



**OFFICIAL REPORT**

**OF THE**

**STATES OF DELIBERATION**

**OF THE**

**ISLAND OF GUERNSEY**

**HANSARD**

**Royal Court House, Guernsey, Tuesday, 15th December 2020**

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**Present:**

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

**Law Officers**

R. M. Titterington, Q.C. (H.M. Comptroller)

**People's Deputies**

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N. R. Inder	S. P. J. Vermeulen
A. Kazantseva-Miller	

**Representatives of the Island of Alderney**

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

**The Clerk to the States of Deliberation**

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

**Absent at the Evocation**

M. M. E. Pullum, Q.C. (H.M. Procureur);  
J. P. Le Tocq (*indisposé*); Deputy A.C. Dudley-Owen (*relevé à 09h 48*);  
Deputy M. P. Leadbeater (*relevé à 11h 46*)

## **Business transacted**

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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

## CONVOCATION

**The States' Greffier:** Billets d'État XXVI of 2020. To the Members of the States of the Island of Guernsey, I hereby give notice that a Meeting of the States of Deliberation will be held at the Royal Courthouse on Tuesday, 15th December 2020, at 9.30 a.m. to consider the items listed in this Billet d'État which have been submitted for debate.

## Procedural – Good wishes to Deputy Le Tocq; 75th Anniversary of Alderney's Homecoming

**The Bailiff:** Good morning Members of the States. Can I start by drawing attention to the fact that Deputy Le Tocq has been recorded as *indisposé*? I am sure you will have all heard that he has had a bout of ill health recently but I gather that he is on the mend and I am sure that you would wish to join with me in offering him our hope for a speedy and full recovery and we look forward to seeing him back in the chamber as soon as possible. (**Members:** Hear, hear.)

You may have noticed that Deputy Le Tocq's seat up on this bench is being occupied by Deputy Helyar. The reason for that will become apparent soon if you do not already know it. It just struck me that it was easier to have the person presenting the debate and responding to it up here rather than down there, creating a bit more space.

Finally, before we get onto the Budget, Members of the States, today, 15th December, is the anniversary of Alderney's Homecoming. It is the 75th anniversary of the return of the citizens of Alderney to their Island after the Occupation during the Second World War. It is a special occasion for them and I think it is right that we mark that by recognising that, whereas our 75th anniversary of the Liberation was in different circumstances, it is a real pleasure for Alderney to be able to enjoy the 75th anniversary of Homecoming in fairly normal circumstances and we wish everyone up there well as a result.

**Several Members:** Hear, hear.

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

## Billet d'État XXVI

### **POLICY & RESOURCES COMMITTEE**

#### **I. States of Guernsey Annual Budget for 2021 – Debate commenced**

*Article I.*

*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 £23 million 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*

*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. 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.*

*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 transferable.*

*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) £11.7 million in the Information Technology category;
- (b) £10 million in the Medical Equipment category;
- (c) £10 million in the Vehicles & Other Equipment category;
- (d) £21.8 million in the Property Maintenance and Minor Works category;
- (e) £10 million in the Roads resurfacing programme category;
- (f) £1 million 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 £53 million, and / or (b) to guarantee external overdraft facilities of Aurigny Limited up to 31 December 2021 of a maximum of £53 million, 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.

**The States' Greffier:** Article I. Policy & Resources Committee. The States of Guernsey Annual Budget for 2021.

30 **The Bailiff:** I invite the nominee of the Policy & Resources Committee, Deputy Helyar, to open debate on the Budget in what will be, in rather unusual circumstances, his maiden speech in the Assembly. Deputy Helyar.

35 **Deputy Helyar:** Thank you, sir. It is an honour to present the States of Guernsey Budget for 2021 on behalf of the Policy & Resources Committee. There is no disguising this is not the Budget anyone would wish to be presenting, particularly as a maiden speech. I am afraid it does not contain much Christmas cheer but also, I hope, not too much humbug either.

40 Financial pressures have been accelerated due to the Covid-19 pandemic and it is no surprise that our public finances have been severely impacted. Budgets are always based, to some extent, on assumptions of the unknown, but the outcome of this one is more uncertain than most. We have made assumptions around the speed and extensive recovery and the easing of travel restrictions, which are subject to a considerable degree of uncertainty. Should circumstances change materially in 2021, there may be a need to update the Budget as was done during this year and to come back to the States with additional recommendations.

45 My fellow Members and I were elected onto the Policy & Resources Committee on 17th October. Almost exactly one month later, we published the Budget 2021 report and a further month later we are now debating it. Due to these time constraints, there was not sufficient time for committees to meaningfully review the Budget submissions prepared by their predecessors, or for the Policy & Resources Committee to be able to enter into dialogue with committees and make changes to cash limits. Therefore the cash limit proposals are, by necessity, those prepared by the predecessor  
50 Committee, whom I wish to thank for their diligent work. I give my full commitment to developing the Budget for 2022 in a collaborative way, with all committees.

The expenditure proposals include provision for an additional £20 million, or almost 5%, to committees of the States. This increase is as a result of baseline demand and inflation pressures submitted by committees and a small number of high priority service developments. However, there  
55 is also funding of £6.5 million for expenditure commitments approved by the previous Assembly since the last Budget. Such significant increases outside of the budgeting framework and considered in isolation demonstrate poor prioritisation, financial rigour and governance. Current circumstances mean that the financial leeway for approving such additional expenditure no longer exists.

60 It has also been necessary, in addition to the usual Budget Reserve, to make a provision of £17 million to fund the anticipated further costs arriving from Covid-19. This is primarily to undertake the vaccine programme, to run the border testing regime and to continue to provide business

support for a limited number of specific sectors and has been costed based on the best information available at this time.

65 Undoubtedly there would have been an expectation that this Budget would have included revenue raising measures. In other words, increases in taxation. However, the Committee does not believe that now is the right time and therefore, unashamedly, this Budget is a standstill Budget and includes only general increases in Excise Duty and TRP, which are sufficient to maintain their real value. That is, in line with the inflation projection of 1.5% for 2021.

70 We are proposing an increase of 2.6% in the personal Income Tax allowances. This above inflation increase ensures that an individual whose only source of income is the full rate States' Pension, with a bank interest of less than £50, will continue to not pay Income Tax.

75 Covid-19 has had a profound impact on States' finances. The combined effect in 2020 and 21 on General Revenue is £170 million, which includes Aurigny's estimated losses of £24 million in 2020 and £14 million in 2021. In order to fund this, we are having to put a large hole in our Core Investment Reserve; £50 million, or over 25% of its value, has been used to contribute towards the cost of business support measures.

80 We have had to use all of the flexibility in the General Revenue account reserve and we have not been able to transfer into the Capital Reserve in either 20 or 21 and I will come back to this shortly. In addition there has been a significant impact on the trading entities, particularly the ports, with a combined deficit for 2020 and 21 of £28 million. Finally, the Social Security funds have suffered a shortfall in revenues of over £10 million in 2020, accompanied by additional demand for benefits of £3 million.

85 In January 2020, the States considered a report, which set out long-term financial pressures and their estimated funding requirements, totalling between £80 million and £130 million of additional revenue per year going forwards. Some of these costs are driven by unavoidable changes, as a result of the ageing population and the intended increase in the dependency ratio.

90 These additional pressures will build up over a number of years, leading to increases in demand for health services, long-term care and the States' Pension. However, some of the other cost pressures are discretionary and are driven by policy changes such as the introduction of NICE drugs and treatments or the significant consequences for public sector pay of the introduction of equal pay for work of equal value, contained within proposed discrimination legislation.

95 Guernsey's tax base is not capable of raising sufficient revenues to meet these additional expenditure demands. There is only so much tweaking that can be done to the existing taxes, duties and allowances. As a result of the Covid-19 pandemic, the States' financial position has moved into deficit considerably sooner and much deeper than anticipated.

The Tax Review is now underway and is one of the key priorities of the Policy & Resources Committee and the Committee for Employment & Social Security. But I must warn there will be no easy answers. There is no silver bullet. A 1% increase in Income Tax rates would only raise another £13.5 million per year. A similar amount would be raised by a 50% increase in TRP rates.

100 Whilst the receipts from corporate Income Tax reduced significantly when Zero-10 was introduced, numerous and material changes have since been made to increase the contribution made by the corporate sector in many other ways, including Employer Social Security Contribution Rates are over three times what they were for those at the limit.

105 The 10% and 20% Income Tax rates have been extended significantly and now cover most of the regulated finance sector, in addition to banking activity, large retailers, hydrocarbons, aircraft registry and medicinal cannabis cultivation. Commercial TRP rates have also increased very significantly. For example, they are now over 14 times what they were prior to Zero-10 for office accommodation used by the regulated finance sector, lawyers and accountants.

110 Sir, it is a fallacy that we can demand high taxes from the wealthy or the finance industry and thereby solve all our problems. We cannot tax ourselves to prosperity. Our economic model is heavily reliant on a low tax base, which is competitive in comparison to other offshore locations. This means, in reality, that there is a ceiling to how much tax will be borne by our economy before it has a negative effect and encourages businesses and individuals to relocate elsewhere.

115 In short, money talks, but it also walks. Wealth and the business which manages it, is globalised and highly mobile. The less attractive we make the Bailiwick for investment, whether by increased taxation, over-zealous regulation or by creating complex social legislation, giving rise to high compliance costs, the more business will simply go elsewhere.

That does not mean we should not do these things but we must take proper account of their economic effects in all of our decision-making and that may include reconsidering whether commitments already made can be delivered more cost-effectively. Turning a blind eye to this issue, raising taxes and hoping for the best, may have a very significant long-term, negative effect on the Bailiwick's economy.

We are faced with serious challenges but also with an opportunity. It will be a challenge for us all to prioritise effectively and to delay, cancel or downsize existing spending plans. It is, however, an opportunity, to have a real discussion about how big Government should be because, without substantial growth, we have now reached the limits of what our current tax system can raise to fund public services.

Given these circumstances, we simply cannot look to increase revenue expenditure further, without risking further erosion of our dwindling reserves. As I have said before, any request for additional funding is a request to increase taxation or to cut costs elsewhere.

Turning to capital, as I mentioned earlier, we have not been able to make transfers into the Capital Reserve in either this year or next. The portfolio of projects agreed by the last States was already heavily over-subscribed. The overall impact of more projects combined with lower levels of funding is that there is a funding shortfall of over £200 million today. We have the opportunity to borrow, for the right projects, but we must be able to repay that borrowing.

In summary, it is now more important than it has been for a generation that we do not dodge the difficult problems and that we work as a team to increase efficiency, cut costs and help to revive and nurture a thriving and sustainable economy. Before I sit I would like to thank the Treasury team for their diligence and hard work in putting this Budget together, whilst also covering a myriad of other responsibilities, including those arising from Covid and from Brexit.

I would also like to thank and commend the wider public for their self-discipline throughout the Covid crisis. Without the full compliance with effective lockdown and other measures put in place to defeat the virus, I have no doubt that the Island's losses and the content of this Budget would have been much more unpleasant. I also wish our cousins in Jersey our very best wishes in their difficult ongoing fight. The first decision we face is to agree this 2021 Budget. We believe it is a practical Budget in challenging times and I commend it wholeheartedly to the Assembly. Thank you. *(Applause)*

**The Bailiff:** Deputy Dudley-Owen, is it your wish to be relevéd?

**Deputy Dudley-Owen:** Thank you, sir.

**The Bailiff:** Now, Members of the States, 12 amendments to the Propositions relating to the Budget have been submitted to the Greffier. You should now have my proposed running order in respect of them because it is my role to marshal those and put them into some order. The first amendment that we are going to turn to is Amendment 12, principally because it is proposed by Members of the Policy & Resources Committee to its own Propositions. So Deputy Helyar do you wish to lay Amendment 12 please?

**Deputy Helyar:** Yes sir.

[Amendment 12](#)

*Immediately after Proposition 20 to add the following proposition:*

*"20A. To declare that Economic Substance Requirements for entities carrying on or undertaking relevant activities as set out by the OECD Forum on Harmful Tax Practices and detailed in Criterion*



*2.2 of the EU non-cooperative jurisdictions listing process<sup>1</sup> are specified for the purposes of the Income Tax (Guernsey) Law, 1975, as amended as an International Tax Measure in accordance with section 75CC(1A) and (1C) of that Law and to make any necessary consequential modifications to that Law including ones relating to the spontaneous exchange of information for the purposes of any such Measure.”.*

**The Bailiff:** Do you wish it to be read by the Greffier?

**Deputy Helyar:** Yes please.

**The Bailiff:** Greffier.

*The States' Greffier read out the amendment.*

**The Bailiff:** Deputy Helyar, then, please.

**Deputy Helyar:** Thank you, sir. I hope Members will find this amendment non-contentious. It has been put in late in order to avoid the need for a separate policy letter in order to bring amendments to legislation. Guernsey is committed to maintaining its parity with international agreements in connection with harmful tax practices. That includes a requirement for entities in Guernsey to record what they are doing and where they are making decisions for core income-generating activities.

This amendment will simply allow for an extension of those reporting requirements to partnerships resident in Guernsey. It will also allow information exchange in relation to the tax residency of local entities. I would ask the Assembly to support this. It is an essential requirement to ensure a level playing field and the continuing competitiveness of our finance industry. Thank you.

**The Bailiff:** Deputy Ferbrache, do you formally second it? And shall we put a second 'r' in your name?!

**Deputy Ferbrache:** I am quite happy with 'Ferbache'!

**The Bailiff:** Fair enough. Does anyone wish to speak on this amendment? In that case, Members of the States, I will simply put to you the amendment marked 12, proposed by Deputy Helyar and seconded by Deputy Ferbrache, those in favour; those against?

*Members voted Pour.*

**The Bailiff:** I declare that amendment duly carried. Let us hope they are all going to be this straight forward.

[Amendment 11](#)

*Immediately after Proposition 20 to add the following: "20A. To increase the maximum aggregate amount of donations that may be made to Guernsey Registered Charities and be exempt from income tax in any year of charge, specified in section 64B(1)(d) of the Income Tax (Guernsey) Law, 1975, as amended, from £5,000 to £7,500.”.*

**The Bailiff:** The next amendment to which I invite you to turn, Members of the States, is marked number 11. This is an amendment being proposed by Deputy Dyke. Deputy Dyke do you wish for it to be read by the Greffier at all?

**Deputy Dyke:** Yes sir.

**The Bailiff:** Thank you very much. Greffier, please.

*The States' Greffier read out the amendment.*

**The Bailiff:** I now invite Deputy Dyke to speak to his amendment in what will be his maiden  
200 speech to the Assembly. Deputy Dyke.

**Deputy Dyke:** Thank you, sir. Guernsey, as we all agree, is a very special place. One of the things  
that makes it so special is the sense of community exemplified by our wonderful and busy charitable  
sector. Animal Aid, Les Bourgs Hospice, Cheshire Homes, Meals on Wheels, general welfare services,  
205 the colleges, the list is endless. It is a rich tapestry of good people serving their community.

Coincidentally, last week, for the first time, I engaged with GROW in the context of a planning  
application. One could only feel moved and humbled by the testimony of one parent of a son with  
learning difficulties, employed by GROW as a member of their crew, as they call them. A son who  
would otherwise be lost is given by GROW the opportunity of a busy life, with a job and a wage, a  
210 true endeavour at inclusivity, a much over-used term but truly appropriate here. I am pleased to  
report that their brilliant planning application was approved.

So, we must always appreciate and never overlook our priceless charitable sector. Unfortunately,  
in a small way, the States have overlooked it on one issue for the past 10 years and my proposed  
amendment is designed to put that right. Unfortunately, the nature of the amendment seems to  
215 have been misconstrued in the *Guernsey Press* and I am proposing it in the capacity of Sheriff of  
Nottingham.

At this point, perhaps I could just go through what the amendment is designed to do and how  
this charitable tax break works. Until 10 years ago, if you gave, say, £1,000 to charity, you would fill  
in your tax return and you would get a tax deduction for that £1,000 of £200. The charity would get  
220 £1,000, you would get a tax break of £200 and the States, obviously, would be £200 down.

Ten years ago that was changed, very sensibly, to a quite different arrangement, the one we  
have now. The way it works now is that if you make contributions during the course of the year of  
between £500 and £5,000, the States, through the Income Tax department will match that with a  
25% contribution to the relevant charities, whether it be one or more. So there is no tax break. If  
225 you give the maximum £5,000, you will pay £5,000, the States will pay £1,250, the charity will get  
£6,250 in total, you the donor will get no tax breaks.

So there is no question that this is some sort of tax break for rich donors. It absolutely is not,  
there is no benefit to this proposed increase. The increase I am proposing is to increase the £5,000  
cap to £7,500. It has been in place for 10 years. It is a fairly modest proposal. I had discussed with  
230 other Deputies doing something more ambitious but that was not, I think, going to get the support  
of P&R. So, I have limited it to this small amendment. The cost will be approximately £52,000 to the  
Exchequer. To put that in context, the current contributions from the Income Tax department are  
approximately £333,000.

I appreciate our financial difficulties, but this is a point that has not been upgraded for 10 years  
235 and it is probably a good chance to do so now. Hopefully, the publicity this is generating will  
persuade donors to increase their contribution so we will achieve, probably, more than the £50,000  
if people do uprate their contributions from time to time when they think about it.

A couple more points I would make about this particular regime and why we should not forget  
about it, is that it is not pure expenditure. The money that is used by charities in many cases relieves  
240 pressure on the States to do the things that are covered by the ground they cover. For example,  
GROW Ltd deals with certain educational issues and of course it also gets a grant from the Education  
Department.

So that is that point. The next point I would make is that charities tend to operate very efficiently,  
much more efficiently, if I may say, than the States has done for example the Ladies' College. If you

245 look at the Ladies' College they have got a fantastic new set of buildings, complete upgrade, redesign of the infrastructure, for a mere £6.5 million. If you look at States' budgets for other things, that is a phenomenal achievement.

250 The last point I would make is that the contributions made by the States in this manner, pursuant to the Income Tax Law, actually follow decisions made by individuals throughout the community, as to how they will spend their money. People do tend to spend their money carefully and probably better than through the central system, so one is maximising the efficiency and the efficient use of the funds in this manner. So I feel it is all good and I strongly recommend this amendment to the Assembly and, as it is my maiden speech, I though you must vote in favour! Thank you. (*Laughter and applause*)

255

**The Bailiff:** Deputy Le Tissier, do you formally second that amendment?

**Deputy Le Tissier:** Yes I do, sir.

260 **The Bailiff:** Thank you very much. I am going to do what I will not do for every amendment, but I am going to ask Deputy Helyar whether he wishes to speak on this amendment early or reserve his position.

265 **Deputy Helyar:** Sir, I am happy to speak early on this amendment. The Committee has considered the amendment and approves it. It is a modest revenue impact and we agree, I am sure, with much of what Deputy Dyke has said about how far money goes in the Third Sector. Also the fact that Covid, I know from personal experience, has had a big impact on the collection of charitable donations and so P&R would support it. Thank you, sir.

270 **The Bailiff:** Deputy Gollop.

275 **Deputy Gollop:** Of course it is very gratifying to hear that viewpoint from, in our sense, our new chancellor, Deputy Helyar. The amendment has been put forward by Deputy Dyke, who is already emerging as an extremely able and erudite Member, seconded by Deputy Le Tissier, all of whom of course are Guernsey Party members but that does not put me off the amendment because it reflects perhaps a breath of fresh air that we are seeing in the Chamber.

I do not think it is entirely an accident that it stayed at the same rate, a bit like earnings disregard and Social Security for many years, for the last decade, because I think somebody in previous times did not want to change it and that perhaps it is why it is as it is. I could put a counter-argument to it because effectively what you are doing is the States' Revenue is giving money to charities indirectly.

280 It is a little bit like when I was on the States' Arts Committee many years ago, when we had 40 or 50 committees, I used to say, why cannot we support, for the sake of argument, the Vale Earth Fair because it is a huge part of cultural and music tradition. The answer at the time was the problem with events like that is that as they give any surplus to I do not know, helping the Tibetan Llama or whatever it is, you effectively were giving money to charity.

285 That was an official position, it was a logical position but it was also a bit unfair. It reminded me of the time when you could support an art exhibition, even if the paintings were sold ... no, it was the other way around, you could support a music event even if the artists were selling CDs afterwards, but you could not support a painting exhibition because the paintings were sometimes for sale. All a little bit complicated.

290 What we saw five or six years ago and is something I know Deputy Le Tocq was extremely committed to and over the years former Disability Champion Jane Stephens and of course Deputy St Pier and many others was a greater working relationship with the Third Sector, a Partnership of Progress. Something that really gave the voluntary sector more power to their elbow.

We have seen a growth, we have seen a professionalisation. We have seen more regulatory requirements on the Third Sector, too. But as Deputy Dyke reminds us, in some areas, they can provide as good a service if not better than States' sectors and sometimes at a fraction of the costs, both labour and in other ways, and they are extremely popular with all sectors of the public.

We have also seen, especially in this very unusual year of Covid, huge pressures on the Third Sector and they have come up trumps with everything from delivering meals to delivering iPads to people in need. Some Third Sector organisations have had a slight increase in funds, because they have raised their profile or people have realised their worth. Others have seen really difficult times, with cancellation of fundraising events, lack of ability to move through the Town, a disrupted spring and summer.

We need to ensure that we have, as David Cameron and others have said, a great society as well as a great island. I think as Deputy Helyar and others have reminded us, it will not be possible, even if we wanted it to, for the state to become a Scandinavian-type economic entity, doing everything for everyone.

I do not think the Guernsey public really want that anyway. They like the charities. Look at the fact we have 300, 400, 500 organisations right across the board, from heritage charities to health, to arts, to sports, to whatever. I think this puts out all the right messages that people, especially if they are, I should not use the phrase high net worth, apparently it is a jargon, it is a cliché, but nevertheless if they are more fortunate than others but they want to give back and the tax rates are what they are to maintain our competitive position, it is so much more beneficial to encourage them to give.

Deputy Dyke has explained how the system works, which I must admit was news to me. Having read Deputy St Pier's article and previous Budgets, I kind of thought it was more along the lines that we have been *[inaudible]*, that it was very much the £1,000 were 20%, rather than 25% in this way.

I have long been calling for gift aid and a more structured system. I think that is generally supported by influential people in the Guernsey Association of Charities but it fell on deaf ears a bit in the last States, it is fair to say, and I do think we do need to have both carrots and not so much sticks but incentives to the Third Sector. I support GROW Ltd and many other of the organisations and they do need money. They need money for capital, they need money for revenue.

They also give choice because if you have everything allocated by a State prioritisation programme, however rational, fair and equitable it is, there will be some very worthy causes that land at the bottom of the tree, whereas this is a form of social, people prioritisation with somebody who is really moved by an individual story or situation or conservation issue or whatever can benefit, themselves, and society.

Yes, it may be more than £52,000. I suspect it will be well taken-up because we have an extremely generous society but I think, not just as a gesture, but as a way of embracing a better co-operative relationship and engagement with the right or tertiary sector, we should support this and take a chance on it today.

**Deputy Inder:** Sir, I am going to invoke Rule 26(1), please.

**The Bailiff:** Members of the States, if anyone wishes to speak in debate on this matter, Amendment 11, will you please stand in your places.

Deputy Inder, do you still wish to invoke Rule 26(1)? So Deputy is proposing that debate on Amendment 11 be terminated at this point, subject to the usual winding up Rules. Those in favour; those against?

*Members voted Contre.*

**The Bailiff:** I will declare that lost. If nobody is going to stand ... Deputy Queripel.

**Deputy Queripel:** Sir, thank you. I applaud the layers of this amendment. If it succeeds, it will mean a lot to charities, especially the smaller charities, many of course are really struggling in the current climate. The cost of £52,000 is a minor amount to pay to what will be a major benefit to charities.

Of course, charities do an incredible amount of vital work out in the community. If they did not do it, then the States would have to seriously consider doing it. Otherwise there would be a huge gap in the services provided for our community. I hear what Deputy Gollop said about having a counter argument against the amendment, but we are not giving money to charities to just fritter away, we are supporting charities that do all the vital work that needs to be done about in our community.

Before I sit down, sir, I need to declare an interest. I have been heavily involved with Age Concern in Guernsey for the last eight-and-a-half years, I was Chairman of Age Concern for three years, I was founder and chair of the Age Concern Fuel Fund for six years and I am still heavily involved with the charity and I am also the President of the Guernsey Walking Football Club currently. Thank you, sir.

**The Bailiff:** Deputy de Sausmarez.

**Deputy de Sausmarez:** Thank you, sir. Having had the reassurance from P&R that they are content to support this then I am very glad to do the same. I think it is a welcome move in the right direction, certainly. I particularly welcome Deputy Dyke's acknowledgement that £52,000 is a modest sum and that, as it has not been updated for some years now, is a good opportunity to do so. I think that might be pertinent in another context in a debate shortly after this one, after the Budget debate.

