subsequent years, by regulation under that subsection, and to resolve that the level of the standard charge is not reviewed or increased for at least 5 years.

5. To agree that the annual tax-free lump sum limit for a pension scheme is set at £203,000 for 2021.

6. To amend Section 40(nn) of the Income Tax (Guernsey) Law, 1975, as amended, to clarify that income paid from an international savings plan is exempt from tax in the manner set out in paragraphs 4.10 and 4.11, and to direct the preparation of such legislation as may be necessary to give effect to this decision, which will also require a consequential amendment to the Regulation of Fiduciaries, Administration Businesses and Company Directors, etc (Bailiwick of Guernsey) Law, 2000.

7. To amend the Income Tax (Guernsey) Law, 1975 to enable the Director of the Revenue Service, where there exist exceptional and compelling events or circumstances, to issue guidance by means of statements of practice derogating from or otherwise modifying

the provisions of Section 3 of the Law for the purpose of calculating the number of days spent in Guernsey for tax residence purposes, and to direct the preparation of such legislation as may be necessary to give effect to this decision.

8. To amend Sections 199(6)(a)(i) and 199(11)(b)(i) of the Income Tax (Guernsey) Law, 1975, as amended, to allow for the date on which liability to surcharges arises (currently 15 January) to be postponed by the Director of the Revenue Service where, for example, the Director amends the filing date for tax returns, and to direct the preparation of such legislation as may be necessary to give effect to this decision.

9. In the second schedule attached to the next proposition, to replace the text for "Charge of Children Allowance" and the text under (ii) of the transferability of unused allowances with the following (to enable relevant claims to be made where an individual is not eligible to receive Family Allowance due to the level of their income):

Charge of Children Allowance

(1) The conditions to be fulfilled to entitle a claimant who is married or in a civil partnership to a charge of children allowance are:

(a) that in the year of charge the claimant, or the claimant's spouse, is in receipt of Family Allowances in respect of one or more children -

(i) on 1 January, or

(ii) on the date on which Family Allowance is first claimed in respect of that child in the year in question,

whichever date is first relevant, and

(b) that the claimant proves that throughout the year either the claimant or the claimant's spouse is totally incapacitated by physical or mental infirmity and that a person is maintained or employed by the claimant for the purpose of having the charge and care of the child, and

(c) that neither the claimant nor any other individual is entitled to a dependent relative allowance in respect of the person so employed or maintained or, if the claimant or any other individual is so entitled, that the claim has been relinquished.

Provided that, for the purposes of subparagraph (a), the claimant or the claimant's spouse, as the case may be, shall be deemed to be in receipt of a Family Allowance in respect of a child in a year of charge if they are not in receipt of such an Allowance solely by reason of the amount of their income exceeding the maximum amount prescribed for persons to be eligible for the receipt of such an Allowance.

This proviso is in addition to and not in derogation from paragraph (4).

(2) The conditions to be fulfilled to entitle a claimant who is not married or in a civil partnership to a charge of children allowance are that in the year of charge:

(a) the claimant is in receipt of Family Allowances in respect of one or more children -

(i) on 1 January, or

(ii) on the date on which Family Allowance is first claimed in respect of that child in the year in question,

whichever date is first relevant, and

(b) the claimant is not cohabiting with another person, except where -

(i) the claimant proves that throughout the year either the claimant or the claimant's cohabitee is totally incapacitated by physical or mental infirmity, and that a third person is maintained or employed by the claimant for the purpose of having the charge and care of the child, and

(ii) neither the claimant nor any other individual is entitled to a dependent relative allowance in respect of the person so employed or maintained or if the claimant or any other individual is so entitled that the claim has been relinquished.

Provided that, for the purposes of subparagraph (a), claimants shall be deemed to be in receipt of a Family Allowance in respect of a child in a year of charge if -

(A) they are not in receipt of such an Allowance solely by reason of the amount of their income exceeding the maximum amount prescribed for persons to be eligible for the receipt of such an Allowance, and

(B) in the case of claimants who are not cohabiting with another person, they are the principal carer of the child.

This proviso is in addition to and not in derogation from paragraph (4).

(3) The claimant shall have relinquished any claim to a housekeeper allowance or to an infirm person's allowance for that year.

(4) Where an individual has a child receiving higher education or a child aged 18 receiving secondary education, that individual shall, for the purposes of the preceding paragraphs numbered (1) to (3), be deemed to be in receipt of a Family Allowance in respect of the said child.