I really stand, though, to slightly make the counterpoint to Deputy Gollop's argument. I think what he says is valid, but I think there is an interesting philosophical issue at the heart of this and that is about how you target benefit. I am an absolute champion of the Third Sector, I completely agree they do a fantastic job and, without them, Guernsey would fail to function in anything like the way that we do at the moment and the more support we can give them the better.

However, it is interesting, this amendment, Deputy Dyke is quite right to point out that this amendment will not benefit the benefactors. They are not getting a tax break and that is quite true. But it is only people who can afford to give upward of £5,000 that will impart that benefit on charities and so really what we are doing is we are handing the decision to those people. I mean, it is great, but it is those people that are imparting the benefit of this particular scheme onto the charities of their choice.

So, it does come down to targeting and I think there is an interesting counterpoint between the example that Deputy Dyke used about efficiency and talking about one of the private colleges, with what Employment & Social Security is trying to do, and target benefits towards the families that are most in need of additional support.

So, I just thought that was a really interesting counterpoint. It does raise an interesting philosophical question that Deputy Gollop showed one side of the argument of. There are valid arguments on both sides of it but it really is about if we do want to target benefit to particular areas then what is best done by the States and what is best done by benefactors who can afford to do so.

Anyway, I thank Deputy Dyke for bringing this amendment. I think it is a very welcome move, I am very happy to support it and I hope this trend of generosity continues. Thank you.

**The Bailiff:** Deputy St Pier.

**Deputy St Pier:** Sir, a slight counterpoint, Deputy Helyar said in his email that the small loss of revenue should be outweighed by the multiplier effect of the consequential increase in revenues spent by the Third Sector. Now that sounds great but I do not think there is the remotest shred of evidence to actually support that statement and I would be interested to know whether Deputy

Dyke, when he responds to the debate, is actually able to advise whether any officer advice has been given to support that statement. It sounds optimistic and even a plausible justification, but I fear it is rather a weak argument, which is rolled out to support an ideological ambition of two party colleagues.

400 I am surprised, given everything Deputy Helyar said in his opening speech about the state of our tax base, that the Policy & Resources Committee is supporting this amendment. It does add, at a stroke, at least another £52,000 to the deficit next year. Now I may have laid six amendments to this Budget but not one of them increases the deficit next year. Yet we get to the very first amendment that does and it has the support of the Committee. At the very best this is sending very mixed  
405 signals in the very first hour of the debate on this Budget.

The other comment I would say is that again a lot of work was done in relation to charitable donations a number of years ago and that analysis showed that the contributions that benefit from this gift relief do not get shared by all charities equally. They are disproportionately of benefit to a smaller group of, sub-set of charities. In particular, the churches. Of course, there is absolutely  
410 nothing wrong with that. There is no great understanding why that is the case. It may be that they are better organised at obtaining regular donations and ensuring the paperwork is completed.

But the point is that this is actually quite a blunt weapon. This does not benefit, and this is really supporting what Deputy de Sausmarez has made the point, actually this does not support the donations of those putting money in a collection box on a Saturday morning – small donations. It  
415 is supporting those at a larger level, namely above £500, who are prepared to go to the trouble of completing the paperwork to ensure the relief that the gross-up can be obtained.

That does ensure that it ends up in a smaller sub-set of charities' hands and for that reason it is not necessarily as effective as some may expect, which further goes back to my first point, because I am not sure it actually supports that statement about the multiplier effect, resulting in a  
420 consequential increase in revenues spent by the Third Sector, which I think is wholly unsupported and I look forward to Deputy Dyke's response on that point.

**The Bailiff:** Deputy Trott.

425 **Deputy Trott:** Sir, very briefly, I am going to support this amendment because I think Deputy Helyar has been true to his word. I have his manifesto in front of me and he said that he would like to see our well-organised and critical charity sector empowered and funded to provide more services, rather than the States.

He said:

I am sure all of you working in the charity sector understand this very well. I would also like to see the tax covenant for charitable donations raised.

430 So clearly, in supporting this, it is precisely what is happening. I suspect that many reading that hope for slightly more than £52,000 and of course it could be more than £52,000 because the explanatory note tells us that for the purpose of Rule 4(3) of the Rules of Procedure, the cost of Proposition 20a, the amendment we are debating, is estimated by the Revenue Service at up to £52,000 *per annum*.

435 But, of course, if it changes behaviours, it could be very materially more than that. Which, of course, is a curate's egg. Because that is a good thing in terms of funding the Third Sector, it is a bad thing in terms of revenues. So it is very much a toddler step, in fairness, it is line with our new chancellor's manifesto pledges. There will be many pledges that I shall refer to during the course of this term in the Assembly and this is the first. Members can look forward to numerous others. Thank  
440 you, sir.

**The Bailiff:** Deputy Ferbrache.

**Deputy Ferbrache:** Sir, I welcome Deputy Trott reminding us over the next four-and-a-half years  
445 of our various manifesto pledges and I am sure we will do the same in relation to him. But in  
connection with the amendment put forward by Deputy Dyke, I am a simple fellow and I just  
understand it in simple terms. This has not been raised for 10 years, it is an increase of £2,500.

The best estimate at the moment is £52,000. As Deputy Trott has said, and Deputy Dyke said in  
his speech, it may be more than that because it may influence behaviours, it may be less. But the  
450 best estimate is £52,000. Now, no individual is going to get a benefit from this, it just means that  
the charities, whether it is an international charity, a local charity, will get a bit more money.

How is that a philosophical point? It is a decent point and we had no difficulty, as a unanimous  
group in P&R, in thinking that, bearing in mind the difficulties that the world faces, the difficulties  
that charities have faced over the last 12 months, anything that can encourage people to give  
455 money, whether it is a pound in the box, as Deputy St Pier said, whether it is an extra £500 bequest  
to GROW Ltd or whoever it may be, that has got to be a good thing.

I do not understand the philosophical arguments put forward by Deputy Gollop or Deputy de  
Sausmarez, they seem to have some disagreement on philosophical points. Well, so be it. I think  
the charity is just concerned at how many pounds they get in their bank so that they can actually  
460 look forward to producing and enhancing the wonderful work that they do, going forward.

**The Bailiff:** Deputy de Lisle.

**Deputy de Lisle:** Sir, many believe that charity begins at home and this particular amendment  
465 encourages investment into the Third Sector and also into local charities making major  
contributions to this Island and this community, so I wholeheartedly support this amendment and  
I hope that Members will do likewise. Thank you, sir.

**The Bailiff:** I am going to turn next to the proposer of the amendment, Deputy Dyke, to reply  
470 to the debate. Deputy Dyke please.

**Deputy Dyke:** Thank you. I have jotted down the points that have been made. First, the point  
regarding small donations. The minimum amount of total donations that a taxpayer makes in a year  
that would allow the charities to take a contribution is £500. That could in fact be distributed  
475 amongst a number of charities, so it could include some smaller donations.

I did consider proposing dropping the £500 limit downwards, to take into account smaller  
donations but I think that may be administratively ineffective and probably not the way to go. In  
the future, should we want to build up this arrangement more, I think the two features we could  
look at is first taking the cap up again, or secondly looking at that 25% figure, because there is no  
480 particular reason it is 25%. Ten years ago, it was set at 25% because it effectively matched the 20%  
tax break. But it is not a fixed figure, we could put that up. So that is why I did not propose including  
smaller contributions. It would be administratively inefficient.

Question from Deputy St Pier regarding how much more I thought that this conversation, that  
this increase would generate over and above the £52,000 by prompting donors to up their  
485 investments, I do not know, it is speculative. I imagine there will be some effect but I cannot really  
know what that would be and the Income Tax department would not be able to tell me that. It is  
purely speculative.

In terms of it being a blunt instrument, I would disagree with that, respectfully. I think it is quite  
a precise instrument. We have donors who are using their own money to fund charities and I think  
490 they will be very careful in what they are doing and that their lead with their own money, their own  
personal funds to the States is probably a good lead. So I would actually say it is a fairly fine-tuned  
instrument. I hope that answers all the questions.

**The Bailiff:** Well, Members of the States, we go to the vote on Amendment 11, which is  
495 proposed by Deputy Dyke, seconded by Deputy Le Tissier.

**Deputy Queripel:** Sir could we have a recorded vote please?

**The Bailiff:** And there is a request for a recorded vote from Deputy Queripel. Greffier please.

*There was a recorded vote.*

*Carried – Pour 38, Contre 0, Ne vote pas 0, Absent 2*

<b>POUR</b>	<b>CONTRE</b>	<b>NE VOTE PAS</b>	<b>ABSENT</b>
Deputy Fairclough	None	None	Deputy Le Tocq
Deputy Falla			Deputy Leadbeater
Deputy Ferbrache			
Deputy Gabriel			
Deputy Gollop			
Deputy Haskins			
Deputy Helyar			
Deputy Inder			
Deputy Kasantseva-Miller			
Deputy Le Tissier			
Deputy Mahoney			
Deputy Matthews			
Deputy McKenna			
Deputy Meerveld			
Deputy Moakes			
Deputy Murray			
Deputy Oliver			
Deputy Parkinson			
Deputy Prow			
Deputy Queripel			
Alderney Rep. Roberts			
Deputy Roffey			
Alderney Rep. Snowdon			
Deputy Soulsby			
Deputy St Pier			
Deputy Taylor			
Deputy Trott			
Deputy Vermeulen			
Deputy Aldwell			
Deputy Blin			
Deputy Brouard			
Deputy Burford			
Deputy Bury			
Deputy Cameron			
Deputy de Lisle			
Deputy de Sausmarez			
Deputy Dudley-Owen			
Deputy Dyke			

500 **The Bailiff:** Members of the States, I think I can declare Amendment 11 duly carried as a result of that vote. There voted in favour 38 Members, two were absent and that is why it is declared carried. Do not worry about the fact that you have just inserted two Proposition 20as, one of them magically become Proposition 20b by the end of the debate.

[Amendment 9](#)

1. In Proposition 10, in the table of personal allowances set out in the First Schedule, for the allowances set out at items 1 to 5 of that table substitute the following –

Click the following link for the Schedule: <https://www.gov.gg/CHttpHandler.ashx?id=134198&p=0>



**The Bailiff:** We are now going to move to the next amendment, which is Amendment 9, proposed by Deputy Roffey, seconded by Deputy de Sausmarez. Deputy Roffey, this is quite a long amendment, do you need it to be read?

**Deputy Roffey:** I do not need it read. I am sure Members have studied it in advance.

**The Bailiff:** Then I will invite you to open debate on Amendment 9, please.

**Deputy Roffey:** Thank you, sir. I am afraid it is not my maiden speech, but there we go. This is an amendment really in two parts. It is completely tax neutral and revenue neutral. It seeks to raise exactly the same amount as the main proposals in the Budget do, but it does that by raising somewhat more through duties and somewhat less through Income Tax.

Its main aim is to increase Personal Tax Allowances above and beyond what is proposed in the Budget. I have to give two cheers to P&R for proposing the increases that they are, which I think 2.6%, marginally above the 2% current inflation rate. But it is telling, I think, that the main driver for that increase seems to be ensure that pensioners, with almost no other income than the State Pension do not end up paying back some of that pension to the States, through Income Tax.

I think that is a fairly shocking situation. There should clearly, in any tax system, be significant head room between the basic state pension and the point at which you start to pay Income Tax. It is also telling to a point to compare Guernsey's tax allowances to those in other jurisdictions, starting with the UK.

At the moment, a single person's tax allowance in the UK is £925 higher than it is here in Guernsey. I think many of our critics who insist, wrongly, on branding Guernsey as a tax haven, would be shocked to learn that anyone on a relatively modest income, indeed anyone below the higher tax bracket in the UK, is actually paying more Income Tax in Guernsey than they would be if they lived in the UK. How so, because the rate is the same, 20% in both territories, but the UK's allowances are more generous than ours.

Now I know that Income Tax is just one part of the basket of taxes and also I know that we do not have any god given right to be better off than our English second cousins. But it is still a sobering thought that ordinary working people in Guernsey are paying more income tax than they would be in the UK and exactly the same is true of pensioners with a small second income above the States' Pension.

It is the polar opposite than what has been the case throughout the post-war period until just a few years ago and I do not think it is anything to be proud of. In the Isle of Man a single person's Income Tax Allowance is much higher at £14,250 and there, I think, there is a 10% tax band before you start paying tax at 20%. Now, I know they have got VAT so I am not comparing apples with apples but it is still a graphic comparison.

The situation gets worse when you compare us with Jersey. There, the point at which you start to pay Income Tax is £4,335 above the point at which you start to pay Income Tax here in Guernsey. Again, I know, it is not quite like for like, both because of GST and because above that point, where they start to pay Income Tax in Jersey, there is a clawback rate so that eventually those on higher incomes are paying 20% on all of their income.

Nevertheless, for those on incomes of say, £12,000 to £20,000, they are massively better off in our sister Island. Typically, these are either pensioners or people working on the very lowest pay rates. The very people that I think we should be focusing more help on.

Incidentally, I would love Guernsey's Income Tax system to be slightly more progressive, either through a Jersey style system or, even better, with the reintroduction of focused, additional Income Tax allowances, which used to be enjoyed only by lower income households in Guernsey until it was sadly and mistakenly, in my view, scrapped in the late eighties.

I would much prefer that for many reasons, but mainly because trying to help those who need it most, by increasing allowances for every taxpayer is fiendishly expensive. But I have to accept that

the introduction of such a scheme is very complex and needs to be looked at as part of the Fiscal Review now commencing and not by amendment from the floor of the Assembly.

So, I am left really with the option of trying to increase basic allowances and because that is, as I said, fiendishly expensive, I can only propose a modest rise above what is being proposed by P&R. But I do think we need to keep moving things in the right direction. Now where is that money to come from and that brings me to the other side of this equation.

For the last five years, tobacco duties have been on an approved escalator of inflation plus 5%. Sadly, no plan has been put in place for what comes next. That five-year plan, as it was, came to an end this year. Now that is perfectly understandable because HSC's every waking hour has been dominated by Covid-19 this year. Incidentally, as soon as that letter appears on my doormat, I will be going up to Beau Sejour to get the jab, but that is divergent. It is still a significant lacuna in our Public Health policy.

Tobacco does remain one of the greatest threats to the health of our community. Firstly, it causes a range of vile, debilitating and distressing diseases. Secondly it remains one of the biggest causes of premature death in Guernsey and thirdly it costs the taxpayer of Guernsey millions every year. I think it is inconceivable that, when HSC do finally bring back a long-term plan for tackling substance misuse, the reduction of Guernsey's addiction to tobacco will not sit at the heart of that strategy.

Meanwhile the States, we, have to decide how to treat it in the interim during that lacuna in Public Health policy. Now the latest RPIX figure is for the third quarter and it is 2%. So the proposal in our amendment represents inflation plus 2.5% very deliberately. It is exactly half the real terms increase that would have been expected under the previous policy of RPIX plus 5%. I think that is a reasonable compromise if we feel that simply continuing with the existing or now exhausted policy would be too harsh.

By contrast, the 1.5% increase proposed in the Budget is simply based on a guess of what inflation might be in 2021. It could well represent a real terms reduction in the level of duty on tobacco. What a message to send out as a Government, over a substance which remains one of the biggest causes of premature death and crippling and distressing illnesses in the Island, that we may well be passing a Budget, which reduces the real value of duty on tobacco.

Turning to alcohol. Here, what we are proposing is a very modest 1% real terms increase in duties, using the most up to date inflation figures. We feel that is right because, while alcohol is indeed also a major cause of illness and social problems – in fact, I suppose I must confess to being something of an addict myself – despite that alcohol, unlike tobacco, can be used in moderation and in a way which does little or no harm. Indeed, I hope that it is used in that way by the vast majority of Islanders.

Taken together, the projected extra income from these duties allows a small additional increase of £75 in the individual Income Tax Allowances, without reducing overall States' Revenue. I sincerely wish that I could propose a bigger move but we must, at the very least, keep the point at which Islanders start to pay Income Tax moving in the right direction. Because I think the current situation is pretty much indefensible.

In closing, I really must refer briefly to P&R's claim that this amendment is somehow an assault on the hospitality trade. For a moment, I thought I had fallen asleep and had woken in the 1970's, when cheap fags were regarded as a principal selling point for potential visitors. Sir, the part of our hospitality trade, which is suffering at the moment, is the staying visitor sector. These days only a very modest percentage of tourists smoke and those who do tend to bring in duty free cigarettes rather than buy them in Guernsey – the subject of another amendment, I know, later on.

As for alcohol, the suggestion that a 1% real terms increase, not in the cost of alcohol but simply in the duty element of that cost, is a body blow for hospitality is frankly risible. As are the comments made by the President of P&R, who I think, if I paraphrase him, sent an email to us all saying. 'This has been a tough year for ordinary people, ordinary people smoke so we should not give them a hard time.'

Actually most ordinary people, the vast majority of ordinary people do not smoke. Actually they, the majority, therefore, will be better off under this amendment than they would be under the

Budget as it is, because they will not be paying any more in duty but they will be paying a little bit less in Income Tax. Not much, 15 quid, but then as I am going to be told in a later debate that £10 a year is make-or-break for many families, I think that that should not be dismissed.

610 Government is often about choices and priorities. There are very few situations we are able to choose options with no downside. I suppose what this amendment is doing is inviting the States to declare their priorities. Keeping down the price of cigarettes or focusing just a little bit more help in the form of tax relief on those who need it most. Members, the choice is entirely yours.

**The Bailiff:** Deputy de Sausmarez, do you formally second the amendment?

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**Deputy de Sausmarez:** Yes sir, thank you.

**Deputy Inder:** Sir, I just want to test this under 24(6) please.

620 **The Bailiff:** Unless the Comptroller is going to advise me differently, because this is a shift of emphasis within the terms of the Budget that is being proposed by the Committee, I will not rule that it goes further than the original Proposition. Mr Comptroller?

625 **The Comptroller:** Sir, I agree with that. The overall fact is it is neutral, as I think Deputy Roffey had indicated and I agree with that.

**The Bailiff:** It cannot be challenged under that paragraph, Deputy Inder. Deputy Burford.

630 **Deputy Burford:** Thank you, sir. I am just rising early in this debate on this amendment to make a request that the two Propositions be taken separately. I appreciate the inherent risk where the personal allowance part is passed and the excise duty not. However, what I would actually like to give Members the opportunity to do is the opposite. Namely, to stick with the recommendation of P&R on the increase on personal allowance, pending the Fiscal Review when hopefully more targeted help to lower income families can be incorporated, but to increase the duty above the  
635 forecast rate of inflation for all the reasons that Deputy Roffey has outlined in his speech, thank you.

**The Bailiff:** Deputy Gollop.

640 **Deputy Gollop:** Sir, I am in the peculiar position I do not want to sit on the fence so early in the term, of agreeing with virtually everything Deputy Roffey has said but not wanting to vote for it. Some might say it is because I have got a little bit of a vested interest with the cigarettes, but I try not to drink too much of the alcohol.

645 It is a bit deeper than that because we were talking earlier about choice and Deputy Ferbrache was not too keen on going off the point about real money into perhaps pointless philosophical debate. But Deputy Roffey of course has raised an issue here about choice over expenditure and he has pointed out a point I put out in manifestos and advertorials during the election period, that actually Jersey and the Isle of Man in many areas – and this can be backed up by analysis from leading firms of chartered accountants and consultants – that Guernsey's tax offer for the less well of is not that great and that the Budget, to a degree, acknowledges that.

650 Clearly, the tax allowances, albeit they have sales tax or VAT, in Jersey and the Isle of Man are significantly higher and people here, in certain scenarios are worse of, arguably, than contemporaries in the United Kingdom. It was not a Mrs Le Page of Torteval but I was approached by a senior citizen recently who had exactly the scenario Deputy Roffey outline of having a state Old Age Pension and another income but not a huge income from another source. In fact, they  
655 were still working well into their seventies, if not older, and feeling not too well off.

We are not being that generous these days with the Personal Allowance and I agree with Deputy Roffey that I think, with the benefit of hindsight, the States made a wrong move in the 1980's when

they moved the goalposts to the marginal relief system and I think the argument at the time from the late and much-lamented Mr Raymond Falla and his committee, Conseiller Falla of the era, was that the Island was changing, it needed to simplify tax structure and it was easier to do in the new way.

Of course that doubtless was true in terms of administration but nowadays we have got the all-singing all-dancing hopefully Agilisys models of technology coming into the Revenue Service and these issues should be much easier to change and implement and so I think changing that kind of thing is very much part of the Personal Tax and Benefits Review that Deputy Helyar and Deputy Ferbrache are promoting.

The thing is, though, Deputy Roffey is basically making a sound argument to increase the Personal Allowance. Not a huge amount, from £11,875 to £11,950, but over the years many Members of the States, and this has been a coalition, weirdly enough, of both the right, if I can call it that, and the left or the more socially democratically minded, have been utterly opposed in many areas to sales and consumption taxes.

The rather fatuous argument that is always uttered is they are regressive, they hit the poor, without realising, of course, that because Guernsey becomes increasingly lonely in the world with a limited array of consumption taxes, we end up penalising the less well-off through an uncompetitive tax structure. Even if you look at the more right of centre American states, you will find that they use a lot of sales taxes. So do the Caribbean countries.

So we end up in this awkward situation that we should not penalise success, offshore endeavours, etc., so how do we raise enough money to pay the ever-rising bills of maintaining the state? In practice, by reducing the real value of Personal Allowances and having a harsh structure, perhaps, for those just about managing.

The paradox within Deputy Roffey's amendment and Deputy de Sausmarez is that, although he is probably correct in saying that it is not just people who are just about managing who smoke cigarettes, probably about a quarter or third of our society, probably more drink alcohol than that, the reality is that taxes on tobacco and alcohol, especially for people who could be regarded as being addicted, are about as regressive as they can be.

Because the person who might be on welfare, the person who is a pensioner who says, 'it was the only pleasure I had in life' and he was a married man but never mind, people who make these remarks, the person who is a corporate lawyer or a retired *[inaudible]* or an entrepreneur can afford to pay more for their alcohol and cigarettes. But the person who cannot struggles.

Now Deputy Roffey would say, after all he spent many years as Minister of Health, so much the better because they would be motivated and encouraged to give up and that would be a health benefit not just to themselves but to the wider society. But that is still a blunt instrument because it is a motivator based upon income and disposable income, rather than on society's disapproval of the individual for his or her actions.

I think the thinking behind Policy & Resources and they might explore more in this debate, is that at a time of great crisis with coronavirus, with Covid, with its impact upon tourism and hospitality, its impact especially on retail, Guernsey does not want to put another barrier in the way. Yes we have moved on from the cabaret era, the Sealink era of the 1970's and 1980's, but nevertheless it is shocking when you get to the situation that certain, not so much cigarettes, but alcohol can be dearer in Guernsey than in many other resorts, even in France.

So we really do need to watch that and I might speak later on the need for more generosity with locally brewed spirits and so on. But taking all in all, much as I support the economic direction and the revenue ideas that Deputy Roffey is and will continue to add to this key debate, I think for the moment, not just for personal reasons but in the interests of people who are struggling in society, both in business and in their own incomes, I would prefer to stick with Policy & Resources' proposals at this stage.

**The Bailiff:** Deputy Brouard.

**Deputy Brouard:** Thank you, sir. Deputy Roffey is absolutely right. It was hoped to bring a new policy on substance misuse this year to the States. That is where, unfortunately, Covid dealt a blow. I really, probably, do not make any apologies for it. I think it was right that we prioritised the Covid situation and continue to do so.

There has been in the past, as Deputy Roffey referred to, an above inflation escalator that was put in place both for alcohol and tobacco. No single step can in isolation address alcohol or tobacco misuse. Few people will give up smoking simply because cigarettes have gone up in price or choose a mocktail over a cocktail solely on the calculation of the excise duty.

But individuals do not make decisions in isolation and there are many social and cultural and economic factors affecting their choices. As an Assembly we also cannot make decisions in isolation. P&R is of course right that Covid has created an uncertain backdrop, placing significant pressure on the public purse for years to come and against this context it could be considered admirable that P&R has sought to avoid any significant changes to the taxes paid by the community.

Covid has also had a significant effect on the finances of individuals, not only on their health but also their wellbeing. It has, for many, been a difficult time and in difficult times it can be more challenging to make positive choices about your own health and wellbeing. For some that may be actually easier and Covid may have given them the chance to take stock and change some of their lifestyle.

This is why it is more important than ever that we, as a Government, come together to make policy decisions which help to foster an environment for health. We are in fact required to do so. In approving the Partnership of Purpose letter last term, the Assembly agreed that the States in all policy decisions should consider the impact of those decisions on the health and wellbeing of us as Islanders and to make use of appropriate opportunities to improve health or reduce health inequalities across all Government policies.

I am not going to go into the detail of the harm caused by alcohol or tobacco, we are all aware of this, and also aware of the associated emotional and financial costs. I am not going to pretend that a higher rate of duty would prevent this but it has a legitimate and valued role to play as part of our wider efforts.

I am not also going to be so prescriptive as, whether we do raise the alcohol and tobacco, whether or not it is then placed back as a return to society through the Personal Allowances, but I think certainly the first part of the amendment, which encourages the increase in tobacco and also duty on spirits, should also be taken forward, so I will encourage Members to support the amendment. Thank you very much sir.

**The Bailiff:** Deputy Inder.

**Deputy Inder:** Thank you, sir. I will not be supporting this amendment. A number of reasons, actually. Certainly, the consequential effect on our struggling F&B industry at the moment. That is not necessarily related to the tobacco element of it, it is related to the alcohol element of it. Strangely enough, as someone who actually smokes, I can see the argument for putting higher taxes on cigarettes.

But as someone who does not drink, I cannot actually see the argument, or I can see the consequential effect of the F&B industry as we come towards Christmas and the hospitality industry is struggling like we all would know at the moment. I think the problem that this amendment has got, it has lumped in alcohol and cigarettes into the same amendment, when I think they could have been separated out.

Secondly, it is a bit wrong-headed, I genuinely believe, to connect the extra revenue raised and put it into Personal Tax Allowances. That is not particularly targeted. I can see an argument for gambling profits. I can see that if that headed towards, let us say, a gambling charity, I could see the connection there.

I could see, potentially, an environmental tax, if it were headed towards, let us say, subsidising renewables, but I do not see the connection between raising the revenues gained by the state on

particularly cigarettes and alcohol – well, why not petrol? – and heading that straight into Personal Allowances.

For those two reasons, probably three or four reasons, actually, I certainly cannot support this, because I can see what is going to happen. We have got a struggling hospitality industry. The pubs and clubs are struggling right now. There will be an immediate effect. It will not, probably, affect the supermarkets, that is only directed to regarding the alcohol part, and I just genuinely do not see how can we hypothecate straight into something?

There is no real rationale in shifting something that Deputy Roffey, by his own admission, has said there is an element within his amendment in wanting to stop people doing something, but I do not see just throwing it into Personal Allowances is going to have that effect. Thank you.

**The Bailiff:** Deputy Meerveld.

**Deputy Meerveld:** Thank you, sir. I will start off by making a declaration of interest. I do not smoke and, in fact, I have never tried a cigarette in my life. My wife does not smoke. I do not know of any of my extended family who smokes. None of my extended family drink alcohol in large quantities, other than my younger nephews and nieces. Therefore, I represent one of the main beneficiaries of this amendment, because you are taking taxes, you are adding taxes to people who do consume alcohol and cigarettes and widening the tax relief to everybody.

On the previous amendment, Deputy de Sausmarez talked about how measures should be targeted and I believe this amendment misses the target completely. In his introduction, Deputy Roffey stated the majority of people do not smoke and I would agree with him. So what segments of our society do smoke and probably drink more than your average amount of alcohol? I think it is the working people and those on Income Support. They are not members of the golf club, they go to the pub to socialise.

Rather than this being a typical Rofferian Robin Hood amendment, I believe it has missed the mark and is more of a Grincharian amendment. It will take money from the poor and give it to the rich. I hope you will give me a little leeway regarding delivery of the next part of my speech as Christmas is the time for pantomime.

Imagine the scene at the almost empty Wayside Cheer Pub, where there is very little cheer in evidence due to the cost of a pint and a cigarette. It is last orders and the diminutive Oliver Le Page approaches the imposing barman, Master Bumble Coquelin and says, 'Please sir, may I have one more.' To which the gruff Master Bumble replies, 'Not unless you can pay the Roffey premium.'

Switch scenes to the opulent dining room of the de Saumarez Manor, where Lord Fauntleroy is standing in front of a lavish feast. He raises a glass and says, 'I propose a toast to Sir Roffey. The generous tax reduction he has, has paid for thicker icing on our cake this year.' I bring this panto scene to a close with a simple statement. I agree with measures to reduce substance misuse but I will not be supporting this ill-conceived amendment. Thank you, sir.

**The Bailiff:** Deputy Queripel.

**Deputy Queripel:** Sir, thank you. I can see the value and the merit in trying to get people to cut down on their intake of alcohol and tobacco, as explained by Deputy Roffey in his opening speech. It all made perfect sense to me but I do have a concern. The obvious concern. Drinkers and smokers are being asked to pay for an increase in Personal Income Tax Allowances.

Is that not going to be considered to be discrimination by some members of our community, especially the drinkers and smokers? They will be contributing towards their own Personal Tax Allowance, as well as everybody else's, whilst the non-smokers and non-drinkers will not be paying any extra anywhere along the line at all.

Having said that, as I said earlier, I can see the health benefits to our community if this approach works. But coming at it from another angle, there are downsides to this succeeding, as pointed out by Deputy Inder when he spoke. So I am in dilemma here. I will listen to the rest of the debate and

to what Deputy Roffey says when he sums up before I make up my mind come the time to vote. Thank you, sir.

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**The Bailiff:** Deputy de Lisle.

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**Deputy de Lisle:** Thank you, sir. Having reviewed tax relief for those that need it most and having reviewed the difficulty in getting increases in allowances in Guernsey, and the fact that we are well behind other jurisdictions including Jersey, just near us, in our level of allowances, I would encourage tax relief in Personal Tax Allowances. I think it is important that Members support this increase in tax allowances. It is unfortunate that it crosses with tobacco and spirits but, on the other hand, I think it is important that we move up in terms of tax allowances, toward other jurisdictions, our neighbours, that are benefiting from far higher allowances. Thank you, sir.

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**The Bailiff:** Deputy Taylor to make his maiden speech. Deputy Taylor please.

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**Deputy Taylor:** Thank you, sir. I feel this could be a bit of a waste of my maiden speech but I want to raise it anyway, it is a pretty moot point. I just hope Members would disregard any of the health issues that are being raised in this debate. Although I can see the benefit in giving people increased allowance and putting increased tax and duties on alcohol, much like Deputy Dyke's amendment, we cannot direct where the money will be funded into charities, where the donations has been made.

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If we give the people extra money in their pocket, we have no control. We cannot say, 'You can put that extra allowance towards your pension fund or university fees.' I fear that if we are worrying about health benefits, that could make quite a big bender allowance for anyone. I would just like disregard any health matters. Thank you. (*Applause*)

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**The Bailiff:** And Deputy Vermeulen to make his maiden speech, in swift succession after the last one. Deputy Vermeulen.

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**Deputy Vermeulen:** Thank you, sir. I have listened to Deputy Roffey make the case for his amendment and I do find that he is somewhat detached from the reality of the situation. The economy is in a grave place for Guernsey and I sit on the task force for tourism and hospitality. The industry has been suffering with previous above-inflation increases in minimum wage, in alcohol and other things, beer as well, wines too, spirits the whole lot.

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It was just about coping before Covid came along. Now Covid has proven to be pretty deadly, I have to say. In this year, it is not the time to put anything up above inflation, even 1%. It really is not the time. I have had expressions of concern from the industry and if you look at it now, just think about our pubs. Think about our restaurants. Think about the hotels. Many hotels are closed at the moment and they are not doing that for fun.

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Many pubs, our dear old pubs, which we all love to go to when we can, when they are allowed to be open, many of the pubs are operating on skeleton staff at the moment and they are really up against it. They are opening limited hours and they are closing on extra days off. So you have got to be aware of the situation that that industry is in. So I cannot vote for your amendment, as much as I like you Deputy Roffey! I cannot support this amendment and I ask the Assembly to support tourism and recreation and vote against this amendment as well. (*Applause*)

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**The Bailiff:** Deputy de Sausmarez.

**Deputy de Sausmarez:** Thank you, sir. I am slightly confused by the references made by Deputy Vermeulen and Deputy Inder to the hospitality sector. I mean, from the evidence that I can see, I would have thought that the food and beverage sector is the one bit of the hospitality industry that is doing really quite well at the moment, but anyway.

I would just like to present this amendment in terms – this will show you what I spend my afternoons doing – of primary school maths. If we think about the effect or the impact that it will have and this speaks slightly to Deputy Taylor’s point as well, and a few other points that have been brought up in debate. There is this wonderful, very romantic notion of the working person who has got a pint in one hand and a fag in the other. I just do not think the data bears that out, I really do not.

According to the latest data that I could find, just 13% of the population smoke, so that is less than one in six and I really do not think they are all found in the lowest earning segment of the economy.

If we group together those in the Island who are struggling financially and group together those in the Island who smoke, there would no doubt be some overlap. Smokers who are struggling financially are a subset of that parent set. So if you think about those who are struggling financially and those who pay Income Tax and you do the same Venn diagram exercise, the overlap is far higher.

In essence this amendment supports far more people who are financially struggling than the original P&R Propositions. Deputy Roffey when he opened and Deputy Brouard actually explained the policy that has been in place for some years now, I believe it is five, and that was a policy based on evidence and, to speak to Deputy Taylor’s point, Deputy Taylor urged us to not consider the health impacts, the health implications. I get the point that he is making but the Health Improvement Commission makes precisely the opposite point in fact. They do say that it is a very real consideration.

We know from the latest data that, actually, I do not know if it is the majority, I think 36% of those who smoke are aiming to give up within the next six months and the majority of those people are young people. So the health benefits and in fact the financial benefits would be really quite significant. I think the two most meaningful things we could do to help low income smokers would be, as Deputy Roffey alluded to in his opening speech, be far more generous and indeed more targeted in our Income Tax duty tax-free thresholds and in fact support those who want to kick the habit to do so.

Now I popped into a few shops yesterday to check the current retail price of cigarettes and very sweetly one of the sales assistants advised me that if I was thinking about taking it up not to bother, because it really was not good for me, so the health message is clearly out there! I thought that was wonderful. But by my back-of-a-fag-packet calculations it would cost in the region of £3,500 a year if you are a 20-a-day smoker. I give way to Deputy Taylor.

**Deputy Taylor:** Thank you Deputy de Sausmarez for giving way. It is just to get my head around something here because the idea is the increase in duty will help to cover the increased allowance. But if you are saying that those could be of benefit to people who are actually cutting down on smoking, if they have got more money, it will help them make better decisions, you are kind of undermining the funding that you are saying we are going to have. I do not know if I have put my point across quite right there, but I just feel a bit confused.

**Deputy de Sausmarez:** I think the answer is, if it is a question about the modelling then the answer is no, that is something that is factored into the modelling. We know that the price of tobacco is relatively inelastic, I believe that is right? Not completely elastic, which is the point that the Health Improvement Commission makes and that is something that the World Health Organisation play to. They actually recommend that pricing policies like the one that we have had in place are used because they are effective and they are effective in reducing health inequalities as well.

So I think really this comes down to, if what we are trying to do in an extraordinary period of the global pandemic and the economic impact it is having, if we want to help the greatest number of people who are struggling financially, then we should support this amendment, I think is the main take out and I will leave it there.



**The Bailiff:** Deputy Ferbrache.

920 **Deputy Ferbrache:** Sir, I mention of course I have got interests in the hospitality sector. I declare that, if it is an interest, but it does not influence and it has not influenced either the way I am going to vote in this amendment or what I am going to say. What I do say in relation to it is that Deputy de Sausmarez has made, I think, two unfortunate errors.

I am sure it is not going to influence anybody in the way that they vote but the first that little  
925 knowledge is of no knowledge really, because she said the hospitality sector, the food and beverage section is doing rather well. It is not. Anybody who has run a business and who knows anything about the hospitality sector, even restaurants etc. which are not dependent on people coming to stay, they have struggled through the year. Because a year is from 1st January to 31st December. The fact you have a few good months to make up for three, four, five awful months means that your  
930 business has suffered considerably.

So let me tell her that because that is a fact. That is not just a woke-ism comment. Now in relation to the person smoking the fag and drinking the pint, I found that comment somewhat unfortunate. Because generally the people that smoke most, as a percentage of our population, are the elderly population. Now, whether we like that or not that is a truth.

935 Of course, Deputy Roffey accurately referred to my little note that I sent around to all States' Members saying that cigarettes are bad for you, nobody should smoke, we should discourage them if we could, but let us not penalise people. The idea of this Budget was that we limit – there are exceptions – but we limit generally the price rises, the tax rises, we limit them to what inflation we have been advised will be next year, which is 1.5%. That may be right, it may be 1.3%, it may be  
940 1.7%. We are doing the best guess that we can on advice at the moment.

But in relation to it, Deputy Roffey, if he was going to target the benefit of the poor, his amendment should have been more extensive. It should have said this tax benefit would have only related to people whose incomes were above, say, £80,000. That would have then targeted the benefit. Otherwise this will go to people like me, Deputy St Pier, Deputy Trott and many others than  
945 can afford to pay an extra – I do not smoke – an extra whatever it might be on a packet of cigarettes and I do not drink much, whatever it may be.

Perhaps I get it cheaper than most for obvious reasons, but it does not affect me. Therefore I will benefit because I get a tax allowance. I get a tax benefit. I not giving way Deputy –

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

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

955 **Deputy Parkinson:** Tax allowances are withdrawn at the rate of £1 for every £5 of income over £100,000, which I think means they are totally withdrawn at an income of about £158,000. I would be very surprised if Deputy Ferbrache's income was any less than £158,000. (*Laughter*)

**The Bailiff:** Deputy Ferbrache to continue please.

960 **Deputy Ferbrache:** Thank you very much. I may be surprising Deputy Parkinson, who knows. But in relation to that, the point is there are a lot of people that are earning £60,000, £70,000 a year that will benefit from this proposal, or £80,000 a year. The type of people that Deputy Roffey is signalling help to by his amendment are not people who are earning £60,000, £70,000, £80,000 a year, so I am very grateful for the point of correction but I was not saying particularly anything  
965 incorrect anyway but never mind, we are at Christmas and Deputy Meerveld has already asked us to consider the spirit of Christmas. So let us continue that theme.

The point of this is that it is an indicative statement. It is saying, look, let us say to the public of Guernsey that we recognise that our society is made up of all different facets and that we recognise

that some people are struggling more than the others. Deputy Roffey's amendment fails in that regard because it does give benefit to people who do not actually need it and it adds to the cost of people who will smoke.

Deputy de Sausmarez did her trawl around a few supermarkets or shops yesterday and the cost is £3,500. I think she will find it might be more than that for people that smoke, 30-40 cigarettes a day, which some of our elderly population do. It is awful for them, it is terrible for them. They should reform but for goodness sake this is not a society that tells people exactly what they should do. We have enough social engineering as it is.

**The Bailiff:** Deputy Gabriel.

**Deputy Gabriel:** Sir, thank you. I am torn as how to vote on Deputy Roffey's amendment. While I agree that increasing tax allowances is an excellent idea, I am not sure about the funding mechanism he has got in place. To me, smokers are a dying breed, (*Laughter*) the smoking pool is getting smaller with younger people choosing to vape rather than cigarette smoke. So the pool that is increasing is diminishing and it is generally perceived to be an anti-social habit. Unfortunately, it is a habit, which some people are addicted to, and it is proposing to increase on them.

On the other side the broad brush approach of increasing the duty on alcohol and tobacco to my mind is misguided because alcohol consumption is mainly a social activity. We need to encourage, as Members have spoken earlier, people into our food and beverage outlets and hospitality outlets and of course for it to be social to try and overcome the effects of Covid.

Some people have taken to alcohol consumption in their homes, of course, but again I think we should be more social and the broad brush approach of taxing alcohol and tobacco, in my mind, is misguided and perhaps we should be perhaps just targeting one aspect of that if we are going to choose this funding mechanism. Perhaps in his summing up he could clarify why he has chosen to use the broad brush approach of alcohol and tobacco increases. Thank you.

**The Bailiff:** Deputy Soulsby.

**Deputy Soulsby:** Thank you, sir. I am sure many here will appreciate that when we discussed this matter at P&R it was quite a difficult discussion for me, having my previous role, a month previously vacating the seat that Deputy Brouard currently holds. Above inflation duty increases have been policy for some time now and they have been seen as an important tool in the box in terms of changing behaviours and I think that is well understood and it fits within the current Drug and Alcohol Strategy.

However, I do question and Deputy Prow will back me up I am sure on this, as a fellow previous Member of HSC, just how much these above inflation rises in recent years have been more for money raising than in reducing the numbers of heavy drinkers and smokers and instead have really diverted sales to duty free. Of course we will have an amendment on that, which covers that aspect, up in a minute.

We had believed, we were discussing this quite a lot in the previous term, that duty free could be very high and those huge increases in duties this year have really supported that. It has absolutely rocketed this year. So many people have actually been diverted from getting on-Island alcohol and tobacco in particular and getting it through duty free and the different ways to get it and special offers there.

It is true as well that the number of smokers has been set stubbornly around 13% for quite a few numbers of years now. Just really to correct both Deputy de Sausmarez and Deputy Ferbrache, what we find in terms of the demographic in terms of smoking now, is the poorer you are the more likely to smoke. That all links back to the whole social determinants of health.

New Members will not know that I spoke in virtually every single one of my speeches last term seemed to bring in the social determinants of health. That is one example, where we actually see

1020 the poorer you are you are more likely to smoke. You also find that even if poorer people have not got enough money they will still buy cigarettes and tobacco. It is very addictive.

It does not mean that raising duty is not important but I do believe we need the latest evidence and agree a meaningful policy, when we get the first Substance Misuse Strategy coming to the States next year. And, as Deputy Gabriel was talking about, more targeted options, absolutely. We  
1025 do need to look at things like that in terms of minimum unit pricing, stopping bulk discounts and indeed, if we are looking at duty free, which is one aspect of that the Substance Misuse Strategy was looking at.

In the end, though, after all that and I say it was a very difficult discussion for me, I was happy to support what ended up being in the Budget because, yes, it has been a hard year. I do not think it  
1030 has just been a hard year, it has been an extraordinary year and we are living still in extraordinary times.

But also because we do really need to look at a new policy and I do think that just raising duty is a blunt instrument in much the same way as I think just transferring all the increase in income onto Personal Allowance, is a blunt instrument. Why would we spread it all across everybody no  
1035 matter how much you can afford, which Deputy Ferbrache mentioned recently.

So, that is really why I cannot support this amendment. Whether I could have supported it in terms of the duty on cigarettes and alcohol I certainly cannot support it for the second aspect of the amendment. Thank you, sir.

1040 **The Bailiff:** Deputy Oliver.

**Deputy Oliver:** Thank you, sir. When I first looked at this, Deputy Roffey's amendment, I thought actually this could help some people. Then I did a little bit more reading and I actually thought, okay, so we are increasing the Personal Allowance by £75. Well that works out about £1.44 a week  
1045 extra. For somebody within poverty, say for instance this time they are going to be a smoker and a drinker, in real terms, they are actually going to be a lot worse off with this amendment and for that reason that is why I cannot support it. Thank you.

**The Bailiff:** Deputy St Pier.

1050 **Deputy St Pier:** Sir, clearly the hospitality sector, the desire to support the hospitality industry has very much been one of the motivations. Deputy Helyar told us that in his email last week and obviously, via declaring his interest, Deputy Ferbrache has confirmed that. That was one of the rationales that was driving P&R in its decision-making.

1055 Again, I do think it is unfortunate and I do appreciate, as Deputy Helyar said in his opening speech, that they have only had a month between taking office and presenting this Budget, but it is unfortunate that once again there is no evidence offered in the policy letter to support this substantial change in policy position.

Deputy Soulsby is right, the previous policy in relation to excise duties on tobacco and alcohol  
1060 has been longstanding but it was, of course, well-informed, as Deputy Roffey said, a well-informed policy position that had been developed and that was evidence-based. Yet, we have changed it on the back of a desire to support the hospitality industry but without any evidence that it will necessarily do that. I do think that once again that is unfortunate.

I have to say I am not particularly enthusiastic at the idea of raising excise duties in order to give  
1065 a little bit more away through the Personal Allowance system and I think Deputy Burford's option of voting for the excise duty but then splitting the Propositions on the final vote, and not the increased Personal Tax Allowances, at first flush seems quite attractive. But actually I do not particularly favour that because I think it does some of P&R's heavy lifting for them and lets them off the hook a little bit too easily.

1070 They have chosen not to raise revenue in this Budget and it should not be done by others by way of amendment, easing the Budget deficit pain that they are not prepared to tackle themselves.

But I think Deputy Brouard's speech, as the current President of the Health & Social Care Committee, is persuasive in relation to the health policy rationale for raising excise duties above the rate of inflation and I think that is probably sufficient justification alone for supporting this amendment.

1075 But it is a very difficult position that we have been put in by virtue of the original Budget Propositions and now this amendment on it. So I look forward to Deputy Roffey's summing up.

**The Bailiff:** As no other Member is rising to speak in debate on Amendment 9, I am going to turn next to Deputy Helyar to reply to the debate so far, on behalf of the Committee. Deputy Helyar.

1080 **Deputy Helyar:** Thank you, sir. I do not have a great deal to add to Members who have already spoken. There is a paradox in the amendment itself. If we are willing to admit that putting up the price of alcohol and cigarettes stops people smoking, then the assumption in this amendment that there will be no decreases in volume cannot apply.

1085 We have either got to come down one way or the other on this. Either it is going to decrease the amount of smoking and drinking or people are going to do the same thing and it will raise the same amount of revenue that is equivalent to the tax drop. That is the first point I would make.

The second point I would make is that there was discussion about apples and pears and the tax burden in the UK and in other places. The first thing I would say is that median incomes in Jersey and the UK, which I think were a couple of the comparators, are completely different, which means the area in which and the level at which tax starts to bite is completely different.

1090 Also the UK in particular has a much wider spread of taxation: VAT, inheritance, capital gains, much higher corporate taxation. Jersey also has GST, which of course applies to everybody, whether they pay tax or not. If you buy cigarettes or other things in Jersey, you have to pay GST on them as well as the duty.

1095 My third point would be Deputy Roffey talked about ordinary working people and having a concern for them paying too much tax. My point would be, and it follows on from my Budget speech, people are paying too much tax because the States is spending too much money and the ordinary working man listening to this debate in the Chamber, I am sure, would agree with that. The best way to avoid ... I give way.

1100 **Deputy Trott:** I am very grateful indeed to Deputy Helyar for giving way because what Deputy Helyar has said is simply not true. In 2000, we took 21% of our aggregate GDP in tax. If the information provided to me by the very same people who are advising the Policy & Resources Committee today remains accurate, we are 20 years later, taking 21% of our GDP in tax. It is coming from different sources, the amount of tax we are taking from the economy has remained constant pretty much for the last two decades, or so the same advisers tell me.

1110 **Deputy Helyar:** Thank you, sir. Perhaps I could clarify? The States has committed to spending a lot more money than we can afford and that is why taxes are having to go up and that is one of the reasons being given for this type of rise. My words were that I am sure the ordinary working man would agree with me and I think once we leave, perhaps, at lunch time, we could speak to a few of them, to see what they have to say about that.

1115 I apologise to Deputy Roffey for misleading him in respect of tobacco being a support for hospitality. Clearly those two things cannot be directly linked and that is an error on my part for failing to explain it in sufficient detail. However it cannot be risible that increasing the major cost of a Guernsey business is not a major step to take. The type of businesses that we are talking about operate on low margins, they have high costs in terms of labour and rent and taxation and increasing their cost by 3% is not an insignificant amount at this time when they are struggling.

1120 Finally, sir, I will just sum up by saying Deputy Gollop –

**Deputy St Pier:** Sir, thank you to Deputy Helyar for giving way. I do think his statement is highly misleading to suggest that a 3% increase in excise duty is increasing the cost base of the business. Arithmetic just simply does not work in that way.

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**Deputy Helyar:** In my experience sir, most businesses that have additional costs piled on them pass them onto the customer, that would be my response. In summary, Deputy Gollop in my view had this right, the Policy & Resources Committee does not support this amendment and I would ask the Assembly to support it on the basis that it goes against the ethos of the Budget as a whole, which is that we do not wish to increase economic stress on the public at this time and it is important for this Assembly to show that we support the public in that way. Thank you, sir.

1130

**The Bailiff:** Finally I turn to the proposer of the amendment, Deputy Roffey, to reply to the debate. Deputy Roffey please.

1135

**Deputy Roffey:** Thank you, sir. I think when I first drafted this budget amendment on the day the Budget came out I knew that if I laid it I would be pushing a stone slightly uphill, which was why I did not actually lay it until quite late on and I thought, is it worth the time of the States? I just came to the conclusion I just needed to know, I think this Island needs to know, where our priorities lay and what the philosophical stance is. So, I pressed on with it and I make no apology for that.

1140

I am going to go through a few of the specific points and then refer just to a couple of general themes at the end, if I can read my writing, I will, anyway. Deputy Gollop agreed with everything I said and is going to vote against the amendment. Well, nothing surprises me there! (*Laughter*) He claimed that a quarter to a third of Islanders smoke, which is of course absolute stuff and nonsense.