Provided that if there are two such individuals the charge of children allowance shall be apportioned between them in proportion to the amount or value of their respective contributions towards the maintenance of that child.

(5) Not more than one allowance shall be granted to any claimant for any year.

Transferability of unused allowances

ii) transfers between co-habiting couples in receipt or deemed receipt of Family Allowance, but not eligible for the charge of children allowance	Where the recipient or deemed recipient of a Family Allowance in respect of one or more children is not entitled to claim the charge of children allowance because the claimant is cohabiting with another person, the claimant may, in respect of the year of charge, by notice in writing addressed to the Director, elect that any unused part of the personal allowance to which the claimant would otherwise be entitled shall cease to be the claimant's and shall become part of the personal allowance of the person with whom they are cohabiting, such election, once made, to be irrevocable in respect of that year of charge. For the purposes of this paragraph "cohabiting" means living with another person, as if they were married or in a civil partnership, throughout the year of charge and "deemed receipt" and "deemed recipient" of Family Allowance mean deemed by virtue of the proviso to paragraph (2) of Charge of Children Allowance above.

10. That,

(a) subject to the provisions of the Income Tax (Guernsey) Law, 1975 and to the provisions of this Proposition, the allowances claimable for the Year of Charge 2021 by an individual solely or principally resident in Guernsey by way of relief from income tax at the individual standard rate, shall be the allowances specified in the First Schedule to this proposition;

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

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

(d) "the Income Tax (Guernsey) Law, 1975" means that Law as amended, extended or applied by or under any other enactment.

FIRST SCHEDULE
Year of Charge 2021

Allowances claimable by an individual solely or principally resident in Guernsey by way of relief from income tax at the standard rate. In order to calculate the amount of the allowance, where the taxpayers are married or in a civil partnership, each spouse's income shall be considered separately, in accordance with the table below. All allowances are subject to the following conditions –

(i) the allowances shall be pro-rated for a person who is solely or principally resident in the years of that person's arrival in, or permanent departure from, Guernsey, based on the proportion of time spent in Guernsey in the relevant year of charge in the same manner in which income is pro-rated by virtue of sections 5(3) and 5(4) of the Income Tax (Guernsey) Law, 1975,

(ii) where a person is in receipt of a Guernsey source pension, which is liable to be taxed at source under the Employees Tax Instalment scheme, or a Guernsey old age pension arising under section 33 of the Social Insurance (Guernsey) Law 1978, then the pro-rating under section 51(5) and 51A(2A) of the Income Tax (Guernsey) Law, 1975 shall apply –

(a) from the commencement of the year of charge until the date of arrival (in the case of that person's permanent arrival),

(b) from the date of departure until the end of the year of charge (in the case of that individual's permanent departure), and

(iii) the totality of each person's allowances and withdrawable deductions are reduced at a ratio of £1 of allowances and withdrawable deductions for every £5 that that person's calculated income is above the limit of £100,000 (such limit being pro-rated in the year of arrival or departure, based on the proportion of time spent in Guernsey in the relevant year).

For the purpose of this schedule –

(a) calculated income is an individual's income net of deductions but gross of any withdrawable deductions to which that individual is entitled, and

(b) the withdrawable deductions are the following deductions -

- Pension contributions, namely
  - Retirement Annuity Allowance
  - contributions to an approved occupational or personal pension scheme

over £1,000 (which aggregate amount shall not be withdrawn, and shall not form part of the 'withdrawable deductions')

- Mortgage interest relief

	NATURE OF ALLOWANCE	AMOUNT OF ALLOWANCE
1.	**Personal Allowance*^**	Tax at the standard rate on £11,875.
2.	**Dependent Relative Allowance***	In respect of each dependent relative - tax at the standard rate on £3,850 or on the amount of the contributions whichever is less: Provided that if the income of the dependent relative (exclusive of any contribution) exceeds £8,025 the allowance shall be reduced to tax at the standard rate on such sum as remains after subtracting from £3,850 the sum of £1 for every pound by which the dependent relative's income exceeds £8,025.
3.	**Infirm Person's Allowance***	Tax at the standard rate on £3,850
4.	**Housekeeper Allowance**	Tax at the standard rate on £3,850
5.	**Charge of Children Allowance***	Tax at the standard rate on £8,075
6.	**Retirement Annuity Allowance**	Tax at the standard rate on a sum equal to the qualifying premiums or contributions.