1145

He did raise the fact, and it is a theme that came out and I was really pleased that it came out in this debate, it is worth laying this amendment just for this fact alone. He raised the fact that actually he would have been more sympathetic if the additional allowances did not help every taxpayer. I note Deputy Parkinson's point it is not every taxpayer, but balked at that, but rather those that need it the most. I will come back to that in a second.

1150

Deputy Inder, why not put it on petrol? I think the whole question of how we tax motoring needs to be looked at again and I think that will come up, I hope, well I know it is going to come up because I will bring it up, during the general debate. He also said it will not affect supermarkets. Of course it will. An increase on duty is an increase on duty on alcohol sold. In fact, proportionately, because they are selling it cheaper and therefore the duty is a higher percentage of the sale costs, it affects supermarkets more than it does other outlets. So that was just simply disinformation; I am sure, accidental.

1155

**Deputy Inder:** Care to give way?

1160

**Deputy Roffey:** I will give way.

**Deputy Inder:** I think, with the greatest respect, I think Deputy Roffey is just having a bit of sport. He knows exactly what I mean. As somebody who has been the chair of a supermarket he knows that the supermarkets can buy in bulk, they are not tied, and they have an advantage over all the F&B. He knows exactly what I mean, Thank you, sir.

1165

**Deputy Roffey:** Yes, generally speaking, they are able to offer alcohol at a lower rate and therefore the percentage of their sales price which is duty is higher than other outlets and therefore this will have a bigger proportional impact on those off-licences than they will on other outlets.

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Deputy Meerveld, I enjoyed his panto but I would advise him probably not to give up the day job! Actually, I would be quite happy if he gave up the day job! (*Laughter*) Deputy Queripel asked if this was discrimination. I do not know whether he meant in the terms of the new anti-discrimination legislation that this States have approved, in which case I can tell him no, the States did agree to

expand the grounds to include religious belief and sexual orientation, they did not expand them to include smoking or drinking. Of course, he is free to put that amendment if he wishes to but, whether it is regarded as discriminatory in itself, that is a philosophical debate.

Deputy Vermeulen, I love him too, but a shame that he is not able to vote for this particular amendment but that does not surprise me. Deputy Ferbrache, I have really got to do a few corrections. The biggest percentage of people who smoke in Guernsey are the elderly. Oh no, they are not. Sorry, Deputy!

By and large they are the sector we have had really high success rates in getting people to give up. There may be a lot of the elderly population that have been smokers but if you, for instance, look at the above-75s, they represent just 2% of smokers in Guernsey, whereas the bulk of smokers are under 45 and, sadly, quite a lot of the smokers are young people who think they are the immortal and those are the people we should be trying to target with our health policy to try and get them to stop taking it up. They are taking it up, in less numbers than they used to, but they are still an area where we really have to get to. So I think it is important that is right.

Deputy Ferbrache is another one who talked about this is going to be, if you put up Personal Allowances that helps everybody. Yes, he is right. I referred to that in my opening speech and this is an argument I have been pursuing ever since the late eighties. It is really key to me that any additional help that we give and can afford to give to taxpayers should be targeted at those who need it most. But, be warned, that will mean a clawback rate will need to be introduced at some point so that not everybody benefits from that. That would lead to allegations that people are paying more than 20% Income Tax when they are not, but it will seem as if they are.

But if it has got a sort of tailwind from the likes of Deputy Ferbrache then I can tell him this: when I am sitting, as I will be I was the representative of ESS on the Tax Review, it is a theme that I will be coming back to again and again. So I am delighted that that has actually come out today and I am delighted that I have an ally in Deputy Ferbrache.

Deputy Soulsby, it has not actually been that stubborn, that 13%. We have been seeing a constant reduction in the number of smokers and it is interesting that Quitline say that every year they get about 400-450 new registrations and 60% of those are successful, they give up smoking and continue giving up smoking. I remember when Deputy Dr Adam, during my Health Committee way back during the Iron Age, he said it was great this anti-smoking campaign but we have got it down to the 25%-30%, they are the stubborn hardcore and you will never get it down any further, there is no point.

He was wrong, I think Deputy Soulsby is wrong. I think in 50 years' time, people will look back at smoking tobacco a bit like opium dens or taking snuff and say, 'They did what?' Oh, I give way, again.

**Deputy Soulsby:** Sir, I think Deputy Roffey might be right, that might happen. But I do not think that will come out of just raising excise duty.

**Deputy Roffey:** Absolutely not, it needs a balanced package of measures, which every health expert I have ever spoken to says that excise duty forms an important strand. But it will not do it alone, that is absolutely for sure.

Deputy Oliver says that poorer smokers and drinkers will be worse off. She is right. The vast majority of poorer people who do not smoke and drink will be better off. It is a choice, really, is it not? Deputy Helyar referred to the law of reducing returns, how can this balance out? If you are expecting to help people to give up smoking then you are not going to be raising the money. There is a degree of elasticity but not a huge degree of elasticity. What everything shows is that an increase in duties will reduce the number of smokers but not proportional, *pro rata*, so it also increases the amount of duty you take.

That has been shown over decades and decades of research. He said that, okay, our Income Tax allowances might be lower than the UK's but they have a much wider spread of taxes. Yep, they had a much wider spread of taxes 10 or 20 years ago, when Income Tax Allowances were more generous

in Guernsey. But I take his point. It is harder, because we are so reliant on Income Tax, to actually push those allowances up further, which is why I am very interested in targeting.

1230 Then Deputy Helyar, I thought, almost got onto general tax points about we just tax people too much and that is why we are going to have to ... sorry, we spend too much and that is why we have to tax people the way we do. I certainly intend to address that point during my general debate speech, when we have finally got through however many amendments it is.

1235 So, I think this is going to lose, but the fact is quite simple. This is revenue neutral. It is a question of, really, whether you want to help people by putting more, not much, but a bit more in their pocket after taking away less tax from their earnings or whether you want to actually, on the basis of the latest RPI figures, reduce the duty on tobacco in real terms. I cannot vote for that. I hope you cannot. I hope at least a good swathe of people will vote for this amendment.

**Deputy Meerveld:** May I request a recorded vote.

1240 **The Bailiff:** A recorded vote, right. Members of the States the first thing I am going to do is address the point raised by Deputy Burford and that is that the structure of Amendment 9 is such that there are two propositions in it and there will be distinct and discreet votes in respect of each of those propositions, because one addresses Proposition 10 and the other addresses Proposition 11 and it would be open to a Member to support one but not the other, even though they have  
1245 been presented by Deputy Roffey, the proposer of the amendment, as being inter-related.

If the proposition had been a single, combined proposition, so that it was inextricably inter-related then there would be only one vote on it but because there are two propositions in the amendment, there will be two votes. So Deputy Meerveld are you requesting a recorded vote on both?

1250 **Deputy Meerveld:** Yes please, sir.

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

1255 So now, Members of the States, we will move to the vote on Amendment 9, which will be in two phases as I have just explained. That amendment is proposed by Deputy Roffey, seconded by Deputy de Sausmarez and you are invited to vote Pour or Contre or je ne vote pas in respect of proposition one relating to Proposition 10 and Personal Allowances, only, first. Greffier.

*There was a recorded vote.*

*Not carried – Pour 10, Contre 28, Ne vote pas 0, Absent 2*

<b>POUR</b>	<b>CONTRE</b>	<b>NE VOTE PAS</b>	<b>ABSENT</b>
Deputy Gabriel	Deputy Fairclough	None	Deputy Le Tocq
Deputy Gollop	Deputy Falla		Deputy Leadbeater
Deputy Kasantseva-Miller	Deputy Ferbrache		
Deputy Queripel	Deputy Haskins		
Deputy Roffey	Deputy Helyar		
Deputy St Pier	Deputy Inder		
Deputy Trott	Deputy Le Tissier		
Deputy Bury	Deputy Mahoney		
Deputy de Lisle	Deputy Matthews		
Deputy de Sausmarez	Deputy McKenna		
	Deputy Meerveld		
	Deputy Moakes		
	Deputy Murray		
	Deputy Oliver		
	Deputy Parkinson		
	Deputy Prow		
	Alderney Rep. Roberts		

Alderney Rep.  
 Snowdon  
 Deputy Soulsby  
 Deputy Taylor  
 Deputy Vermeulen  
 Deputy Aldwell  
 Deputy Blin  
 Deputy Brouard  
 Deputy Burford  
 Deputy Cameron  
 Deputy Dudley-Owen  
 Deputy Dyke

**The Bailiff:** Members of the States, the voting in respect of Proposition 1, contained in Amendment 9, was that there voted Pour 10, Contre 28, two absentees, and therefore I declare Proposition 1 in that amendment lost.

1260

We move to a recorded vote in respect of Proposition 2, relating to the excise duties in Proposition 11 in the original set of Propositions. Greffier, please.

*There was a recorded vote.*

*Not carried – Pour 6, Contre 32, Ne vote pas 0, Absent 2*

**POUR**

Deputy Kasantseva-Miller  
 Deputy Roffey  
 Deputy Brouard  
 Deputy Burford  
 Deputy Bury  
 Deputy de Sausmarez

**CONTRE**

Deputy Fairclough  
 Deputy Falla  
 Deputy Ferbrache  
 Deputy Gabriel  
 Deputy Gollop  
 Deputy Haskins  
 Deputy Helyar  
 Deputy Inder  
 Deputy Le Tissier  
 Deputy Mahoney  
 Deputy Matthews  
 Deputy McKenna  
 Deputy Meerveld  
 Deputy Moakes  
 Deputy Murray  
 Deputy Oliver  
 Deputy Parkinson  
 Deputy Prow  
 Deputy Queripel  
 Alderney Rep. Roberts  
 Alderney Rep.  
 Snowdon  
 Deputy Soulsby  
 Deputy St Pier  
 Deputy Taylor  
 Deputy Trott  
 Deputy Vermeulen  
 Deputy Aldwell  
 Deputy Blin  
 Deputy Cameron  
 Deputy de Lisle  
 Deputy Dudley-Owen  
 Deputy Dyke

**NE VOTE PAS**

None

**ABSENT**

Deputy Le Tocq  
 Deputy Leadbeater

**The Bailiff:** Members of the States, the voting in respect of Proposition 2, contained in Amendment 9, proposed by Deputy Roffey and seconded by Deputy de Sausmarez is as follows.



1265 There voted Pour 6, Contre 32, same two absentees and that is why Proposition 2 is also declared lost and so the whole of Amendment 9 has been lost.

Amendment 10

1. In proposition 11 –

a) immediately after *"The Excise Duties (Budget) Ordinance, 2020"* insert ", subject to the amendment indicated below," and

b) immediately after the proposition, insert the following amendment to the Ordinance –

*"Amendment i. In section 1 of the Ordinance, substitute paragraph 5 in the tables set out in that section with the following paragraph.*

*"5. Spirits –*

*(a) Spirits distilled by an independent small distiller of spirits – £19.95 per litre of alcohol contained in the liquor, calculated in accordance with section 23D*

*(b) Spirits, other than spirits distilled by an independent small distiller of spirits – £39.90 per litre of alcohol contained in the liquor, calculated in accordance with section 23D"*

ii. After section 1 of the Ordinance add the following section:

*"Amendment of interpretation provisions of Fourth Schedule to the Law.*

*1A. In the Fourth Schedule to the Customs and Excise (General Provisions) (Bailiwick of Guernsey) Law, 1972, as amended, immediately after the definition of "independent small cider-maker", insert the following definition – "independent small distiller of spirits" means a distiller of spirits, wherever located, in respect of which the Chief Officer of Customs and Excise is satisfied that –*

*(a) it does not distil more than 20,000 litres of alcohol per year;*

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

*(c) it uses only premises situated physically apart from any other distiller of spirits; and*

*(d) it does not operate under licence; provided that where two or more distillers of spirits co-operate and their combined annual distillation of alcohol does not exceed 20,000 litres, those distillers of spirits may be treated as a single independent small distiller of spirits,".*

1270 **The Bailiff:** Now, Members of the States, on a subset of that theme, adopting the primary school maths, we will now turn to Amendment 10, which deals with excise duties and I will invite Deputy Vermeulen to indicate whether he wishes to have the amendment read first and, if not, to speak on it.

**Deputy Vermeulen:** Yes I do, sir.

1275 **The Bailiff:** By the Greffier?

**Deputy Vermeulen:** He does it so well, sir, yes.

**The Bailiff:** In that case, Greffier, can you read Amendment 10, please?

*The States' Greffier read out the Amendment.*

1280 **The Bailiff:** Deputy Vermeulen.

**Deputy Prow:** Sir, please may I invoke Rule 24(6) please?

1285 **The Bailiff:** To start with, Deputy Prow, you cannot invoke any motion in respect of an amendment until it has been moved by the proposer and formally seconded.

**Deputy Prow:** I apologise.

**The Bailiff:** I invite Deputy Vermeulen to speak to his amendment first, please. Deputy Vermeulen.

1290 **Deputy Vermeulen:** Sir, I am delighted to bring this amendment to the Assembly this morning. This amendment stems from my manifesto and my promise to follow through on that measure. At the risk of sounding a little bit like Fraser from *Dads' Army*, it has been a tough year for industries. I sit on Economic Development and I represent manufacturing and the spirit manufacturers are part of that industry I represent.

1295 One of them has failed this year. It was a gin producer that produced Unit 6 Gin and lately it was called Ten Degrees. Someone like that failing will not be producing any duty for the Island. That business will not be producing any profits that can be taxed or producing any employment for local people. So, I think we should be wary on that and also because there have been so few people travelling to the Island, which is understandable with the Covid restrictions, the duty free sales have suffered.

1300 So local spirit manufacturers who might have relied on that market in the past have been severely hampered with how much they are able to sell on the duty free Condor or the air links, for that matter.

1305 We are all working for a common purpose, to get Guernsey going and build our economy back better post Covid-19. We often talk about supporting local producers and manufacturers but I believe now is the time for us to walk the walk and not just talk the talk. Over 60% of businesses on Guernsey are small businesses. Many now, more than ever, need our support.

1310 Whilst this amendment will help the specific sector, I believe it will have many benefits for Guernsey PLC. We need to focus our minds on what we are really here to achieve and to follow the action today mantra. I understand the concerns re loss duty of duty, however I am confident that creating and fostering an environment for producers to flourish will establish their production to significantly increase.

1315 We should not also discount the knock-on effects of businesses booming and the growth that can be provided in our economy. Economic growth takes time to achieve but we need to start somewhere and I think we need to start here today. I hope Islanders' brand loyalty will also change, with increased incentives to buy local through producers, to passing on those savings. I would ask you to support this amendment this morning and support local producers.

1320 In Jersey there is an allowance for small producers, although they have very few spirit manufacturers in Jersey. They have enticed one of the Guernsey-based ones to move there and produce. Their limit is set rather low and anybody producing that about really does not have much of a business, it is more like a hobby, I would say, a very small amount.

1325 The limit that is put in this amendment, 20,000 litres, is I believe proportionate for Guernsey. If we look at the manufacturers that are here and the manufacturers that might be enticed here, there are three of them, which are very small, if not start-ups. So they are not yet giving to the economy. They will in time, but they are not currently producing a huge, significant amount. We do have two, larger distillers and if they produced above that limit, they would have no benefit at all.

1330 Now, whilst it was on my manifesto, the moment I sat on Economic Development I got a phone call saying that I do represent that industry, the spirit manufacturers, and that help was needed there. They did not feel it was fair that an allowance for two million pints of beer could be given for small producers of beer and the same with cider, and yet there was no assistance for the spirit manufacturers.

1335 That was predominantly because the spirit manufacturers came into abundance with their small artisan approach after those regulations were introduced some while ago. So here is your opportunity to support the small producer of spirits and it is hoped that this will help local producers. Thank you, sir.

**The Bailiff:** Deputy Moakes, do you formally second the amendment?

1340 **Deputy Moakes:** I do sir.

**The Bailiff:** Thank you. Deputy Leadbeater, is it your wish to be relevéd?

1345 **Deputy Leadbeater:** Please, sir.

**The Bailiff:** Deputy Prow, you can have another try.

1350 **Deputy Prow:** Thank you, sir and I apologise to you and I apologise to Deputy Vermeulen for jumping the gun. Yes sir, could I lay a motion under 24(6) please sir?

**The Bailiff:** The first thing you are inviting me to do is to rule that Amendment 10, proposed by Deputy Vermeulen and seconded by Deputy Moakes goes further than the original Proposition.

1355 **Deputy Prow:** Yes sir.

**The Bailiff:** I take the view that it does not, Deputy Prow, on the basis that is an amendment, in particular, to the draft Ordinance, which the Members of the States will be invited to approve. That draft Ordinance starts at page 45 in the policy letter, related to Proposition 11. What it seeks to do is to split into two the excise duty rate for spirits by introducing a lower rate.

1360 That will have a cost effect to the States if it were to be approved, unless that is addressed subsequently, but that in itself is not, in my view, a reason for saying that this goes further than the original Proposition and it draws on what is in paragraph four in relation to independent small breweries. So, for those reasons, unless, well I have discussed this with the Comptroller beforehand and he concurs with that. Therefore it does not go further and therefore Rule 24(6) cannot be  
1365 invoked in relation to this amendment.

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

1370 **The Bailiff:** Deputy Falla to make his maiden speech, so Deputy Falla please.

**Deputy Falla:** Thank you, sir. I am fully behind local entrepreneurs. It takes a huge amount of courage to establish a small business and I think that, where we can, we need to give proportionate support to such enterprise. For that reason, I will be supporting this amendment. Small, independent distillers in Guernsey, who produce drinks of quality, are a further means of marketing the Island positively, both to tourists and off-Island customers. In a similar way to other traditional produce, such as Guernsey sweaters and dairy produce, etc.

1375 By way of example, the Juggling King rum distillery currently employs four local people based in Guernsey. The business is progressing with its plans to extend its reach into the UK and further afield. It is already drawing positive attention to Guernsey and it will be featuring on this coming Saturday's James Martin television show, cookery show.

1380 It also has the potential to become something of a tourist attraction in itself. We often talk about diversification and this is a good example of where we should be backing it. While this line of business is likely to remain relatively niche for Guernsey, the 50% reduction in duty proposed by the amendment provides a level playing field with small breweries and cider making on the Island and could be just what the distillers need to encourage them to scale up their businesses, potentially leading to additional employment opportunities and profile for Guernsey, as well as the taxes and duty payable. Thank you, sir. *(Applause)*

**The Bailiff:** Deputy Prow.

1390 **Deputy Prow:** Thank you, sir. I submit that this amendment, which seeks to impose an independent small distiller of spirits regime in Guernsey has not been properly researched and neither have the movers of the amendment sought the advice of either Policy & Resources or Home Affairs on this.

1395 Having said that, sir, at a Committee meeting yesterday, Deputy Vermeulen did speak very eloquently to the Committee and did outline his reasons, as he has done to the Assembly this morning for the amendment. However, this amendment is not supported by the rest of the Committee for Home Affairs.

I quote directly from the explanatory note, where it says:

It is not possible to calculate the cost of this amendment ...

1400 The explanatory note also gives absolutely no information as to the loss of excise revenue, the resource implications involved in administering such a scheme and the capital costs required to amend the GEMS IT system.

1405 We have been advised through email that Policy & Resources, although they would like to encourage local production, as indeed would Home Affairs, it is not willing to support this amendment, which sets the limit for a small distiller at an extremely high 20,000 litres of alcohol *per annum*. This is approximately one fifth of the total volumes taxed in a year and 10 times the Jersey limit.

1410 I would just like to go through, there are five reasons why the Committee for Home Affairs object to this amendment. Firstly, it is only Policy & Resources, by temporary order, or the States by Ordinance, that can amend the fourth schedule to the Customs Law. Section 23B enables the amendment of goods listed in that schedule and 23C the excise rates. This would, it is suggested, need to be done in consultation with Home Affairs as this can place an additional responsibility on the Chief Officer of Customs and Excise.

1415 Secondly, any such rate must not discriminate between local and off-Island producers. Therefore, imported spirits, produced by distillers, meeting conditions defined for small distillers would also benefit from the reduced spirits rates. We are not aware of any impact assessment that has been conducted to consider how this would impact on the revenue collection on spirits.

1420 Thirdly, sir, the threshold in the proposed definition for an independent small distiller of spirits is set at one that does not distil more than 20,000 litres of alcohol per year. The Customs and Excise Division suggest this is an incredibly high threshold. In 2019, a total of 101,679 litres of spirits, litres of pure alcohol, were entered in Guernsey and Alderney for home use. This amendment proposes that a single company can make up to a fifth of the Bailiwick's entire year consumption and still qualify as a small distiller.

1425 By comparison, Jersey, who have a small distiller rate, set their threshold at during the period of five years, ending on the day before excise duties charged on spirits produced by the distiller has not distilled more than 10,000 litres of alcohol.

1430 Fourth, impact on Customs and Excise is that authority would be required by the Chief Officer to administer the regime. Customs would be required to receive applications for small distillers, undertake due diligence around their eligibility, approve and monitor the process. Customs would then be responsible for applying the lower rate to qualifying products, whether imported or manufactured on the Island. Developments would need to be made to the electronic system used to manage the revenue collection.

1435 This would certainly not be achievable by 1st January and therefore an interim manual intervention would be required. Development IT costs of the GEMS system have not been researched and no capital bid has been submitted for such development work. Depending on the specification of such a change, funds would need to be put in place and this development would also need to be planned into the development of schedule with our IT service providers Agilisys.

It should also be pointed out that a schedule of essential GEMS development, which is being progressed to meet the demands of Brexit, which may further change in the coming weeks,

1440 depending on the outcome of negotiations, the priority of such essential Brexit related developments is likely to come as a high priority.

1445 Last, sir, something that the Assembly may also wish to be mindful of, and something that has been mentioned in debates already today is the availability of lower cost, high strength alcohol may need to be considered against the wider objectives of the Drug and Alcohol Strategy. These considerations are actually outlined in the excise duties section of the Budget, in sections 4.22 and 4.23. In particular, the aim to reduce heavily discounted alcohol, which would be addressed through increases in duty on alcohol products year on year.

1450 Sir, I cannot emphasise enough that the ongoing demands of Brexit are consuming the resources of Customs and Excise and this is likely to continue well before 1st January. As an Assembly, we must recognise that this is a priority and absolutely essential to mitigate the effects of Brexit on the business community. However, the Committee does recognise the points that Deputy Vermeulen has made and the pressures on the hospitality industry and recognises a need to look forward, as a Committee.

1455 We see that there may be potential benefits of appropriately exploring the options and indications of lowering the rate of excise for some distillers. Should, as I hope, this amendment be unsuccessful, Home Affairs would commit to working with Economic Development and other key stakeholders to fully explore the economic and fiscal implications for small distillers, as well as the opportunities of any such change. Thank you, sir.

1460 **The Bailiff:** Deputy Oliver.

1465 **Deputy Oliver:** Thank you, sir. It was quite disappointing, actually, to hear Deputy Prow's speech because, last term, we actually had a number of companies coming to us to say could this happen and I was actually really pleased to see this amendment. Now, last term it kept getting batted between Home Affairs then back between Economic Development. Economic Development needed to say that this was a need, then Home Affairs said that should they actually look into it and it just kept going backwards and forwards.

1470 So, this amendment, actually, stops that and actually says let us get on with it, we know that there is something that needs to be done and we need to encourage small businesses. Now, yes, they will have relief on their spirits that they bring in but they still have to pay taxes. Now, I think any start-up companies and the more start-up companies that we can get for Guernsey, it will be a positive. I just do not want to see us back to where it keeps going around and around in circles between Economic Development and Home Affairs so I actually hope this amendment goes through and ask people to vote for it.

1475 **The Bailiff:** Deputy Inder.

1480 **Deputy Inder:** I have been in the States part of the last term and a couple of months into this term and what I have noticed is Brexit, there is always a reason not to do something, Covid there is a reason not to do something and Brexit again is another reason not to do something. Now we have introduced Agilisys as a reason not to do something, which does concern me.

1485 With the greatest respect to Deputy Prow, who I have worked with for a long time as have most Members here, I am sorry I will not accept that a shoddy States' IT system should stop business growth. I will do it. If there is a distillery over here and they produce 5,000 litres a week or whatever it is. I have got no idea what they seem to produce. I will go down there, charge them a fee and I will take the form, I will count all the bottles, and say there is 5,000 litres a week and I will give it to Customs and Excise.

1490 We do not need a gazillion-pound system to find a reason not to do something. I am going to put a bit of a marker down here. I am starting to get a little bit worried about our organisation's IT provider is being used as an excuse to do nothing. So that is a marker in the ground today.

I am going to try and bind the two parties. We have got party one, over on Deputy Vermeulen's side, party two over on Deputy Trott's side. Given Deputy Trott's response to Deputy Helyar in the start of this debate, I was going to put 20% on bitterness. (*Laughter*) But what I am going to hope here, I am going to read off the Partnership of Independents. It is the last time I will do it, through you sir, to Deputy Trott, because I am going to get pretty bored of people rolling out manifestos over the next four years as some kind of tool to whip people with. But I will do this. On the Partnership of Independents' site, they say, under economy:

Aim to deliver ... growth ...

Well this sounds like it is aiming to deliver growth. The Partnership of Independents, and I believe there are 10 in the Assembly, maybe 12, if you include their wing men. 'Unparalleled investments' in the Island economy. Well, giving relief is an unparalleled, well it is not unparalleled it is probably a paralleled investment in the Island economy. So my expectation that the two joint parties are probably going to find some common cause here. Now you started this not me. In short sir, and finally –

**The Bailiff:** Deputy Inder, just a moment. I do not think I have started anything, have I? (*Laughter*)

**Deputy Inder:** You are right. Through you sir, they started this, not me.

**The Bailiff:** Can I just remind all Members that they are not to address other Members directly, that all comments are through the person who is presiding. Deputy Inder to continue, please.

**Deputy Inder:** But I am not going to play fast and loose with this, as much as I am sort of mildly enjoying this sport. It is quite serious. We do have brands developing in the Island. They do have hope. And I think under something that looks like Revive and Thrive, we should give them every opportunity to allow them to do exactly that.

It is also possible, if this goes hideously wrong, we can always deal with it again next year. If this is a decision that is going to cost us an awful lot of money and I am not entirely sure that it will, the reality is that because our data capture in this Island is so shoddy, most of the time we are just sticking a finger in the air and hoping that we have got the figures right. A lot of the cases, as we all know, that is just not the case.

But I do want to ask one question, something Deputy Prow touched on and if anyone does understand Customs and Excise it is going to be the Deputy to my right, I will accept that. I will not take the Agilisys argument as a reason to do nothing. Under part two of the amendment, in my mind, independent small distiller of spirits 'means a distiller of spirits wherever located', I am assuming wherever located means in Guernsey?

**A Member:** No, it does not.

**Deputy Inder:** Okay, well, I would like to maybe at this point, before I get too excited about this, I have gone this far but I might be able to fall straight off a cliff. There is always ability ... sir, I see three or four people getting up, I am actually going to direct my question to the Comptroller, so Deputy Prow I will not be giving way to either of you.

There is always ability to have a very short recess to amend ... Deputy Roffey, there is no point, through you, sir, shaking your head, because that is not correct. I am directing this to the Presiding Officer. If, after the question I ask the Comptroller, if there is a problem with that wording, would it be possible ... I am not giving way Deputy Meerveld. After I direct my question, if I ever get to the question, I will ask the Comptroller, through you sir, if that 'wherever located' is the issue and if it does become the issue, is it then possible to have a short recess to allow the proposer of the

1540 amendment to make a correction that would satisfy Deputy Prow and possibly Policy & Resources?  
That is as far as I am going, sir, thank you.

**The Bailiff:** Mr Comptroller, are you able to assist at this point as to whether there is any geographic limitation on the words, which seem plain to me, 'wherever located'?

1545

**The Comptroller:** Sir, I think they just take the plain and obvious meaning. It is wherever located. If I could just add, I think the same phrase appears in relation to the definition of independent, small brewery, which appears in the same legislation. It is wherever located.

1550

**A Member:** In the world?

**The Bailiff:** Yes, that means in the world. And possibly outside the world if they can get an import licence! *(Laughter)*

1555 Just a minute, those Deputies that are standing at the moment. In relation to the suggestion that there might be a short adjournment, can I suggest that that be addressed at lunchtime rather than with a recess now, unless we get to a stage – and it does depend on whether the proposer and seconder of the amendment want to limit it in that way or whether this was a conscious decision. It is for them, rather than for any other Member to consider whether they want to have the opportunity to re-cast their amendment.

1560

Deputy Meerveld.

**Deputy Meerveld:** Thank you, sir. If Deputy Inder had allowed me to interject earlier I was just going to point out that international competition regulations say that you cannot subsidise or target specific local industries. So, whilst this amendment, I believe, is worded so it would cover distilleries anywhere, the reality is a distillery on this scale, selling in Guernsey, is likely to only be a local distillery. But it has to be worded this way so as not to contravene international regulations and rules, certainly within the EU as well as other places. Thank you, sir.

1565

**The Bailiff:** Deputy Roffey.

1570

**Deputy Roffey:** Thank you, sir. I am not sure I agree with that last point. What I am picking up in the States, excuse this expression, a lot of support for the spirit of this amendment. *(Laughter)* But they think the spirit of this amendment is protecting local production but it does not really do that because, as Deputy Meerveld says, it has to have a level playing field with micro distilleries elsewhere.

1575

Now, what we have seen over the last five or 10 years is an explosion of micro distilleries, particularly all around the UK, craft gins, craft this, craft that, gin in particular. Most of them are not nearly as nice as the mainstream stuff you get for half the price but that is irrelevant. There are lots and lots of them.

1580

Therefore, I do think, particularly with pitching the quantity as it has done in this particular amendment, there is a real chance that just about all of our spirits, with half the duty on spirits produced by smaller distilleries, will come from smaller distilleries and they may not be from the ones in Guernsey. They could be ones from Somerset or Yorkshire or wherever else.

1585

So I understand the desire to really foster small local businesses and I applaud that, but I am really worried about the law of unintended consequences here and I would like people who know more about this than me, and hopefully P&R do, to actually inform me before I actually come to vote on this.

**The Bailiff:** Deputy Leadbeater.

1590

**Deputy Leadbeater:** Thank you, sir. Deputy Meerveld was right. You cannot specifically support our local industry in this way and disregard the same support for business elsewhere. Deputy Falla mentioned in his speech about proportionate support for business, which I agree, we should be providing proportionate support for business, but to me this is not proportionate.

1595 This is basically saying that a small distiller can distil 1,666 litres per month and pay half the duty. That is not proportionate. That is not a small distiller in my mind, especially when, as Deputy Prow pointed out, I think it is 10,000 litres in a period of five years is the definition in Jersey. There is a massive disparity here. Who has got it right and who has got it really wrong?

1600 There has been no impact assessment done. No dialogue or any discussion with the GBA and the officers involved and the officers that we tasked with discharging this amendment are completely snowed under in Brexit at the moment. Absolutely snowed under. They have not got any time.

1605 We had a discussion at Home Affairs and we had three options on the table and the third option was that we would commit to working with the officers, with Economic Development, to research this properly, do a proper impact assessment, find out the ramifications of this and look how we can support business in this way. This amendment is dangerous. This amendment is irresponsible in my opinion and I urge Members to kick it out. Thank you, sir.

1610 **The Bailiff:** Deputy St Pier.

**Deputy St Pier:** Those of us who are not on P&R, Economic Development or Home are now, I think, probably caught between a rock and a hard place. Clearly Economic Development, or the three Members of Economic Development that have spoken, are clearly in favour of this amendment to help us Revive and Thrive and support local industry and so on, whilst Home, who are responsible for managing the whole process of duty are clearly against it and obviously P&R have set out their stall as not being in favour of it because of the revenue implications.

1615 Clearly there has been no evidence presented to support this amendment but then there was not to support the first amendment, evidence or data, on the first amendment on charities, or, as I said in the last debate, neither was there any evidence presented in relation to the change in policy on tobacco and alcohol, which was clearly driven, as we have said, by reasons of concern for the community and the hospitality trade.

1620 The lack of evidence and data is not really much of a guide to us either. We seem to be quite happy to make decisions absent of that. This does leave us in a very difficult position, particularly the high limit that has been referred to, the 20,000 litres, clearly the guidance that has been given that a lower limit, which is what applies for breweries and the cider industry, although it applies worldwide, to all intents and purposes the only people who benefit from it, which I think was Deputy Meerveld's point, the only people who actually benefit from it are the local producers and maybe this has gone too far and actually will drag in, potentially, a lot of off-Island distilleries in a way of the law of unintended consequences.

1625 It seems to be well-intended, Economic Development are very supportive of it and other Committees are opposed to it. It certainly seems that there has been some kind of breakdown in communication in terms of being able to get a common position on this before it comes to this Assembly today and for the rest of us to make a decision on it.

1630 **The Bailiff:** Deputy Dyke.

**Deputy Dyke:** Thank you, sir. I would like to support Deputy Vermeulen's proposal, I am aware that we have lost some gin business that really should be here, to Jersey. I think we should act as quickly as we can on this. I see that there is an issue with whether we have the definition of a small distillery correct. Is it too ambitious? But if it is not right and we need to change it later on we can do that.



The other issue that is out there is the question of whether this should apply to small distilleries only in Guernsey or as drafted, around the world. That matches what we have provided in the provisions relating to cider and beer. So that is what we are saying. But there is a big issue going on there, which I just draw to the States' attention, which is, as I understand it, the requirement for equivalence between local and outside producers stands from EU regulations.

Everything is about to change, as we go onto WTO terms and all the double tax treaties and trade treaties that the UK has entered into with other countries, which we are signing up to. In fact, they have just gone through the Legislative Scrutiny Committee. I do not know the answer to this but there is a point in that do the same restrictions that apply now, apply next year under WTO? I actually do not know the answer to that but it is something that could be researched but that could be done next year, not immediately.

So, if we stick with the current regime, as drafted and as it applies to beer and cider, I think we could then look at all of it next year, which we will probably have to do anyway. So I would support proceeding with Deputy Vermeulen's proposal, on the basis that we can look at anything necessary next year.

**The Bailiff:** Deputy Taylor.

**Deputy Taylor:** Sir, I am fully behind the idea behind Deputy Vermeulen's amendment. One point that was raised in our Committee meeting at Home Affairs was the actual definition of a distiller. There are three separate distilleries here actually producing the alcohol itself, a rectifier who is taking the pure alcohol and putting it through a separate process, for example with gin, watering it down and adding botanicals and I have forgotten the third, the lower example, a compounder who is merely stickling skittles in a bottle of Smirnoff! (*Laughter*) It is more technical than that.

Although I support the theory behind it I cannot help but wonder, and this may be straying slightly off topic from the debate, whether there could be a slightly better way of achieving that and actually getting more benefit for Guernsey, if we are actually looking at the importation of pure alcohol itself, as opposed to the finished drink, we could then, instead of worrying about competitors in the UK or further afield importing their 20,000 a year, we could actually seek to encourage them into Guernsey and do the actual distilling here on-Island. Just my twopence worth.

**The Bailiff:** Deputy de Sausmarez.

**Deputy de Sausmarez:** Thank you, sir. I would like to thank the Members of Home Affairs who have spoken, actually, because they have raised some points that I had not previously considered, but this analogy between the beer and cider producers and the producers of spirits that this amendment relates to is not a particularly good one, I think, and it does concern me because the proportion of duty applied to beer and cider is very much smaller than it is on spirits and so a reduction of this scale, that this amendment is proposing, could see some very significant changes to sales, importation, than we have seen in beer and cider.

So, notwithstanding the remarks made by those who have said, actually, to all intents and purposes it does support local industry, I do, like Deputy Roffey said, fear the unintended consequences of this very well-intentioned amendment and I do not think I can support it, given the range of potential economic impacts at this time as well.

**The Bailiff:** Deputy Gollop.

**Deputy Gollop:** Yes, thanks. I feel that there has been a significant growth in boutique, if you like, industries in Guernsey in recent times. Guernsey natural produce. Elements of that have been at one point we had three elegant varieties of gin and now we have rum and various other spirits. We have had Channel Island cream liqueurs in the past.

I welcome the philosophy of Economic Development, articulated by not just Deputies Vermeulen, Moakes and Falla but Deputy Inder, to get on with helping out the sector. Now I do appreciate the nicety of the points that Deputy Prow has raised, that Brexit is an all-embracing funnel that sucks in issues and indeed I was caught out a bit last week.

I wanted to raise yet again the issues of fishing questions, but it is a distraction at the moment. Again, like so many things, there is more than one angle to this and with the boutique industries with spirits, I think they also add to the brand of Guernsey and they add to our tourism offering and they are useful entrepreneurial industry for people who are perhaps in the hospitality sector who want to expand, or maybe even in the dairy sector or the fruit growing sector.

So, I entirely support the spirit behind this amendment. I know you are comparing apples with pears and maybe I should prefer the apples, the calvados, but sometimes I prefer the pears, the brown William's and so on. But when you are looking at our overall take on alcoholic duties we do, as Deputy St Pier reminded us, he pioneered, the States agreed to reductions in terms of cider and beer.

Great for the real ale fans, of which I have been, I think, a lapsed member. But actually when you look and you compare the very small amounts taken on a pint of beer, the working man or working person as Deputy de Sausmarez reminded us, that might be a myth, but nevertheless the beer or the lager is relatively moderate what we take.

But for spirits it is extremely expensive. No more can Deputy Vermeulen or any other person in the hospitality sector claim that Guernsey is a cheap destination for spirits. I think what this does is it tries to enhance the Island's commitment to small-scale businesses, especially those who live in the Bailiwick.

I appreciate that it may well cover niche breweries and distilleries outside of Guernsey but the point is we actually want to encourage a more selective consumer appetite both on-Island and from visitors to our shores and I think that this policy is also consistent with what we have already done with beer and lager. So I think we should get on with it today. If there are problems, as Deputy Dyke and others have identified, we can sort them out. But we do not want eternal delays to policy just because of technical issues.

**The Bailiff:** Deputy Ferbrache.

**Deputy Ferbrache:** Thank you, sir. I do not think it is just technical issues, that is the trouble. Both the proposer and the seconder of this amendment are people who will make an able, pragmatic and sensible contribution to this States over the next four-and-a-half years and what Deputy Vermeulen is trying to do is to encourage local businesses. He has explained that. The trouble is and I hate it when I have got to say this kind of thing, there are too many impediments at the moment.

We have got the wording of the relevant legislation, if I can call it that, which extends it well beyond these shores and we have also got the competition element that has been referred to and the subsidy, all of which we do not like because we should be able to help our own industries, we should be able to promote our own industries, but we have got to live in the international world.

I do not think Deputy Vermeulen, if he loses this amendment, which I hope he does and I mean that most respectfully to him, for the reasons that I have outlined, should feel discouraged, because he has started the ball rolling and this is an issue that needs to be addressed. These kinds of people, these kinds of businesses, again as Deputy Falla said in his maiden speech which again was a good one, they need to be encouraged. We just cannot do it today.

I hate regulations. I have hated them all my life. Nobody goes to bed, perhaps there are one or two reciting regulations, perhaps more than one or two because not everybody is interesting, but most people do not remember regulations, they remember people doing things, great businesses. We have got some excellent local businesses of the type that Deputy Vermeulen has referred to. They need encouragement. Let us come back and do it in a way that we can in the future. But I commend him for bringing this amendment.**The Bailiff:** Deputy Trott.

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**Deputy Trott:** Sir, as I said earlier and as I will say many times in the future, election pledges do matter. Whether that is the electors of Guernsey or indeed electors in the States of Deliberation, what people say matters. I came to this Assembly this morning intending to support Deputy Vermeulen and Deputy Moakes' amendment because it is not only well-intentioned but it is clearly

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in line with his election pledges and that matters to me and I suspect it matters to quite a few in our community.

What we have seen, I think, in the debate that we have had, is that this effectively a question of idealism over pragmatism and why does that matter? I will tell you why it matters, because Deputy Inder says in his manifesto that we must strive for pragmatism over idealism and I agree with him.

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But on this occasion it is clear that idealism has trumped pragmatism and I agree with the President of P&R that this needs to be looked at, it needs to return in an environment where it can be supported, but right now I do not think I can.

**The Bailiff:** I am going to turn, as nobody else is rising to speak, to Deputy Helyar, if he wishes to reply to all on this debate on behalf of the Committee.

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**Deputy Helyar:** Thank you, sir. I do not have much to add to that which has already been said. I have a lot of sympathy for the amendment and Deputy Vermeulen knows that and I have a lot of sympathy for that particular industry. But I think what we are trying to help this industry with, as a small business in Guernsey, is to help it with scale, to help it to grow its production, because it is competing against much larger giants importing from outside the Island.

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The issue we have here and Deputy Roffey was the one, I think, that really raised it the most, is that there many gin distillers out there below the 20,000 litre limit and the problem that we have at the moment that we are not addressing and that perhaps was relevant to the earlier debate we had in connection with alcohol duty is that large supermarkets are able to bulk discount with special offers, to the extent I understand, from speaking to a local licensee, that they buy much of their spirits from supermarkets and not from wholesalers because when there are special offers on they are actually below the wholesale price.

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So, if we wanted an amendment like this, I think, to have proper effect, we would need to make sure that the £8 or so per bottle of duty was not passed onto the customer as a reduction in price, in other words it was put onto the bottle as a profit and the only way, I think, Members of the States, in which we could do that, and it does have a relevance to health concerns as well, is to introduce legislation with minimum unit of alcohol pricing, which would prevent supermarkets from creating these super value discounts.

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Because it is not possible, and it is a fair point that Deputy Vermeulen raises, it is not possible at the moment for our local producers to under-cut that amount, and their overheads are much higher, which makes it much more difficult for them to compete. So I think Members of the Committee have a lot of sympathy for the motivation for the amendment and its spirit, to borrow another pun, but we cannot support it at this time. But I certainly say we would be willing to work with other committees that have an interest, including Economic Development and Home, to achieve something, which I think will work economically as well as from a Health perspective. Thank you.

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**The Bailiff:** So I turn, finally, to the proposer of the amendment, Deputy Vermeulen, to reply on the debate.

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**Deputy Vermeulen:** Thank you, sir. Well what a debate. We have had some interesting points I have come across there. Deputy Oliver made some great points. She said let us get it done. She echoes that action today. Yes, this matter has been kicked around from department to department for far too long. I think it is years.

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I am only just recently into the States but I think it is more urgent than we realise. The support is needed for that industry. So, in a way, this amendment does short circuit, perhaps, five years of

discussion amongst all the different committees. But I do not think we have got five years. If we leave it five years I do not think we will have many companies left.

1800 Deputy Inder made an interesting observation. He was concerned about the paperwork. He even often offered to help with the IT systems. Well, there is a can do attitude. He would certainly like to see less excuses and more things done. He did have some concerns, perhaps whether this would bring in competition from abroad. I thank him for raising that point.

1805 It has not happened with beer and cider. Beer and cider producers, and there must be a few of those that produce less than two million pints, but that has not affected the local producers. So I am not so sure we should be worried about competition. At the moment, manufacturers compete at an even level but this would help small manufacturers and in turn we do hope it is the local producers that have those small manufacturers. Some of them are only distilling amounts, hundreds of litres, it is not even in the thousands.

1810 Deputy Roffey alluded to the explosion of the industry and I thought for a moment, hang on, we have only got five on the Island. He was talking about the UK and he is quite right, it is a very trendy spirit. The artisan movement has proved hugely popular and I do not think it causes too much of a problem with the Drug and Alcohol Strategy because these are premium price products. They are top end of the scale. They are far less likely to cause problems than the cheaper brands sold at other places on the Island.

1815 Deputy Leadbeater thought my amendment was dangerous and irresponsible. Well, heaven forbid, I think it is well-intentioned and I think it is, dare I say it, fairly well researched. I did pick up where Economic Development have got to and basically, because of Covid and all these other things that are happening, Brexit as well, these are all things which delay that assistance, which needs to get down to the manufacturers at the moment.

1820 Deputy St Pier talks about amounts, the 20,000 litres. So, yes, Jersey has got a much smaller limit. Jersey does not have any manufacturers, apart from the one which left Guernsey to go there. They have 2,000 litres a year. I think Jersey has got it badly wrong. I think Jersey set that limit way too low. In my dialogue with the local manufacturers, some of them would have liked to have seen a limit of 50,000. But 20,000 seemed to be the optimum amount for Guernsey. I think it is proportionate for Guernsey in my research.

1825 Deputy Dyke made the point that we can change things at any time we wish to if this amendment does get it wrong. He talked about changing it next year, in the Budget next year. Some of the others have also mentioned that. We also have the opportunity to bring in a mini-budget should it so be needed, not just for this amendment but for the economy as a whole, at any time.

1830 Deputy de Sausmarez, she said that the duty in beer is much cheaper, but the amounts are much higher, Deputy de Sausmarez. The allowance that small producers get on beer is much higher than the 20,000 litres we are talking of. Deputy Gollop touched on it being an expensive duty for the spirits and he is quite right. More importantly, he always manages to eventually hit the nail square on the head and he said no more delays. Deputy Ferbrache, who I have enormous respect for, said there are too many impediments in it and he hopes that it fails. Well, I hope it succeeds and I hope we can work with some flexibility to make changes as we bring it in.

1835 Yes, Deputy Helyar alluded that we can work with one another and I think we can, into the future. It is going to be necessary. But those guys need some support. We must not lose any more, so I urge you all to support that industry and support my amendment. A vote for this is a vote for Guernsey. Thank you.

1840 **The Bailiff:** Members of the States, although I am trespassing into your lunchtime, I would like to get the vote on this amendment done. Deputy Leadbeater.

1845 **Deputy Leadbeater:** Can we have a recorded vote, please sir.

**The Bailiff:** There is a request for a recorded vote. In that case, this is Amendment 10, proposed by Deputy Vermeulen, seconded by Deputy Moakes, which relates to Proposition 11 and seeks to amend the Excise Duties Budget Ordinance, 2020 in draft. Greffier please.

*There was a recorded vote.*

*Not carried – Pour 17, Contre 20, Ne vote pas 2, Absent 1*

**POUR**

Deputy Falla  
Deputy Gollop  
Deputy Inder  
Deputy Kasantseva-Miller  
Deputy Le Tissier  
Deputy Matthews  
Deputy Meerveld  
Deputy Moakes  
Deputy Murray  
Deputy Oliver  
Deputy Parkinson  
Deputy Queripel  
Deputy St Pier  
Deputy Vermeulen  
Deputy Blin  
Deputy de Lisle  
Deputy Dyke

**CONTRE**

Deputy Fairclough  
Deputy Ferbrache  
Deputy Gabriel  
Deputy Haskins  
Deputy Helyar  
Deputy Mahoney  
Deputy McKenna  
Deputy Prow  
Deputy Roffey  
Deputy Soulsby  
Deputy Taylor  
Deputy Trott  
Deputy Aldwell  
Deputy Brouard  
Deputy Burford  
Deputy Bury  
Deputy Cameron  
Deputy de Sausmarez  
Deputy Dudley-Owen  
Deputy Leadbeater

**NE VOTE PAS**

Alderney Rep. Roberts  
Alderney Rep. Snowdown

**ABSENT**

Deputy Le Tocq

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**Deputy Leadbeater:** Sir, I was not called for my vote.

**The Bailiff:** Yes, Deputy Leadbeater is present, Greffier, because he has been relevéd. Thank you for drawing attention to that, Deputy Leadbeater.

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Members of the States, the voting in respect of Amendment 10, proposed by Deputy Vermeulen and seconded by Deputy Moakes is as follows. There voted Pour 17, Contre 20, two abstentions, one absentee and therefore I declare Amendment 10 lost. We will now adjourn to 2.30 p.m.

*The Assembly adjourned at 12.38 p.m.  
and resumed at 2.30 p.m.*

**POLICY & RESOURCES COMMITTEE**

**States of Guernsey Annual Budget for 2021 –  
Debate continued –  
Amendments 4, 5, 8, 11 and 12 approved**

[Amendment 8](#)

1. In proposition 11 –

a) immediately after *"The Excise Duties (Budget) Ordinance, 2020"* insert ", subject to the amendment indicated below," and

b) immediately after the proposition, insert the following amendment to the Ordinance –  
*"Amendment In section 1 of the Ordinance, in paragraph 3 of the tables set out therein ("Other fuels – biodiesel"), for 73.4p per litre substitute 63.4p per litre".*

**The Bailiff:** Members of the States, the next amendment to which I would invite you to turn is numbered 8 and it is proposed by Deputy St Pier, seconded by Deputy McKenna. Deputy St Pier, is it your wish that it be read at all?

**Deputy St Pier:** No thank you, sir.

**The Bailiff:** Thank you very much. Then I invite you to open debate on Amendment 8 please.

**Deputy St Pier:** Thank you very much, sir. I do not think the amendment needs reading, merely to explain to that the substantive part is to reduce the level of duty on biodiesel from 73.4 pence per litre and substitute that with 63.4 pence per litre, a reduction of 10 pence per litre. I am pleased that Policy & Resources does support this amendment and supports the encouragement of more sustainable and low emission fuels and as the volumes of biodiesel sold are significantly below the 3 duty limit, this amendment should have no net effect based on current volumes of biodiesel.

I am also grateful, too, sir, for Deputy Helyar's personal support of this amendment. I do know that the Committee for Home Affairs might be concerned that this might open an operational Pandora's Box, a little bit like that on spirit duty in the previous amendment, if, suddenly, biodiesel for different uses were to have to have different rates requiring different coloured dyes and so on. That is not the intent or effect of this amendment and I hope that Deputy Prow and his colleagues are reassured on that point but no doubt he will advise us otherwise in debate if that is not the case.