SECOND SCHEDULE

Conditions applicable to the allowances specified in the First Schedule

Dependent Relative Allowance

A. (1) The conditions to be fulfilled to entitle a claimant to a dependent relative allowance in the case of a child receiving higher education are:

(a) that the child in respect of whom an allowance is claimed -

(i) is the child of the claimant, or

(ii) is the illegitimate child of the claimant and in the year of charge is maintained by the claimant;

(b) that on the first day of August in the year of charge, the child is over the age of nineteen years and is, in that year of charge, receiving full-time instruction at any university, college, school or other educational establishment.

(c) that the claim relates to a dependent relative in respect of whom a claim has already been made for a year of charge prior to the Year of Charge 2018.

(2) The expression "child" shall include a stepchild, and a child who has been lawfully adopted shall be treated as the child of the individual by whom he has been so adopted and not as the child of the natural parent.

(3) Where a couple are cohabiting as if they were married and either has a child in respect of whom a dependent relative allowance is claimable, either individual by a notice in writing addressed to the Director may elect that, for the purposes of the said allowance, the child shall be treated as if it were the child of that cohabitee.

(4) In computing the amount of a child's income in his own right, no account shall be taken of any sum to which the child is entitled as the holder of a scholarship, bursary or other similar educational endowment.

(5) Where two or more persons jointly maintain or contribute towards the maintenance of any such person as aforesaid, the allowance shall be apportioned between them in proportion to the amount or value of their respective contributions towards the maintenance of that person.

B. (1) The conditions to be fulfilled to entitle a claimant to a dependent relative allowance in any other case are:

(a) that the claimant at his own expense maintains or contributes towards the maintenance of a person being a relative of the claimant or of the claimant's spouse; and

(b) that the person so maintained is prevented by incapacity due to old age or infirmity from maintaining himself; and

(c) that the claim relates to a dependent relative in respect of whom a claim has already been made for a year of charge prior to the Year of Charge 2009.

(2) Where two or more persons jointly maintain or contribute towards the maintenance of any such person as aforesaid, the allowance shall be apportioned between them in proportion to the amount or value of their respective contributions towards the maintenance of that person.

Infirm Person's Allowance

(1) The conditions to be fulfilled to entitle a claimant to an infirm person's allowance are:

(a) that the claimant is by reason of old age or infirmity or by reason of the old age or infirmity of the claimant's spouse compelled to maintain or employ an individual solely for the purpose of having care of the claimant or the claimant's spouse;

Provided that the allowance shall not be granted by reason of infirmity unless throughout the year the claimant or the claimant's spouse was permanently incapacitated by physical or mental infirmity.

(b) if such an individual is a relative of the claimant or of the claimant's spouse and if the claimant is entitled to any other allowance in the First Schedule in respect of that individual, that the claim has been relinquished;

(c) that the claim relates to an infirm person in respect of whom a claim has already been made for a year of charge prior to the Year of Charge 2009.

(2) Not more than one allowance shall be allowed to any claimant for any year.

Housekeeper Allowance

(1) The conditions to be fulfilled to entitle the claimant to a housekeeper allowance are:

(a) that the claimant is a widow or widower.

(b) that in the year of charge a person is employed or maintained by the claimant solely for the purpose of acting in the capacity of a housekeeper for the claimant;

(c) if such person is a relative of the claimant or of the claimant's deceased spouse and if the claimant is entitled to any other allowance in the First Schedule in respect of that person, that the claim has been relinquished;

(d) that the claim relates to a housekeeper in respect of whom a claim has already been made for a year of charge prior to the Year of Charge 2009.

(2) A housekeeper allowance shall not be granted to any individual for any year in respect of more than one person.

(3) A housekeeper allowance shall not be granted to any individual in any year in which another person's unused allowance has been transferred to that individual or if that individual is in receipt of an infirm person's allowance.

(4) "Housekeeper" means a person who is responsible by delegation for the management of the household, including arrangements for food, housekeeping expenditure and the care of linen and laundry.