So I think this is a simple and straight forward amendment that does require little further introduction or explanation. I hope it will receive Members' support and I will, of course, be pleased to respond to debate, sir.

**The Bailiff:** Deputy McKenna, do you formally second the amendment?

**Deputy McKenna:** Yes sir.

**The Bailiff:** Thank you very much. Does anyone wish to speak on the amendment? Deputy Gabriel.

**Deputy Gabriel:** Thank you, sir. For me, I support this amendment. This is a win-win-win amendment in my eyes, promoting the use of sustainable fuel instead of diesel. The consumer will win as well, with either paying the same amount as diesel or potentially, if the retailer allows a lower amount at the pumps, and also it is not costing the Exchequer anything at the moment if the 125,000 litres limit is stuck to. So I would like to support this amendment. Thank you.

**The Bailiff:** Deputy de Sausmarez.

1895 **Deputy de Sausmarez:** Thank you, sir. I concur with the comments of Deputy Gabriel. I think there are clear environmental advantages, certainly, of biodiesel over diesel. E&I are looking into trialling the use of second generation biofuel and we hope to commence a small trial in the next few weeks and look forward to sharing the results. We are not yet able to give any further details at this stage, but we will as soon as our plans are finalised.

1900 Generally speaking, any move to support the use of net zero products are welcomed. I would say that the trial that we are looking into at the moment does still deal with very small volumes and so should not have any material impact. But, obviously, a trial being a trial, who knows what the results might be?

1905 But I do think this is an area that I would like P&R or Home Affairs or any of the responsible bodies to look into, going forward, because I think this is an alternative fuel, it is something we are likely to see become more prominent and hopefully more widespread and so, certainly, I think we need to be organised about this and not let it sneak up on us in a Budget or anything. I think we do need to properly understand the impacts, the fiscal impacts, and make a proper assessment of the advantages and potential disadvantages, so I would very much welcome an assurance that that bit of work would be done. Thank you.

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**The Bailiff:** Deputy Leadbeater.

**Deputy Leadbeater:** Thank you, sir. The officers at Home Affairs do not oppose this amendment. I think the Committee is ambivalent about it. We discussed it yesterday, I am sure Deputy Prow would agree with me; 125,000-litre threshold. There is only one supplier of biodiesel in the Island at the moment and they are importing 9,000 litres per year, opposed to the 8 million litres a year of diesel that is being imported. So it is not going to have a significant effect. It is not that I am totally in favour of it, because I do not think it is really going to have much of an effect at the moment but I certainly will not oppose it. Thank you.

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**The Bailiff:** Deputy Taylor.

**Deputy Taylor:** Thank you, sir. Similar to Deputy Leadbeater here, I am kind of ambivalent about it. There is just a little part of me, I want to put this on record, I am a bit sceptical and, apologies to Deputy St Pier, not implying anything here, but if it is not going to make any difference and it is not going to affect anything here, I really do not see the point unless there is something else going on behind the scenes. I am not making an accusation, it just seems a bit odd to me. I cannot quite understand it. Thank you, sir.

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**The Bailiff:** As no one else is rising to speak on this amendment, I will turn next to Deputy Helyar to reply to that short debate on behalf of the Committee.

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**Deputy Helyar:** Thank you, sir. There might be something behind it, I have to say Deputy Taylor, and it might be computer-related again. In order to collect different duty rates for different types of fuels it requires a separate entry on the computer. At the moment, that is not an issue because clearly the rates are well below the threshold at which duty starts to be paid.

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Thank you for the support, Deputy Gabriel and Deputy de Sausmarez, yes, I think this is something actually that really ought to be in the fiscal review because we need to have a policy for tax on fuels going forwards and as we enter into a period of energy transition, there are going to be lots and lots of options. Many of them may well be trialled in small quantities to start with, but eventually something will settle down, whether it be hydrogen or other types of biofuel but we need to start looking at how that is dealt with from a fiscal perspective now.

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It is a very small amount but I think it sets out a very clear intention to be aware of what is going on in terms of the transition to support fuels which are sustainable and to signal to the public that we are thinking about that and moving in the right direction. I understand Deputy Leadbeater's

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point as well that it does not make a great deal of difference at the moment but actually the signal and the intention to move in that direction, I believe, is important, and we support the amendment. Thank you, sir.

**The Bailiff:** Finally, I turn to the proposer of the amendment, Deputy St Pier, to reply to the debate.

**Deputy St Pier:** Sir, I feel that Deputy Helyar has responded to the debate for me. Thank you to those who have spoken in debate and obviously Deputies Gabriel and de Sausmarez for their support, albeit Deputies Leadbeater and Taylor's somewhat ambivalence to use their own language. I think, as Deputy Helyar said, there is not anything behind this other than notwithstanding it will not have an immediate effect, other than, as I said in the opening, that it does support the encouragement of more sustainable low emission fuels. As Deputy Helyar said, it is that signal of intent which is what we were seeking to achieve in this amendment and I was obviously delighted to be able to work with Deputy McKenna on this. Thank you, sir.

**The Bailiff:** Members of the States, we go to the vote on Amendment 8, which is proposed by Deputy St Pier, seconded by Deputy McKenna. All those in favour; those against.

*Members voted Pour.*

**The Bailiff:** I declare Amendment 8 duly carried.

[Amendment 2](#)

1. In proposition 12 –

a) immediately after "'The Taxation of Real Property (Guernsey and Alderney) (Amendment) (No. 2) Ordinance, 2020'" insert ", subject to the amendment indicated below", and

b) immediately after the proposition, insert the following amendment to the Ordinance – "Amendment In the Schedule to the Ordinance in the entries in:

i. Table A2 ("GUERNSEY COMMERCIAL BUILDINGS") relating to B6.2 (in the first column) and "Office and ancillary accommodation (other than regulated finance industries, legal services, accountancy services and NRFSB)" (in the second column), for "£27.20" (in the third column) substitute "£21.15"

ii. Table A4 ("GUERNSEY COMMERCIAL LAND") relating to L1.11 (in the first column) and "Office and ancillary accommodation (other than regulated finance industries, legal services, accountancy services and NRFSB)" (in the second column), for "97p" (in the third column) substitute "75p"

2. After proposition 12 insert the following proposition – "12A To rescind proposition 21 of the Resolution of the States of the 8th November, 2019 on Billet d'État No XXI dated 7th October, 2019, and to agree that, over a period of four years beginning on the 1st January 2022, the tariff for the general Office and Ancillary Accommodation category shall be increased to the same tariff as the Office and Ancillary Accommodation tariffs for regulated finance industries, legal services, accountancy services and non-regulated financial services businesses."

**The Bailiff:** The next one, Members of the States, will be Amendment 2, which is to be proposed by Deputy de Lisle and seconded by Deputy Gollop.

Deputy de Lisle, do you wish to have it read at all or are you happy to proceed?

**Deputy de Lisle:** Thank you, sir. I will continue accordingly. Sir, I start with the explanatory note that is attached to the amendment and also refer Members to page 26 in the Budget Report, which clarifies actually the two categories under commercial TRP, which is not generally well understood.



1975 One category is general office and ancillary accommodation and the other is an office regulated with the finance industry legal service and accounting services.

1980 The effect of the amendment is to defer the 2021 increase by a year. Not to interfere other than that with the five-year programme of increases in TRP. The increase applied to the TRP tariff for the general office and ancillary accommodation category for 2021 would be limited to 1.5%. The harmonisation of the tariffs would be completed one year later than specified in the 2020 Resolution and that would be 2025 instead of 2024. This will reduce General Revenue income by £800,000 and increase the 2021 deficit and the funding required from the General Revenue account reserve by £800,000.

1985 Now, the foreword of the Budget makes the point that due to the ongoing uncertainty of the Covid-19 pandemic, the 2021 Budget does not propose any significant tax measures. In recognition of the pressures being faced by the individuals and businesses the Budget Report recommends the rates and taxes are only increased by the amount necessary to maintain their real value and it recommends that all commercial buildings and land tariffs for 2021 are increased by 1.5% in line with the inflation projection. The same with domestic buildings and land tariffs.

1990 Now I have to commend P&R for levelling down the frightful rises in TRP that took place under the earlier term in this Assembly but at the same time claim an injustice, really, to the general office category in hiking TRP by 29%, actually, it amounts to, plus the 1.5% general increase in this Budget. A double whammy, if you like, at a time of uncertainty and a time, really, of difficulty for business.

1995 Now, I do have an interest in commercial property, as with all other categories of property, actually, but I need to make that point and I also thank Deputy Gollop for supporting this amendment as a seconder. All I am doing in this amendment is asking for the same relaxation this year as a result of Covid-19, that the regulated finance industry's legal services, accountancy services, the other category of commercial, if you like, has been given. Relief, if you like, for one year in the TRP rise of 1.5%.

2000 **Deputy Oliver:** Point of correction, sir.

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

2005 **Deputy Oliver:** The finance industry has had no TRP relief during Covid or after Covid.

**The Bailiff:** Deputy de Lisle to continue, please.

2010 **Deputy de Lisle:** Thank you, sir. The general office category that we are talking about here is a poor relation in many ways of the two office categories and, as a result, it could never compete with the other and for that reason TRP was purposefully set, historically, a lower rate. However, the intention of the States' Resolution, which is actually printed in the amendment, was to agree that, over a period of four years, beginning on 1st January 2022, the tariff for the general office and ancillary accommodation category shall be increased to the same tariff as the office and ancillary accommodation tariffs for regulated finance industries, legal services, accountancy services and non-regulated financial services businesses.

2015 What I am asking for here is that extra year, if you like, with the relief given, if you like, of 1.5% this year, like the other category. Commercial rates that are based on occupier and non-regulated rates have been lower for a reason, as I said. Turnover by regulated entities will be a lot higher than turnover in non-regulated and companies will be hurt by the higher rates.

2020 Now Covid-19 has had an unprecedented impact on the local economy, as well as economies elsewhere. It has affected the viability of businesses. Strong representations have been received from businesses that any increase will threaten the survival of businesses that are already facing great financial difficulty and P&R has been sympathetic to these representations but must show consistency in policy, with increases geared up to keep pace with inflation to allow businesses time to recover from the impact of the pandemic.

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I note the Guernsey Party stood on a platform of no tax increases during the four-year term, to maintain low taxation, to be internationally competitive. The Budget was largely inherited from predecessors but this States has added its own stamp by cutting back on the level of the proposed tax increases to be in line with inflation at 1.5%.

Now, the pledge of the Government, if you like, should be applied consistently to commercial TRP-type tariffs and that is the point that I am trying to get across. I ask Members to support the amendment and to consider that in the light of competition within that sector as is being favoured to other sectors in the economy. Thank you, sir.

**The Bailiff:** Deputy Gollop, do you formally second the amendment?

**Deputy Gollop:** Yes sir, Thank you, sir.

**Deputy Inder:** Sir, I would like to attempt 24(6) please.

**The Bailiff:** So first, Deputy Inder you are inviting me to consider whether or not this goes further than the original Propositions? Mr Comptroller this is another one is it not where it is changing the rates that are fixed in the Budget? It is just a variant on what is there. So, unless you advise me differently, I would be minded to say that it does not go further than the original Proposition.

**The Comptroller:** I agree with that. It is very similar to Amendment 10. The same considerations apply, it seems to me.

**The Bailiff:** So, for those reasons Deputy Inder, Rule 24(6) cannot be invoked.

**Deputy Inder:** Thank you.

**The Bailiff:** Does anyone wish to speak on this amendment? Deputy Gollop, you are going to speak?

**Deputy Gollop:** Apologies if I had a little ring then but I do not think people are ringing me about latest rates, real property rates, but nevertheless it is a matter that concerns me. It is quite a complicated amendment and it took a while for Deputy de Lisle to work with me and explain what it all means. I think the point is in a way it is along the same lines, I would argue, as not only some of the new political philosophy we have been hearing in the last few months but some of the points Deputy Vermeulen and others have said about not being overly aggressive on what has been a deflated economic situation.

It is pretty obvious that many businesses, some in the finance sector as well as other services, retail and so on, have taken a little bit, more than a little bit, they are facing an extremely troubled year and we have seen across the water in the United Kingdom quite a few business failures of property companies and so on, which might have a knock-on effect on other, more important, things like pension funds.

So we do need to protect that and Deputy Helyar, I thought, made a really outstanding Budget speech today, which was brief, certainly compared to some of us, but full of meaty arguments and economic points. Although I might not agree with every nuance of the politics, as you will hear later, I think that the arguments that he made that, if we start to spend more radically, to raise another £13.5 million for example, would be 1% on the Income Tax. In fact that is actually a slightly better estimate than we heard a few years ago, but it is still a lot.

The other point, though, is he said, what was the figure, you would have to raise property by double the rates, effectively, to get that. I know we had one or two Members in the past who used to say you could raise rates by 1000% and then we would be just like Greater London, but we do

not want to be like Greater London because it would affect our lifestyle and our competitive position.

2080 He also made the point that we have seen in the last decade, compared to 2009, 2010, Deputy Trott made the same point, a very substantial increase in rates and that was a necessary consequence of Zero-10 being successful for our economy in other respects, but nevertheless it was a hit.

2085 I think, given that we have been lenient to smokers and drinkers, and motorists too, who use the right kind of diesel fuel, I think this amendment is saying let us take the pressure off when there are enough worries out there, with Brexit, with Covid, with the uncertainty, perhaps, of how fast the visitor economy will be kickstarted and also changing issues.

2090 Actually, one broader concern that nobody has raised really, but it is out there, is how far will the States' good example of encouraging some civil servants and public servants to work from home be taken up by the private sector as well? Because, if we begin to see more and more home working, that will be great for the evening commute, maybe, and for flexible working, but not so good for the commercial office and property sector.

2095 Again, that would be another hit on a segment of our economy that is important at a vital time. So, for all those reasons, I think the right approach at the moment, although we could be radical later, is to be cautious and therefore to actually listen to the wise words of Deputy de Lisle and effectively defer these increases for another time and keep things running in an orderly direction so that we maintain the confidence of our business community.

2100 **The Bailiff:** I do not see anyone else rising to speak in this debate, so I am going to turn to Deputy Helyar, on behalf of the Committee, next, to reply to Deputy Gollop and Deputy de Lisle.

**Deputy Helyar:** Sir, Policy & Resources Committee reject the amendment. The argument is fairly straight forward. Some points were made by Deputy Gollop in terms of the Committee being lenient in terms of alcohol and smoking. The Committee has agreed to increase those duty rates by the cost of inflation so, in effect, it was to stand still rather than to inflict any further duty on those areas.

2105 Rather than being lenient, in fact, I think we just stepped to a standstill position. That well may change, as we have already discussed. In terms of whether we put duty up or down on TRP, the active decision that was made in terms of the hospitality sector was to reduce the planned increase that existed in the draft Budget down effectively to RPIX whereas, for this sector, it was felt that was not necessary.

2110 Now, I will be quite honest with Members of the Assembly, that is simply a judgement call. We are going to have to make lots and lots of these. The financial difference is an easily calculatable one and it is one that we can be reasonably certain about because obviously the amount of property does not change that significantly from Budget to Budget. The amount that it will cost is £800,000. So it is a simple choice for you. The Committee would like you to reject the application and any others that have significant revenue implications, such as this. Thank you.

2115 **The Bailiff:** Then I turn finally to the proposer of Amendment 2, Deputy de Lisle, to reply to the debate. Deputy de Lisle.

2120 **Deputy de Lisle:** Thank you, sir. I would like to just point out to Deputy Helyar that the money is not lost. The money would come in one year later in terms of the £800,000. Because I am not asking for any reduction in terms of this particular amendment, of what was actually proposed by the States earlier.

2125 I thank Deputy Gollop for the points that he made because I was thinking, just in terms of the debate on minimum wage, if you recall, we had a similar situation with policy really to lift the minimum wage to 60% of the median wage. That was put on hold for one year because of the Covid pandemic and the effect on business that increase might have with regard to retail and hospitality.

We have done it once before. We can do it again, in this particular instance, and it is only a matter of slipping one year, if you like, in order to provide that support, basically, to business, given the current effect of the pandemic on competitive positions across the Island and with the outside economy as well.

Let me also indicate to you that last year the increase was £7.30 per unit, from £13.55 to £20.85, equal to a 54% increase. That was last. This year will be a 29% increase in cost. We are almost looking at 100% increase in just two years on those businesses. Of course, those rates are passed onto the occupiers of the accommodation. So, business will be affected that is actually accommodated in that office category.

The other point that Deputy Gollop made was that a lot of that property actually is vacant at the moment, so it is a problem for many of the owners of that property. It is almost a B category as opposed to an A category, if you like, of office commercial accommodation. My point is that the vacancy rate is high.

The estate agents have indicated to me that it is a problem and they would certainly welcome that particular relief for one year and pay what the other commercial is paying, 1.5% only, rather than 29% increase plus the 1.5% in TRP tariffs to the general office and ancillary accommodation sector.

So, given all that, I would ask Members to support this amendment in that it is, in reality, quite unfair to do anything other in that it is inconsistent with measures taken to restrict TRP to 1.5% due to the impact of Covid-19 on the local economy and on businesses. Can I have a recorded vote? Thank you, sir.

**The Bailiff:** Members of the States, we go the vote in respect of Amendment 2, to the Budget Propositions. This is proposed by Deputy de Lisle, seconded by Deputy Gollop. Deputy de Lisle wishes for there to be a recorded vote and, therefore, Greffier, can you call the roll for the voting please?

*There was a recorded vote.*

*Not carried – Pour 3, Contre 32, Ne vote pas 3, Absent 2*

**POUR**

Deputy Gollop  
Deputy Queripel  
Deputy de Lisle

**CONTRE**

Deputy Fairclough  
Deputy Falla  
Deputy Ferbrache  
Deputy Gabriel  
Deputy Haskins  
Deputy Helyar  
Deputy Inder  
Deputy Kasantseva-Miller  
Deputy Le Tissier  
Deputy Leadbeater  
Deputy Mahoney  
Deputy Matthews  
Deputy McKenna  
Deputy Meerveld  
Deputy Moakes  
Deputy Murray  
Deputy Oliver  
Deputy Parkinson  
Deputy Prow  
Deputy Roffey  
Deputy Soulsby  
Deputy St Pier  
Deputy Taylor  
Deputy Trott  
Deputy Vermeulen

**NE VOTE PAS**

Alderney Rep. Roberts  
Alderney Rep. Snowdon  
Deputy Dyke

**ABSENT**

Deputy Le Tocq  
Deputy Burford

Deputy Aldwell  
Deputy Blin  
Deputy Brouard  
Deputy Bury  
Deputy Cameron  
Deputy de Sausmarez  
Deputy Dudley-Owen

2155 **The Bailiff:** Members of the States I think I can declare that Amendment 2, proposed by Deputy de Lisle and seconded by Deputy Gollop has been lost. There voted Pour 3, Contre 32, three abstentions, two absentees and that is why Amendment 2 was declared lost.

[Amendment 6](#)

*After proposition 16 to insert the following proposition –*

*“16A. “To transfer on 1 January 2021 the sum of £830,000 from the General Revenue Account Reserve to the Overseas Aid & Development Impact Investment Fund within the Consolidated Investment Fund”*

2160 **The Bailiff:** I am minded to move onto Amendment 6, which is to be proposed by Deputy St Pier and seconded by Deputy Roffey. Are you happy to proceed Deputy St Pier? Then we will do that please.

**Deputy St Pier:** Thank you, sir, and I will read the amendment on this occasion, which is:

After proposition 16 to insert the following proposition - “16A. “To transfer on 1 January 2021 the sum of £830,000 from the General Revenue Account Reserve to the Overseas Aid & Development Impact Investment Fund within the Consolidated Investment Fund”

2165 In laying this amendment, I need briefly to take Members through the genesis, history and purpose of the Overseas Aid & Development Impact Investment Fund, which is not to be confused with the Social Investment Fund. For a number of years the Overseas Aid & Development Commission and its predecessor had an annual grant budget that had been increasing each year on an inflation-plus basis. That was the direction of successive States of Deliberation. In fact it was the only Budget line that was protected on that basis and secured real terms growth.

2170 Now, the last Policy & Resources Committee took the view that that was unsustainable in the long-term when other budgets were subject to annual savings targets. So, we entered into a dialogue with the Commission and we suggested that, instead of real terms increases, the budget would instead increase in line with inflation but around an additional £200,000 to £250,000 a year would be invested in a new impact fund.

2175 This was agreed in 2017 and this would give the Commission an extra string to its bow. Not only would it be making annual grants, both large and small, as well as supporting periodic emergency appeals, but it would also now be investing, via a third party investment fund, in development projects, which would have measurable impact goals and which would also be capable of producing a financial return to the Commission. That, in turn, would in time potentially help support the grant programme in the longer term.

2180 In the 2019 Budget debate, held in November 2018, two years ago, it was agreed in fact that we would transfer £1 million of 2017’s surplus – we had surpluses for a couple of years back then – and they would be transferred into the impact fund to kickstart this programme. So that brings us to the present.

2185 The previous President of the Commission wrote to me in September, in my previous role, offering up a 25% reduction in the Commission’s budgeted cash limit, £830,000. As Members will see from page 29 of the Budget Report, the Commission is actually the only budget holder, other than actually Economic Development, taking a real-terms cut in its budget next year. The other reductions on that page are as a result of internal reallocations of budget and, in fact, even Economic Development is still getting a nominal increase of 1%.

2190 Now, I do not know why the Commission offered this up of its own volition, as it was certainly not asked for, certainly not at a political level anyway. But in my previous role, trying to build a balanced Budget for 2021, of course it was naturally gratefully accepted, of course as it has been by our successors on Policy & Resources.

2195 Looking from the other end of the telescope, this decision does look decidedly odd. But let me now turn to explain the impact of this amendment if it is approved by Members of this Assembly. Firstly, it emphatically does not, as the new President of the Commission, Deputy Blin, said yesterday in his media release, go back on the agreed budget reduction.

2200 Now, this statement may be based on a misunderstanding of the General Revenue account reserve, which is soon to be part of the much larger General Reserve. The reserve is a balance sheet asset. Is it not a cash movement in the profit and loss account of the States, which we call the General Revenue Account of the States? Hence the very easy confusion between General Revenue Account, in other words our Budget for the year, and the General Revenue account reserve. Confusing use of terminology, which does not help anyone.

2205 All this amendment does is moves £830,000 of the £2.2 billion portfolio that P&R manages from one set of investment managers to the one tasked with managing the impact fund. It does not change the cash limit for 2021 at the Commission, which will remain at £2.32 million, as set out on page 29 of the Budget Report. It does not increase the deficit for the States in 2021. It is simply a movement between accounts on the balance sheet.

2210 Now, Deputy Helyar's explanation for his Committee's opposition in his email to all Members on Friday is that it would reduce the General Revenue account reserve. So, with respect, I think this is a little misleading. As Members will see from the second paragraph of the explanatory note on the back of the amendment, the only reason for designating it in this way was because of the recommendation from Deputy Helyar's officers, in case Proposition 16, which is the one that reorganises all our reserves, into a single general reserve that I mentioned, does not pass. If that  
2215 Proposition 16 does pass, then the General Reserve will have an estimated, unallocated balance, of around £160 million.

In summary, this amendment is a very modest proposal to add to the £1 million already allocated to the impact fund, which is an investment, it is an asset of the States, and to invest that additional sum in accordance with the mandate of the impact fund, rather than in accordance with the  
2220 mandate of the rest of the £2.2 billion portfolio.

Now, the number in the amendment could have been £500,000 or it could have been £1 million and perhaps it would have been easier if I had picked one or other of those numbers, given that it would have been less confusing to have aligned it with the cash limit reduction in 2021. But, of course, the only logic for picking that number was it happened to be the quantum of that budget  
2225 reduction. With that, sir, I hope that explanation will encourage Members to support this amendment and I look forward to responding to the debate sir.

**The Bailiff:** Thank you very much and Deputy Roffey, do you formally second the amendment?

2230 **Deputy Roffey:** Yes sir.

**The Bailiff:** Deputy Meerveld.

2235 **Deputy Meerveld:** Thank you, sir. I am a little bit confused by Deputy St Pier's introduction. It is presented as though this amendment is simply an accounting practice, to move £831,000 from one position in the accounts to the other. But my understanding of the Impact Development Fund is that it is a closed-end fund, with the proceeds being then utilised to enhance investments.

So it would have a direct impact because my understanding is the previous Committee, under Deputy McSwiggan and the current Committee under Deputy Blin has accepted the reduction in  
2240 the Budget to help provide funds to P&R for use in the recovery of our economy. But if this £831,000 transfer goes ahead, then that money will be now in a segregated account in which P&R will not

specifically be able to access it for that reason. I am also surprised that Gavin St Pier is proposing this but, as he said, in the last term –

2245       **The Bailiff:** Deputy St Pier.

2250       **Deputy Meerveld:** Sorry, Deputy St Pier is proposing this considering in the last term he, as he said, gratefully accepted the reduction in the budget to help in difficult times. Of course, that was six months ago at a time when we were in the depths of Covid one, but the economic outcome for Guernsey was looking not too bad. Not as bad as expected for 2020.

Now, he is proposing that money be moved across and segregated and separated from the funds that could be utilised for recovery at a time when we are facing Covid two. There is talk of a Covid third round and we now have what may look like a no-deal Brexit. All the things which are potential massive negatives for 2021.

2255       So, in his response to the debate I would like if Deputy St Pier could address what has changed in his economic view from the day when he was President of P&R and accepted this money for that purpose and his view now of next year's economic state that would support his desire to move this money into a segregated account where it cannot assist the Island. Thank you, sir.

2260       **The Bailiff:** Deputy Inder.

2265       **Deputy Inder:** Sir, I will not be long and if it helps anyone this part of my speech, I mean I will not be talking in general debate, but it is just we are in extremely different times and I am just going to build a little bit on what Deputy Meerveld said. I just did a very quick tot-up. Amendment 11 would have cost us next year £52,000, Amendment 10, £200,000; Amendment 2, £800,000; Amendment 6, £800,000. If Deputy Meerveld is right that that £830,000 is locked up I then added another £830,000. Amendment 1 will be £1 million and Amendment 7 will be another £830,000. That all totalled, accepting Deputy Meerveld is right, is £4.4 million which we are, effectively, to a degree, denying Policy & Resources and possibly the function of Government over the next year.

2270       In isolation, nothing ever hurts. Nothing ever hurts in isolation but if you start totting up some of these figures and given that we have got a new Policy & Resources Committee, there is a danger that the combination of all of these amendments would have put some kind of stranglehold, if not strangulation, on Policy & Resources' ability to function next year. I would ask all Members to give great consideration to what we are attempting to do today because the consequential effects of all of these amendments would have been limiting the Budget by about £4.4 million next year. Thank you.

2275       **The Bailiff:** Deputy Roffey.

2280       **Deputy Roffey:** Thank you, sir. This is absolutely specifically not reversing the decision to give away, through the grant-aided scheme, this additional £830,000. Let me put on record at the beginning, I am a previous Chairman of the Overseas Aid Commission. Indeed I was the initial Chairman of the Overseas Aid Commission, when it was first set up, and I used to serve on the States' Overseas Aid Committee.

2285       So, I am passionate about overseas aid but I have never been a zealot about Guernsey giving more than it could afford. Indeed, I have been one of the ones that have been a little bit resistant over the years about slavishly following formulas based on percentages of GDP, because I think that the relationship between Guernsey and GDP and what it can actually afford to give is actually very tenuous. I prefer a modest, robust, affordable percentage of our tax take to be given here.

2290       Nevertheless, there is no doubt that if we think we have got it bad as a result of Covid-19, then there are countries in this world that have got it an awful lot worse than us. So I was disappointed that it was felt we could not afford to give the amount that we were previously planning to give.

But it would have been perverse for me to have said, when the Overseas Aid Commission have said, 'No, we will hand this back,' that actually, no that should be reinstated.

2295 So I was not going to make any attempt to do that. But when I saw this draft amendment from Deputy St Pier, I thought it was a very clever way of trying to maintain our moral obligations with a very modest cost to Guernsey. Putting money in an impact fund is not giving money away. For years, I have had money that would otherwise be in my bank account at Lloyds in an impact fund, run by a not-for-profit organisation in Holland. It is still my money and I can get it back if I need it. I hope  
2300 I do not need it that soon but, if I am desperate, I can get it back.

It is invested in impact fund because I want to make an impact in the developing world and this is what Guernsey's impact fund would do. It is not true to say it would have no financial impact at all, because under the rules of this fund, the returns it makes, as I understand it, can be reinvested by the Overseas Aid Commission, either in further loans or in making grants. So we would be losing  
2305 the returns on that £830,000 through General Revenue but we would not be losing that £830,000.

If at some time in the future we decide either that the developing world no longer needs our assistance – I think that is pretty unlikely – or that we are in such desperate –

2310 **Deputy Meerveld:** Point of correction, sir.

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

**Deputy Meerveld:** I think Deputy Roffey is missing the point of what I said before. It would not be available for us to use in 2021 to help the economic recovery. I did not deny that the assets  
2315 would still exist under our control but it certainly would not be something we could give into and use for the immediate economic recovery. Thank you, sir.

**Deputy Roffey:** Unless we are going to spend every single pound in our reserve then we are going to have money sitting in our reserves in one part of this new Central Reserve, this new amalgamated reserve, or another. So I do not think it will make any impact on what we can actually spend. The loss will be, there will not be a loss it will be really used, but the loss of General Revenue, if you like, will be that the expected return on this £830,000, not the £830,000.  
2320

So, as I was trying to say, at some stage in the future if we decide the rest of the world do not need our help, or that we are in such a pickle that we absolutely need to liquidate that fund and get it back for our own use, there is nothing, as I understand it, that will stop us doing this. So, I think this is a really balanced approach. It is still reducing, by £830,000, the amount of money we give away to our grant fund but by investing some of our money a little bit differently, we are still recognising that at this time of all time in its history, countries in the developing world are particularly fragile and could do with some assistance.  
2325

Again, I am not going to die in a ditch over it but I actually thought it was a really clever approach and I am delighted to second it.  
2330

**The Bailiff:** Deputy Blin.

2335 **Deputy Blin:** Sir, as mentioned in the recent press release issued on behalf of the Committee of the Overseas & Development Commission, the commissioners and I are passionate and committed to the work we are doing with the overseas aid, as every project helps and saves lives. Our ongoing commitment is incredibly important, both from the perspective of the good work it does across the world, as well as our obligations as a mature and comparatively affluent jurisdiction to assist those  
2340 less fortunate and vulnerable in the poorest countries. Also because it reinforces our position on the global stage as a good global citizen.

The Covid-19 pandemic has hit us hard and the impact has been greatest on those with the least resources to prevent, control or mitigate its effects. This is why, at this time, perhaps more than ever in the 40-year history the work of the Commission remains urgently needed. As part of this work



2345 we also intend to improve communications, to share the work we do with our community and actually to reduce some of the resistance to overseas aid.

But also we can reassure the Assembly that the Commissioners and myself are confident that next year, within our budget, we will continue to create as much impact as possible amongst those least fortunate. However, a precedent was set for a temporary reduction in overseas aid by former  
2350 Deputy Emilie McSwiggan, previous President of OADC, who returned the £1 million in May 2020 to General Revenue and also agreed to a reduction of 25% in the Budget funding for 2021.

The Commission has now reconfirmed this, following my appointment as the new President on OADC, on the basic principle that, in a time of economic difficulty, we have to recognise the need to help both at home and abroad and especially during this current Covid crisis as this money was  
2355 in effect surrendered to help our Island's economic recovery.

Deputy St Pier approached me, as President as the OADC, and requested that I second this amendment but after consultation with the officers and the commissioners, we concluded that we could not support it because Amendment 6, in effect, goes back on the agreed Budget reduction. We have the amount of money agreed but it is actually talking about the fact it was the £830,000  
2360 difference, which was to be utilised initially by P&R to aid economic recovery in 2021.

So, although we are grateful to Deputy St Pier's desire to help or support overseas aid and see the angles, the commissioners and I could not support this because it would not only go against our group decision to voluntarily accept, at the time, to reduce the overseas aid budget for the benefit of the community, but it would be a U-turn with a well-considered decision being reversed  
2365 on this amendment.

Sir, also having spoken with the previous President of OADC to just get a perspective on how it was when this situation happened and the return of the capital and reduction in the budget, her answer sort of gave me a good indicator of the mood at the time. I am just going to quote a bit of the chat from her. In effect it was bending is better than breaking. There was a feeling that at the  
2370 time the States was in significant financial difficulties as a result of Covid-19 and the Budget was being ... 'eyed-up hungrily'. If we accept that short-term cuts are necessary and play our cards in helping Guernsey to recover from Covid then we are more than likely to retain public and political goodwill and survive in the long term.

If at the time we had tried to claim that overseas aid was untouchable at the same time as other committees were being subjected to serious cuts, which of course it looked like at the time, then we probably would have lost a lot more than that 25% budget. So, sir, it is based on this, that I request that the Assembly does not support the amendment as the commissioners and I do not believe it is the best way forward to assist overseas aid ... *(Applause)*  
2375

**The Bailiff:** Now Deputy Blin, I hope you will forgive me for not mentioning that that was your maiden speech. I am sure everyone else realised that other than me because I was taken slightly by surprise there, which is one of the reasons for gesticulating the way I was just now. Who wishes to speak next? Deputy Ferbrache.  
2380

**Deputy Ferbrache:** Sir, I think Deputy St Pier and Deputy Roffey have accepted that even if their amendment is successful this year, the next 12 months, not one more water well will be made, not one more reservoir will be created, not one more school will be built. Nothing will happen in relation to that £830,000. That money is not going to go away –  
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**Deputy Roffey:** Point of correction, sir.  
2390

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

**Deputy Roffey:** Many of those projects may well go ahead but it will be by loan funding rather than by grant funding.  
2395

**Deputy Ferbrache:** I thank him for that. The £830,000 will not be used. Let me put it that way, then. Hopefully, that does not merit a point of correction. In relation to that, the fact is that the money will stay where Deputy Helyar and the other Members of Policy & Resources propose it stays. Now, it stays there. It is not going to disappear into the ether, it is not going to go away. But this will be a decision that will have to be made in 12 months' time, when the world may be different. I do not think it will be much different. It will be different.

In relation to that, I commend the excellent speech by Deputy Blin, or Blin, I do not know how to pronounce his name. I have known him a long time and I am sure he will not take offence at whatever way I say it. With have been friends for a long time. I respect his speech. The content of his speech was absolutely spot on and really what we are saying, what I am saying, is that this is an amendment without any substance at all, without any merit. It is a genuflective amendment. It does not do anything. It is not going to make anybody better, it is not going to improve anybody's life. It is not going to do anything. It is just an amendment of no consequence.

I would have thought we have got more to deal with, with all the problems we have got to grapple with over the next 12 months and grapple with over the next few days. Grapple over the next 18 days, when we are dealing with, 16 days or however many days it is until the end of the year, with Brexit *etc.* than deal with, with considerable respect, inconsequential amendments that are not going to better the lives of anybody or make any difference at all. So I would ask, perhaps in slightly more direct terms than the excellent speech made by Deputy Blin, to reject this amendment.

**The Bailiff:** No one else is standing so, in customary fashion, I am going to turn to Deputy Helyar who I thought was nominated to reply to this matter on behalf of the Committee, to reply on the debate. Deputy Helyar.

**Deputy Helyar:** Thank you, sir. I do not have very much to add to Deputy Ferbrache's statement, just to back up Deputy Meerveld's comments. This is effectively, I do not disagree at all with Deputy St Pier's comments about the accounting treatment, they are absolutely correct. I also agree with him that the nature of the reserve accounts and so on are very confusing and unhelpful. Hopefully, going forward, we will be able to resolve that.

The difference is that if this money does go into the impact fund, we will not be able to use it for other purposes. It is as simple as that. So, it is really, again a value judgement for Members to decide whether we want to have this money available for other purposes or whether we want it to go towards those amounts in the Impact Investment Fund. Thank you.

**The Bailiff:** Finally, I turn to Deputy St Pier, as the proposer of the amendment, to reply to the debate please.

**Deputy St Pier:** Thank you. Deputy Helyar's comments at the end, actually, neatly book end Deputy Meerveld's at the beginning of the debate, which is this question of whether the funds are in some way, if they are invested in the impact fund, rather than part of the rest of the General Reserve, they would in some way be tied up and unavailable to the States. That is simply not correct.

That would be entirely a matter for resolution of the States. It would be available to the States to resolve to direct the use of the impact fund. If they wanted to, to liquidate it and spend it on whatever they chose to do so. The States have previously indicated, exactly as Deputy Roffey has said, that any gains on the impact fund would be available to the OECD, but that is not a statutory or any other requirement. It is something that the States could easily resolve to do otherwise, if they so wished, if they determined that the exigencies that we face are such that we have no alternative to liquidate the impact fund, including the £1 million that is already there, of course. Remember, there is already £1 million there, then it would available.

I will just perhaps address that again in a moment but as to Deputy Meerveld's other comments, I think the second and third waves of Covid-19, I think, were always inevitable and indeed the history

always suggested that the second wave would be larger than the first and so it seems to be. I do not think anything has really changed actually in that time over the last few months, other than actually our own economic performance and position is actually probably stronger than we anticipated it to be in May or June this year because of our own strong recovery out of an early end to lockdown

Really to respond to Deputy Inder's point, it is just to emphasise he, with respect sir, was adding apples to pears to come to his four-point-whatever million. Deputy Roffey made this point very clear. Putting the money in the impact fund is not spending it. It will not change the cash limits for 2021.

With respect to Deputy Blin, we are all agreed there will be an £831,000 reduction in the cash limit next year. Nobody is challenging that. It is not being put aside out of the way of being able to aid recovery in 2021. Those proposals have not yet been put to us. The Policy & Resources Committee need to develop those, they need to bring those proposals back to us, and with it they will need to bring back proposals as to how they are going to fund it and from where they are going to fund it. I will give way sir.

**Deputy Dudley-Owen:** I am very grateful to Deputy St Pier for giving way because Deputy St Pier has referred on more than one occasion to this will not reduce the cash limit available, though this is an investment fund and my query would be how liquid is this investment fund and, given Deputy St Pier's recent history and his role, he would actually know intimately the details around the investment portfolio and it would be, I think, useful for Members to have a little bit of that knowledge shared with them please.

**Deputy St Pier:** Of course. I am grateful to Deputy Dudley-Owen for asking that question and I think the answer to the question is it would be no more illiquid, in fact in many cases it may be more liquid than quite a number of the other assets that are already held within the General Reserve and within the Consolidated Investment Fund of the States, some of which of course are very liquid, particularly some of the private equity and other holdings that we have.

In the context of a £2.2 billion fund, in the context of the General Reserve with £190 million in, this transfer of £830,000 and investing it in a slightly different way will not have any material effect, I would suggest, on the liquidity of the funds available overall to the States. That is the most straight forward answer I can give in response, based on my experience. I will give way to Deputy Inder.

**Deputy Inder:** Thank you Deputy St Pier. Through you, sir, I am just intrigued, having not an awful lot of knowledge in this area, if today we resolve as a body politick to put something in a fund, which looks like it is going to be there for a year, what is Policy & Resources' mechanism for extracting that out of the fund when we have resolved today to put an amount of money in a fund? Can we just pop up to the cash till? Do they need a requête? If we have resolved today, and this is a democratic Assembly, a place where we give direction, how do Policy & Resources extract that £830k if they need it tomorrow?

**Deputy St Pier:** Again, really, I think Deputy Roffey answered that question with respect to the funds overall that, clearly, if the States were to determine that it needed to spend all of its £190 million in the General Reserve, all the unallocated funds available to it, then it would clearly need to liquidate its entire portfolio and that of course is one of the reasons why, of course, the revolving credit facility was taken on to create the space and time to allow that to be undertaken in an orderly fashion.

So, if the States decided, to answer the question directly, it would clearly be a matter for this States, on the back of the proposals I was referring to before Deputy Dudley-Owen's intervention. P&R would need to come to this States at some point with its recommendations on how to recover and with funding proposals and it would be at that time that the States would have the opportunity to determine from where it is going to fund that recovery and it could, if it so determined, direct

that it comes from this fund if that is what it wanted to do. We are emphatically not locking this away from use by the States, if that is what this States determines in due course.

It is not going to disappear in the ether, then, exactly as Deputy Ferbrache said. It will still be available to the States. He said that it is an amendment of no consequence. I understand the basis of that argument but, as Deputy Roffey was saying, as Deputy Ferbrache was speaking, the point is it will have an opportunity to make a difference in 2021 if it is invested in that impact fund.

That fund itself will be able to engage in development projects, which are capable of obtaining a return, so it is very capable of making an impact in 2021 if we so determine, or it can just sit in the balance of the portfolio with the rest of our assets if the States choose to reject this amendment. I hope that, with a clear explanation, Members will feel inclined, by a majority to support the amendment.

**The Bailiff:** Members of the States, we move to the vote in respect of Amendment 6, proposed by Deputy St Pier, seconded by Deputy Roffey, to insert an additional Proposition after Proposition 16. Those in favour, those against.

*Some Members voted Pour, some Members voted Contre.*

**Deputy Inder:** A recorded vote, please.

**The Bailiff:** I think we will have a recorded vote, Greffier, it is hard to distinguish between the two amounts of noise. So, a recorded vote please, Members.

*There was a recorded vote.*

*Not carried – Pour 16, Contre 22, Ne vote pas 0, Absent 2*

**POUR**

Deputy Falla  
Deputy Gollop  
Deputy Haskins  
Deputy Kasantseva-Miller  
Deputy Matthews  
Deputy McKenna  
Deputy Parkinson  
Deputy Queripel  
Deputy Roffey  
Deputy St Pier  
Deputy Taylor  
Deputy Trott  
Deputy Brouard  
Deputy Bury  
Deputy Cameron  
Deputy de Sausmarez

**CONTRE**

Deputy Fairclough  
Deputy Ferbrache  
Deputy Gabriel  
Deputy Helyar  
Deputy Inder  
Deputy Le Tissier  
Deputy Leadbeater  
Deputy Mahoney  
Deputy Meerveld  
Deputy Moakes  
Deputy Murray  
Deputy Oliver  
Deputy Prow  
Alderney Rep. Roberts  
Alderney Rep. Snowdon  
Deputy Soulsby  
Deputy Vermeulen  
Deputy Aldwell  
Deputy Blin  
Deputy de Lisle  
Deputy Dudley-Owen  
Deputy Dyke

**NE VOTE PAS**

None

**ABSENT**

Deputy Le Tocq  
Deputy Burford

**The Bailiff:** Members of the States, the voting in respect of Amendment 6, proposed by Deputy St Pier, seconded by Deputy Roffey is as follows: there voted Pour 16, Contre 22, two absentees and therefore I declare Amendment 6 lost.

Amendment 3

*In proposition 2 –*

*(i) in paragraph (a) to delete “£50million” and replace it with “£47.75million” and*

*(ii) after paragraph (b) to add the following paragraph –*

*“and (c) £2.25million by, or by any combination of, the following: - a further transfer from the General Revenue Account Reserve; - a reduction in the Budget Reserve; and / or - an increase in the savings requirement; the whole to be decided at the discretion of the Policy & Resources Committee.”.*

**The Bailiff:** The next amendment to which we will turn, Members of the States, is numbered three. It is proposed by Deputy St Pier, seconded by Deputy Trott. Deputy St Pier, are you ready to kick off or would you like the Greffier to read it at all?

**Deputy St Pier:** I am happy to kick off, sir. Sir, once again, by way of explanation briefly – I do not think the amendment does require reading – it is simply to reduce the amount, which is to be taken from the Core Investment Reserve, from £50 million to £47.75 million. The Core Investment Reserve is our Island’s only true savings account. It is, to all intents and purposes, our sovereign wealth fund. It is, of course, what used to be called, the rainy day fund.

At the beginning of 2020, it stood at £198 million. As is noted in paragraph 6.6 of the Budget Report it is so important, the Report says, it needs to be separately maintained. We are also reminded the MTFP, the Medium-Term Financial Plan, the target balance for the reserve is 100% of annual General Revenue income. In other words, £461 million.

So, even before we start drawing down on it this year, the balance at about 40% falls a long way short. Now, having spent eight years patiently leading the work to rebuild our fiscal position, which remember included transferring surpluses of £5 million into the Core Investment Reserve in 2017 and another £12.9 million in 2018, I am the first to put up my hand and say it has indeed been raining in 2020 as a result of Covid-19.

It was for this reason, as President of P&R, I was happy to make the case this year, to this Assembly’s predecessor, that P&R be authorised be authorised to use up to £100 million from the Core Investment Reserve for business support measures. Now once again, in his helpful email to Members on Friday, which I have referred to many times, Deputy Helyar explained that the Committee opposed this amendment and I quote:

... on the basis that the States have already agreed that business support measures can be funded from the Core Investment Reserve. Expenditure on business support measures is expected to total £57 million but P&R, having taken account of all factors, believe that £50 million is the most appropriate draw-down from the Core Investment Reserve.

Now, with respect, I do think this is a little bit of dissembling. The cost of the business support measures is quite irrelevant to this amendment. The fact is that the Committee is budgeting for the largest ever deficit of £23 million next year and that deficit is £2.25 million larger than it needs to be, if the Committee had not made the very conscious political choice that they have to abandon previous policies to raise excise duties on alcohol and tobacco by more than the rate of inflation.

It has also chosen to ignore two extant Resolutions of the States of Deliberation. One in respect of motor fuel, to increase at a level that compensates for the annual reduction in volumes consumed and one following the last tax review in 2015, to double the real value of TRP in our tax system over a 10-year period.

Now, in an ordinary year, if they did this, it would frankly stick out like a store thumb and they would not stand a cat in hell’s chance of getting this Assembly or any of its predecessors to fund that choice out of the Island’s hard-earned savings. This year, they are hoping that the Covid-related numbers are so large that nobody will notice and we will just nod through the use of the Core Investment Reserve to support their policy choice.

2560 Members must remember that whatever is spent out of the Core Investment Reserve can only be spent once. Once it is gone, it is gone. The Committee themselves helpfully remind us at paragraph 6.6 on page 37 that the reserve is ...

... only available to be used in the exceptional and specific circumstances of severe and structural decline in public sector finances or major emergencies.

2565 Now that condition clearly applies to the first £47.75 million of P&R's request, arising out of the Covid-19 pandemic, which clearly is a major emergency. The remaining £2.25 million is not a severe or structural decline in public sector finances, although ironically if P&R pursue this path that is of course exactly the situation that they will take us into. The decision not to follow prior indirect tax policies will of course be popular. No one wants to pay more. But it is weak. It lacks courage and it is irresponsible.

2570 So, what happens if this amendment passes? The world will not fall in on P&R's Budget. It will just put more pressure on them to deliver within Budget. It will put more pressure on them to deliver savings in the year, including the £3.34 million of savings targets in section five of the Report. There is head room, not a great deal of head room, but there is head room, within both the General Revenue account reserve and the Budget Reserve, to accommodate this £2.25 million. We are told at paragraph 3.9 on page 16 that there is provision for funding of a new Seafront Enhancement Committee in 2021. Yet we know that it is unlikely to proceed in the form, with the funding, that

2575 was previously envisaged.

In the final analysis, if they cannot manage then the General Revenue account reserve will go overdrawn. It has happened before. The world keeps on turning. They will just need to come back to this place, to the States this time next year or when the accounts are presented, explain the circumstances and obtain our authority at that stage to make the appropriate transfer to cover the shortfall. That is the right order of events and process in this case and I urge all Members to support this amendment. Thank you, sir.

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**The Bailiff:** Deputy Trott, do you formally second that amendment?

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**Deputy Trott:** I do, sir, and I reserve my right to speak.

**The Bailiff:** Deputy Meerveld.

2590 **Deputy Meerveld:** Sir, I would like to invoke Rule 24(4).

**The Bailiff:** Very good. Under Rule 24(4), Members of the States, those who support debate on this amendment are invited now to stand in their places. This is just about debate. There are fewer than seven Members standing, as a result of which, it means that Deputy Meerveld's invocation of Rule 24(4) carries and the amendment will not be debated and there will be no vote taken on it,

2595

[Amendment 5](#)

*After Proposition 10 to insert the following proposition – "10A. To rescind States resolution 4C of Article II of Billet d'État XIII, 2019 entitled 'Taxation of Motoring.'*

**The Bailiff:** So we turn swiftly, Members of the States, to Amendment 5, which is similarly proposed by Deputy St Pier and seconded by Deputy Trott. So, Deputy St Pier please.

2600 **Deputy St Pier:** Sir, this is to rescind States' Resolution 4C of Article II of Billet d'État XIII, 2019 entitled 'Taxation of Motoring'. Once again I am grateful to P&R for their support of this amendment. The amendment was laid for good governance. The States' Resolution in respect of this Budget was quite clear, namely, to increase by the rate of inflation and any change in sales volume. Committees cannot simply ignore Resolutions of the States if they do not like them and

2605 then, if they do not like them, then they do need to come back to this place and ask us to rescind them.

It is simply not good enough to treat the States, frankly with, I would suggest sir, contempt, by just presenting an alternative Proposition as the Committee have done on this occasion. It is also worth repeating, as I mentioned in the previous debate, or in my previous opening speech I should  
2610 say rather than a debate, on the Core Investment Reserve, that there are also extant Resolutions in relation to TRP, which the Committee should also have rescinded rather than ignored. But I chose not to lay an amendment in that case, knowing that we would be debating TRP in light of Deputy de Lisle's amendment.