Charge of Children Allowance

(1) The conditions to be fulfilled to entitle a claimant who is married or in a civil partnership to a charge of children allowance are:

(a) that in the year of charge the claimant, or the claimant's spouse, is in receipt of Family Allowances in respect of one or more children -

(i) on 1 January, or

(ii) on the date on which Family Allowance is first claimed in respect of that child in the year in question,

whichever date is first relevant, and

(b) that the claimant proves that throughout the year either the claimant or the claimant’s spouse is totally incapacitated by physical or mental infirmity and that a person is maintained or employed by the claimant for the purpose of having the charge and care of the child, and

(c) that neither the claimant nor any other individual is entitled to a dependent relative allowance in respect of the person so employed or maintained, or if

the claimant or any other individual is so entitled, that the claim has been relinquished.

(2) The conditions to be fulfilled to entitle a claimant who is not married or in a civil partnership to a charge of children allowance are that in the year of charge:

(a) the claimant is in receipt of Family Allowances in respect of one or more children -

(i) on 1 January, or

(ii) on the date on which Family Allowance is first claimed in respect of that child in the year in question,

whichever date is first relevant, and

(b) the claimant is not cohabiting with another person, except where -

(i) the claimant proves that throughout the year either the claimant or the claimant's cohabitee is totally incapacitated by physical or mental infirmity, and that a third person is maintained or employed by the claimant for the purpose of having the charge and care of the child, and

(ii) neither the claimant nor any other individual is entitled to a dependent relative allowance in respect of the person so employed or maintained or if the claimant or any other individual is so entitled that the claim has been relinquished.

(3) The claimant shall have relinquished any claim to a housekeeper allowance or to an infirm person's allowance for that year.

(4) Where an individual has a child receiving higher education he shall, for the purposes of the preceding paragraphs numbered (1) to (3), be treated as if he were in receipt of a Family Allowance in respect of the said child.

Provided that if there are two such individuals the charge of children allowance shall be apportioned between them in proportion to the amount or value of their respective contributions towards the maintenance of that child

(5) Not more than one allowance shall be granted to any claimant for any year.

Retirement Annuity Allowance

(1) The conditions to be fulfilled to entitle a claimant to a retirement annuity allowance or deduction under section 8(3)(bb) are that the claimant pays a premium or makes a contribution to a retirement annuity scheme or to a retirement annuity trust scheme approved under the provisions of section 157A of the Income Tax (Guernsey) Law, 1975 and of which the claimant or the claimant's spouse is a beneficiary.

(2) Subject to the provisions of the next succeeding paragraph the qualifying premiums or contributions, as the case may be, shall be the amount of any premium paid or contribution made by the claimant during the year of computation of the income of the claimant assessable for the year of charge.

(3) Notwithstanding the provisions of the preceding paragraph no allowance or deduction shall be given in respect of any qualifying premiums or contributions to the extent that, in aggregate, they exceed:

(a) 100% of the income of the claimant during the year of computation referred to in the preceding subparagraph, or

(b) any retirement annuity contribution limit for the time being prescribed by Regulations made by the Committee.

Transferability of unused allowances

- *the allowances marked with an * in the first schedule are transferable between taxpayers in the circumstances described in paragraph (i) below*
- *the allowances with an ^ in the first schedule are transferable between taxpayers in the circumstances described in paragraph (ii) below,*

and in all cases transfer is subject to the conditions detailed below.

(i) transfers between married couples or couples in a civil partnership

Any allowances due to an individual which are greater than the individual's own income may only be transferred to the spouse if at the commencement of the year of charge the claimant's spouse is living with the claimant as a married couple.

Provided that, should the marriage or a civil partnership end in the year of charge, by reason of divorce or separation, the allowance is proportioned on the basis of the number of days in the year of charge which precede that event, with the relevant proportion of any unused allowances prior to that event being automatically transferred.

For the purposes of this paragraph –

"divorce" means that the Court for Matrimonial Causes has made a Final Order on a decree of divorce or of nullity of marriage in respect of the marriage in question or that the courts of another jurisdiction have made a corresponding order in respect thereof, and includes an order for the dissolution of a civil partnership, and

"separation" means that the couple are living separately as fully and as completely as though they had never been married or entered into a civil partnership, as the case may be.

Provided that, should the marriage or a civil partnership end in the year of charge, by

	reason of death, the full unused allowance is transferrable. Where there is an entitlement to transfer of an allowance under this paragraph, that allowance will be automatically transferred.
(ii) transfers between co-habiting couples in receipt of Family Allowance, but not eligible for the charge of children allowance	Where the recipient of a Family Allowance in respect of one or more children is not entitled to claim the charge of children allowance because the claimant is cohabiting with another person, the claimant may, in respect of the year of charge, by notice in writing addressed to the Director, elect that any unused part of the personal allowance to which the claimant would otherwise be entitled shall cease to be the claimant's and shall become part of the personal allowance of the person with whom they are cohabiting, such election, once made, to be irrevocable in respect of that year of charge. For the purposes of this paragraph "cohabiting" means living with another person, as if they were married or in a civil partnership, throughout the year of charge.

11. To approve the draft Ordinance entitled "The Excise Duties (Budget) Ordinance, 2020" and to direct that the same shall have effect as an Ordinance of the States.

12. To approve the draft Ordinance entitled "The Taxation of Real Property (Guernsey and Alderney) (Amendment) (No.2) Ordinance, 2020" and to direct that the same shall have effect as an Ordinance of the States.

13. To approve ordinary revenue expenditure for 2021 totalling £469.55million as set out in the table in paragraph 5.4 of this Report and the revenue expenditure budgets on pages 82 to 102;

14. To approve increases in the minor capital allocations of the following categories of the following amounts:

    (a) £11.7million in the Information Technology category;
    (b) £10million in the Medical Equipment category;
    (c) £10million in the Vehicles & Other Equipment category;
    (d) £21.8million in the Property Maintenance and Minor Works category;
    (e) £10million in the Roads resurfacing programme category;
    (f) £1million in the Integrated Transport Strategy category; and
    (g) £3.8million in the Coastal repairs category.

15. To approve an increase to £5million in the delegated authority of the Policy & Resources Committee to approve opening capital votes for any project, funded from the Capital Reserve.

16. To approve the creation of the General Revenue Reserve by the closure, on 31 December 2020, of:

    (a) the Capital Reserve; and

    (b) the following funds and reserves from the existing General Reserve:

        - the Transformation and Transition Fund;
        - the Future Guernsey Economic Fund;
        - the Corporate Housing Programme Fund;
        - the Insurance Deductible Fund;
        - the Brexit Transition Fund; and
        - the General Revenue Account Reserve (Unallocated Balance)

    with the balance of each Reserve / Fund mentioned in (a) and (b) above, and any outstanding obligations, liabilities and commitments in respect thereof, together with the existing delegated authorities pertaining to the expenditure, commitment or use of those Reserves / Funds, being transferred to the General Revenue Reserve subject to the same terms, conditions and restrictions as are currently applicable in respect of those Reserves / Funds.

17. To agree that the Alderney Gambling Control Commission surpluses received by the States of Alderney continue to be transferred to the States of Alderney capital allocation up to 31 December 2021.

18. To delegate authority to the States of Alderney to transfer from the States of Alderney capital allocation to the Alderney Economic Development Fund a maximum amount of £300,000 in 2021.

19. To authorise the Policy & Resources Committee:

(a) to make available a temporary overdraft facility to Aurigny Limited up to 31 December 2021 of £53million, and / or

(b) to guarantee external overdraft facilities of Aurigny Limited up to 31 December 2021 of a maximum of £53million,

provided that the amounts made available or guaranteed under propositions 19(a) and 19(b) shall not exceed £53million in the aggregate.

20. To agree that the references in resolutions (i) and (ii) on Article VI of Billet d'État No. XVII of 2016 to the 2021 Island Games shall be replaced by a reference to the Island Games to be hosted in any one of the years 2022, 2023, 2024 or 2025, such year to be determined by the Committee *for* Education, Sport & Culture after consultation with the Policy & Resources Committee.

21. To approve the following Budgets for the year 2021:

(a) Ports
(b) Guernsey Water
(c) Guernsey Waste
(d) States Works
(e) Guernsey Dairy
(f) Corporate Housing Programme Fund
(g) Guernsey Registry
(h) Capital Investment – Operating Costs
(i) Superannuation Fund Administration
(j) Committee *for* Employment & Social Security – Contributory Funds.

In accordance with Rule 4(1) of the Rules of Procedure of the States of Deliberation and their Committees, it is confirmed that the above Propositions have been submitted to Her Majesty's Procureur for advice on any legal or constitutional implications.

Committee Support for Propositions

In accordance with Rule 4(4) of the Rules of Procedure of the States of Deliberation and their Committees, it is confirmed that all propositions have the unanimous support of the Policy & Resources Committee.

P T R Ferbrache
President

H J R Soulsby
Vice-President

M A J Helyar
J P Le Tocq
D J Mahoney