I also wanted to use this amendment to remind the Committee that they are under a direction  
2615 to pilot a distance charging mechanism. Again, if they do not like, they do need to come back with alternative proposals and seek our approval. I must say that the idea of adding some kind of alternative tax to insurance premiums, as has been floated, does seem barking to me.

To raise the £20 million of motor fuel equivalent would require hundreds of pounds per vehicle. It would penalise young drivers disproportionately and it would incentivise the retention of older  
2620 vehicles with all the environmental consequences of that and I imagine the motor trade, too, would also be horrified at the potential impact on their business as people trade down or delay purchases to minimise their tax charge.

But those are just my thoughts and if P&R disagrees, it needs to get on and present its alternatives for approval. It cannot just not develop the distance charging directed by this Assembly.  
2625 The problem of falling motor fuel volume sales is not going away and closing your eyes and ignoring the problem is just irresponsible, especially from a Government committed to action this day.

So, I am grateful to P&R's support for this amendment but I would much rather see some ideas and, more importantly, some action towards finding a replacement for Motor Fuel Excise Duty.

2630 **The Bailiff:** And Deputy Trott, do you similarly, formally second that amendment?

**Deputy Trott:** I do, sir, and reserve my right to speak.

**The Bailiff:** Thank you very much. Deputy Gollop.  
2635

**Deputy Gollop:** Sir, I stood to debate the previous amendment but I actually would not have voted for it because I believe, actually, that now we have got a new Policy & Resources Committee and a new Treasury team, we should give them opportunity to make any changes in policy and procedure they wish to make –

2640 **The Bailiff:** Deputy Gollop, the relevance of that to this amendment?

**Deputy Gollop:** The relevance of that to this amendment is that this effectively seeks to, perhaps, tie the hands again of the new team, by implying by what they put forward in the budget  
2645 is not sufficient and adds an additional element to it, which I will resist. I will resist this on this amendment because the difficulty with this amendment is that it presupposes that a major policy change has occurred whereas, in fact, you could argue that the reason why they are not going higher than RPIX is precisely because it is not the right time in the economic cycle to make those moves and does not necessarily imply that the policy had been revoked, of increasing the rate of  
2650 excise duty to a level necessary to maintain the real value of the income.

My personal view is that actually we would be better to abandon permanently increasing this taxation exponentially, because it is a blunt instrument and has not been done in the United Kingdom and we would be better looking at other approaches, such as congestion charging, targeted paid parking and indeed a return of a motor tax. I think all of them would be more suitable  
2655 than this but I will not support this amendment because I think this ties the hands at too early a

stage in this Assembly and we need another year of consideration of the broader environmental and tax policy before we add this.

**The Bailiff:** Deputy Trott.

**Deputy Trott:** Sir, I rise to make two comments. I am already getting the impression in this Assembly that experience counts for very little. Now we debated an amendment, before last, where every single former Member of the Treasury & Resources Committee, that is three former ministers and a former Member, all voted in support of the St Pier amendment because they understand with the clarity that extended periods of exposure of this Assembly bring to public finances. This amendment is about ensuring that the States does not ignore extant Resolutions. In fact, I shall be asking some questions of the Education, Sport & Culture Committee when we reconvene for the normal business of the Assembly later on this week, to that very end.

I am delighted that the Policy & Resources Committee are in favour of this. I suspect it was their lack of inexperience, or lack of experience, that meant that this matter was not dealt with and I think that was probably the case, the amendment before last. But we hope for better things.

**The Bailiff:** Deputy Ferbrache.

**Deputy Ferbrache:** Sir, I would be grateful if we could refrain from castigates, from people endowing themselves with experience and saying that others do not. Some of us may not have been on Policy & Resources but we do have reasonable experience of life. We may have passed our exams as a barrister at 21, we may have been a lawyer for 40 years, we may have run businesses, we may have been chairman of banks in Guernsey, we may have been non-executive directors of Lazards, we may well have other businesses now. So we may have experience even if we have not served on Policy & Resources.

**The Bailiff:** Deputy Inder.

**Deputy Inder:** Sir, I remember the taxation and motoring policy, I remember that direction back in 2019 because I particularly remember that we wanted to go through this process of distance charging and there was some magical device that was going to go on all of the cars, not the bicycles, all the motorbikes, all the old cars, all the new cars and magically a piece of equipment was going to tell you exactly how many miles you did and this magic black box was going to send you a bill and you get charged at the end of the year.

It will come as no surprise to most of the Members in here, I did not vote for it because I thought it was silly today and it will be silly tomorrow. I also remember, and this is a problem I am starting to feel and I was worried that this was going to happen with people on both sides of parties with the creation of parties, is that effectively what we are seeing now is previous Members are forgetting what they said, how they voted, and what they did not do.

I will remind both Deputies Trott and St Pier, who were Members of Policy & Resources at the time, that they were under a previous direction to bring to the Assembly a policy on taxation. They actually apologised for being too late and came up with this nonsense of an idea that somehow every single TR6 Tiger Cub, new bike, old bike, new car, old car, was going to have this magical device on a car that was going to somehow go to this black box, send you a bill and you were going to pay at the end of the year based on this.

It was never going to happen and it was never going to happen then, it will not happen today and it will not happen. So I do hope that, when Deputy St Pier winds up, he does remember what was said in 2017, what was said in 2019, why we had a policy letter in 2019, because the old Policy & Resources did not do what they did. All they did, in my view, was dump it past an election and now dump it on the new Policy & Resources. So I hope we are going to flush this out over the next six or seven months, maybe a year, we are not going to go through the process, as we continue to



do, or some of us do as politicians, forget what they said, forget how they voted and almost every States' Assembly or Meeting, almost they have a factory reset and become exactly the same person with a complete new set of principles. Because that is not what happened.

**The Bailiff:** Members of the States can I just remind you that the debate at the moment is whether to insert a Proposition to rescind an extant States' Resolution. It is no more, no less than that. It is not a debate about the taxation of motoring at this stage. No one else is rising, so I am going to turn to Deputy Helyar, on behalf of the Committee, to reply to the short debate.

**Deputy Helyar:** Sir, as Deputy St Pier has already said, the Committee supports this amendment and I have nothing further to add. Thank you.

**The Bailiff:** Deputy St Pier, the proposer of the amendment to reply to the debate.

**Deputy St Pier:** Thank you, sir and thank you to Deputy Helyar for confirming that. Just to briefly respond to the debate, I think Deputy Gollop has misunderstood the amendment. It is merely rescinding that part of the set of the Resolutions that Deputy Inder referred to that relate to the 2021 Budget. All the other extant Resolutions remain and that really is the point to emphasise to Deputy Inder.

Whilst he may not have liked those series of decisions and he may think they are not going to happen – he may well be right, he insists he is right – the fact is that it does remain an extant Resolution, so somebody does need to rescind it. If you do not like it, come and get it rescinded and that is what needs to happen in respect of that distance charging proposal, if Deputy Inder and Deputy Helyar or any others do not like it, and that is what we are doing in relation to the 2021 fuel tax charge by this amendment and I am grateful to Policy & Resources for recognising that issue and supporting this amendment.

**The Bailiff:** So, Members of the States, we now turn to vote on Amendment 5, proposed by Deputy St Pier, seconded by Deputy Trott, to insert an additional Proposition after Proposition 10. Those in favour; those against?

*Members voted Pour.*

**The Bailiff:** I declare Amendment 5 duly carried.

[Amendment 1](#)

*To insert, after Proposition 10, the following Proposition: "10A. To direct the Policy & Resources Committee to include in The States of Guernsey Annual Budget for 2022 a recommendation for an Age-related standard rate Income Tax Allowance of £2,175 for Year of Charge 2022, such amount to be increased by the percentage increase recommended for the 2022 Personal Allowance, for all persons aged 64 years or over at the commencement of the year of charge, the unused part of any such allowance to be transferable in the same circumstances as a Personal Allowance."*

**The Bailiff:** The final set of amendments, Members of the States, as far as I can work out, are all prospective, as opposed to concentrating to do with what is to do with the Budget for 2021 and the first of those three is Amendment 1, which is proposed by Deputy de Lisle, seconded by Deputy Queripel and therefore I will invite Deputy de Lisle to lay his amendment. Do you wish for it to be read, Deputy de Lisle?

**Deputy de Lisle:** I do not think it is necessary, sir.

**The Bailiff:** Thank you.

**Deputy de Lisle:** This amendment seeks to reinstate the Age-Related Tax Allowance. If approved, this will take effect from 2022, not this year, and would see those aged 65 and over being allowed £2,175 in addition to the General Allowance, currently at £11,875. This would increase each year, based on the annual percentage increase recommended for Personal Allowance.

A decision of the States in 2016 approved the phasing out of the differential over the following four years and it has now reached zero. I would like to thank the Treasury team and Income Tax in helping with the amendment to unravel the history and ramifications of placing this amendment. The table in the amendment was produced by Treasury team and I have been at pains to place the current situation credibly in front of all Members, within this amendment and its explanatory note.

Pensioners were hit hard and to my mind unfairly by the withdrawal of the age-related allowance in the Budgets of the last term. The Income Tax Authority have indeed traced the Age-Related Tax Allowance going back to 1964 and if they had been able to find the material before that, they believe that perhaps it might extend even further back than 1964.

When the Personal Tax, Pensions and Benefits Review reported in 2014, the Joint Board, as it was called, recommended the Personal Allowance should be increased to the level of the Age Allowance. In order to do that, the Joint Board recommended that the Age Allowance should be frozen, until, and I emphasise the word until, the Personal Allowance available to working age people caught up.

So, it was seen as a temporary freeze in Age Allowance only. I must emphasise that the Joint Board was mainly concerned with increasing the Personal Allowance and finding some way of finding the money, essentially. So, what they did was to take it away from the elderly. As you can see it was done over four years and came to zero.

So, this Proposition, which was put before the States in 2015, is written immediately below the explanatory note, to agree to freeze the Personal Tax Allowance provided to those over the age of 64, until such time as the Personal Tax Allowance for those under the age of 65 reaches the same level. That was what came out of the Personal Tax, Pensions and Benefits Review. But then they added ...

... and thereafter that the personal tax allowance for all taxpayers should be the same and direct the Treasury and Resources Department to bring forward proposals to effect this in its annual Budget Reports.

So I am being quite up front with the States. This was introduced in 2016. It was phased over four years, 2017-2020, and the effect of the increase in Personal Allowance and the freeze in Age Allowance is shown in the table in the explanatory note and it has now taken full effect. The explanatory note table shows the Personal Allowance increase, the Age-Related Allowance, the annual reduction in Age-Related Allowance, the Age-Related Allowance if it had been increased by the same percentage as the Personal Allowance, all in years 2016 right through to 2021 and I appreciate the work that was done by Treasury to assist us all in this debate.

Sir, pensioners took a hit to give all taxpayers a lift. That is the story. The States went beyond the recommendation of the Tax and Benefits Review of 2015 to keep both at the same level. But this denied the elderly the age tax allowance that they had held since 1964 at least and perhaps earlier. This amounted to cutting the support to the elderly by £4 million a year. That is £4 million a year being lost to older people.

The elderly are losing out like never before. (**A Member:** Hear, hear.) I have to indicate that of course two thirds of pensioners reach the tax threshold with under £50,000 a year. It is tax relief, if you like, on those that need it most.

I also note figures from Social Security that show that only 27% of pensions are paid out at the full rate. Less than one in three receive the full pension. In fact the average payment is £135 a week; 37% of pensions paid to men are at the full rate. But for the ladies, only 18% actually are at the full rate.

So the cut in support to the elderly is a serious issue for the States and I think it should be looked at quite seriously by this States, who want to see a change. A change from some of the deliberations of the last States and this is one way that the States can make a change and value the elderly. So I ask Members to support reinstatement of the Age-Related Tax Allowance. Thank you, sir.

**The Bailiff:** Deputy Queripel do you formally second the amendment?

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**Deputy Queripel:** I do, sir, and I would like to speak now if I may?

**The Bailiff:** We will just pause very briefly to see if anyone leaps to their feet. Deputy Oliver.

2805

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

**The Bailiff:** Not to speak.

**Deputy Oliver:** I will let Deputy Queripel –

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**The Bailiff:** I will call Deputy Queripel if nobody wishes to say anything further. Deputy Queripel, then, to speak.

**Deputy Queripel:** Sir, thank you. There is no one in this Assembly or the previous Assembly or even the Assembly before that who has worked with pensioners who have struggled to survive financially as much as I have. I have worked with thousands these last eight-and-a-half years. Not only in my capacity as a Deputy but also in my capacity as founder and chair of the Age Concern Fuel Fund for six of those years and in my capacity as the actual chairman of Age Concern for three years.

2820 I have worked with all of those pensioners, in the main because the vast majority of them were struggling to survive financially. I managed to secure additional benefit payments from social security for a few of them but actually, I did not count the numbers, but I suspect something like 30. I make no apology whatsoever sir for costing Social Security hundreds of thousands of pounds in the last eight years. I make no apology because every single penny of those hundreds of thousands of pounds has gone to some of the most needy Members of our community.

2825 It could be argued that those needy pensioners are in the minority but I would rally against such an argument because, in my experience, the majority of pensioners here in the Island are struggling financially and therefore need all the allowances they can get. In saying that, of course, I am only too aware that some of our pensioners are millionaires. Some of them are comfortably off and long may that continue. But the majority of the approximately 18,000 pensioners who draw a pension are struggling to survive financially, every day, of every week, of every month, of every year.

2830 We must not allow ourselves to be influenced by statistics. Because they are released on the basis of the evidence of the people who have applied the data etc. relating to applications. At the last count less than 1,000 pensioners receive Income Support, which on the fact of it gives the impression that 17,000 pensioners must be managing well enough financially but nothing could be further from the truth, because thousands of our pensioners fall between the cracks. They own their own homes but they cannot afford to maintain them and many of them cannot even afford to heat them.

2840 Coupled with the fact, of course, that many of our pensioners simply would not go to Social Security because they are ashamed to be in the position they are in although it is very often no fault of their own. They do not want to go cap in hand to their Government asking for a handout. Those are not my words but the words of all the pensioners I have worked with over the years.

2845 So what sort of levels of struggle am I talking about here? Well, in support of this amendment, I would like to cite three examples, three of several hundred I could actually cite, I hasten to add. Starting with an applicant to the Fuel Fund, whose home my assistant and I visited not so long ago. The house itself was falling down around the lady's ears. Panes of glass were missing from the windows, slates were missing from the roof. The front door was so rotten it could not be used.

2850 We went through the back door, which was also difficult to open, and had to negotiate various obstacles like basins and buckets, catching water falling from the ceilings. We were shown to a lounge where a coal fire was burning and the room itself was fairly warm, compared with the rest

of the house, which was absolutely freezing. There was a bed in the corner of the room, a television on a table and the only other item of furniture in the room was a chair by the fire. The lady told us she used the lounge as her bedroom because that is the only room she could afford to heat.

2855 I told her that I thought the drapes she had from floor to ceiling on the external walls was an excellent way of keeping the heat in the room and she said it was not to keep the heat in, it was to keep the smell of the damp walls out. She explained that if I went to open the drapes I would smell it for myself and I did and I felt ill. The walls were sopping wet with damp.

2860 I eventually managed to persuade her to apply for Income Support, but that took a lot of persuading and she eventually got weekly Fuel Allowance and Income Support. But she really did not want to go. She was too embarrassed.

2865 I just want to express my gratitude through the Chair, to the staff of Social Security, who in eight-and-a-half years have never once failed to deliver. They are always helpful and totally professional at all times. Because they are bound by the policies and regulations we the politicians put in place. I can assure colleagues who have not worked with staff at Social Security there is no need to be fearful. They are amongst the best I have worked with in the Civil Service in all my years as a politician.

2870 The second example I want to cite is I was asked to help an elderly couple establish whether or not they qualified for Income Support. They had no intention of going, to apply for it, they just wanted to know whether they qualified for it or not. This also happened not so long ago. When I first met the couple they were sitting in their lounge, in the middle of winter, with hats, coats and gloves on, blankets over their legs, hot water bottles on their lap, in front of a one-bar electric fire, sneezing constantly, blowing their nose. They just could not get warm.

2875 Two pensioners cuddling up together on the sofa might sound romantic but the reality is it was an extremely sad sight. I made enquiries at Social Security and it transpired the couple did not qualify for Income Support. They had slightly more than the savings level, which at that time was £15,000 for a pensioner couple.

2880 They did not want to spend any of the money because they wanted to have enough money in the bank to pay for their own funerals and also because they had had an £8,000 estimate for roof repairs. So, presumably, they are still falling between the cracks. I am afraid I lost touch with them from pressure of work, although I did manage to arrange for regular food parcels to be delivered to them by a local charity. So, presumably, they continue to fall between the cracks. They need every penny they can lay their hands on, every allowance they can get would be most appreciated.

2885 The final example, I want to cite and attempt to get my colleagues to realise that the majority of pensioners are struggling to survive financially. In this day and age, right here, right now. It really makes me very angry when people keep saying we are an affluent Island because, if we are such an affluent Island, how come the affluence does not filter through to those people who need it and fall between the cracks?

2890 The last example was a gentleman, he had not long lost his wife. He was beside himself with grief. He bought all his food from the out-of-date bins in supermarkets. He did not have any savings but he was ashamed to go to Social Security for what he referred to as a regular handout. He had been a responsible citizen all his life, paid Income Tax, paid Social Security, raised a family with his wife. Never had a family holiday. Totally committed to being a responsible citizen.

2895 He eventually managed to get a part-time job and he is only just managing to keep his head above water but, once again, every day for him is a struggle. He is one of the thousands who needs this amendment to succeed to give him hope for the future and that is how the majority of our pensioners live. They live in hope that something will change for the better. Here is an opportunity for us to effect a change for the better for our pensioners, who do struggle to survive financially.

2900 Moving towards a close, sir, I need to declare an interest in that I am a pensioner and I will benefit if this amendment succeeds today. Now, it could be argued that I am exaggerating and painting a very black picture. If any of my colleagues think that, just ask me to ask permission to visit the homes of some of the pensioners and they can see for themselves that I am not

exaggerating. Some of our pensioners are living in appalling conditions in this day and age, in this affluent Island.

2905 It also could be argued that those at the bottom of the ladder do not earn enough to pay tax anyway and I get that. But we are not just talking about those at the bottom of the ladder here. We are talking about those in the middle, who also struggle financially every day of the week, every week of the month, every month of the year.

2910 This is a fact. There are a lot more at the bottom and in the middle than there are at the top. Why should they go cap in hand humiliating themselves and saying, 'Please Mister, can I have a little more?' It is a really awful position to be in and part of the reason for them being in that position is because governments make life difficult for pensioners. Governments, in the main, do not value pensioners. Well, pensioners are special people in my book.

2915 They made it through all the trials and tribulations, through all the heartache and the stress of life, in the hope that life would get a little easier in their old age. For the majority it has not. To them, the thousands of pensioners I have spoken to over the years, there is no incentive to be a responsible person for the 50-plus years of your working life. It is probably okay for most of us in here who are pensioners. Things have gone well for us. But out there, in the community, there are thousands of pensioners who, through a little bit of hard luck, things are not going well, they are in a position they really do not want to be in.

2920 They are wondering why, after 50-plus years of their being responsible citizens, they are treated just the same as everybody else, instead of being treated as someone special. Pensioners deserve respect and they deserve to be treated as special people. After all, they have earned it. Some of my colleagues, or some people out in the community, might say that is discrimination. It is not, as far as I am concerned. Some may say I cannot say that. Well, I just said it and I stand by it and I have  
2925 no intention of withdrawing it. Pensioners have a right to be treated as special and not discriminated against in any way, shape or form.

Before I close sir, I would just like to take the opportunity, if I may, to publicise the Age Concern Fuel Fund, which is running until the end of April, for any pensioners struggling to survive financially. Please call 263228. That is the Age Concern helpline. As I said, here in front of us is an opportunity  
2930 for us to make life a little easier for our pensioners, many of whom are amongst the most needy in our community.

Not only that, of course, my speech is focused on that in the main, but this is a matter of principle as well. If we are not prepared to provide assistance to our pensioners and treat them as special people then, in my opinion, we should all resign, go home and hang our heads in shame. In closing,  
2935 I ask for a recorded vote when we go to the vote, please, thank you.

**The Bailiff:** Deputy Roffey.

**Deputy Roffey:** Thank you, sir. Before I turn to the specifics of this amendment I would just like  
2940 to respond to some of the content of Deputy Lester Queripel's speech. I thank him for praising the staff at ESS and I think he is right to do so. I, however, am concerned about some of the language used about why should people have to humiliate themselves going cap in hand to ESS.

I do not deny that many elderly Islanders do have some old-fashioned views about that but I just we have got to be really careful about reinforcing them. Nobody that is coming to ESS to ask  
2945 for their absolute entitlement and rights under our Income Support system is coming cap in hand. They are not. They are not begging. They are not asking for something that they are not entitled to and I really think we have to be careful not to reinforce that because, if we reinforce it, there will be even more people out there, that he is aware of, that are not coming forward in order to actually resolve their situation. So I really wanted to put that on record.

2950 I have listened to Deputy Queripel for a long while, but I will give way because I know he feels strongly about this.

**Deputy Queripel:** I thank Deputy Roffey for giving way. I am glad to hear him say that. Absolutely delighted to hear him say that. Let us get that message out there. Those words were not my words, those words were the words of pensioners I have worked with over the years who feel they are going cap in hand. They are embarrassed to be in the position they are in and sometimes even I cannot convince them. The staff at Social Security are wonderful. They are very helpful. They bend over backwards to help. There is no need to be humiliated or embarrassed, so I am glad to hear Deputy Roffey say that. Thank you.

**Deputy Roffey:** I will not take it any further. I just think we have to be careful in debate in here not to reinforce messages that would make some feel uncomfortable about coming forward for what is their absolute entitlement.

Now there are two questions with this amendment. One is whether the States were right to phase out the additional Age-Related Allowances and the second one was whether this was the right response if that was a mistake. I was in, I think, quite a small minority, with Deputy de Lisle, in actually resisting the phasing out of Age-Related Allowances. I thought that recommendation from the joint investigation into tax and benefits was wrong. It was not because of any patronising view that all pensioners were poor. I know some of them are living a very straitened life. Others, with big occupational pensions, are quite comfortable.

So it was not an implication that we have to give extra allowances to pensioners because they tend to be poorer, although I think statistically that is probably the case. It was more because I was told when I first came to the States in the early eighties, the reason why those additional allowances were there was to recognise some of the additional costs that fall on you as you get older. You do tend to need more heating cost, both because you feel the cold more and because you are at home a great deal more of the time.

You do tend to have more medical costs, because it is just one of those facts of life that some people are really lucky, but generally speaking, you have to have more medical interventions as you get older. You are less likely to be able to do your own DIY as you become an elderly person, therefore you are going to have some extra costs.

So I actually put two amendments at two separate Budget debates to try and stop the phasing out of the Age-Related Allowances. I have to say that both of those amendments were fully costed and with funding mechanisms in to make sure that they were absolutely affordable by reducing expenditure elsewhere. That is one of the things that worries me about this amendment. I know it is not talking about next year, so Deputy de Lisle will no doubt say in his summing up, 'That is fine, there is 12 months for P&R to find the extra £4 million that this is going to cost and they can do it in any which way that they want.'

I would have had more time, though, for this amendment, I think, if there had been some indications about how Deputy de Lisle felt that that should be funded. Perhaps reduction of other people's Personal Allowances, slightly, in order to redistribute to people above a certain age. That is my second question: what age?

There is an obsession with 65 in this amendment and yet that is not going to be the pension age. It is not pension age now. It is going to be even further from the pension age, when this actually comes back for the tax year 2022. Maybe that is wrong or right, but I actually think the real problem with pensioner poverty tends to be further up the age scale. Most people when they retire have some sort of savings. It is really the 75-plus where you have a real problem.

But I think my biggest issue with this is just the assumption that everything else in our Income Tax structure will be the same in 12 months' time and you just add on the additional Age-Related Personal Allowance to it. In fact, it actually says, adjusted for whatever the Personal Allowance will be in percentage terms.

As I said earlier in the day, I really hope we are going to deconstruct our tax system a bit, put it back together, so that we can focus help on those that need it most. So I will be in there advocating for giving that extra help that I do believe it is right to focus on the more elderly in our community. I think that is absolutely right but I think that has to be part of this discussion. This fundamental tax

3005 review, rather than an amendment that assumes everything else in our tax system will be identical in 12 months' time and we just spend £4 million, which we will fund somehow, to add this on.

So I have to say, through you sir, to Deputy de Lisle, I understand where he is coming from, but I just do not think that he has got this right and I think we just have to look at it as part of the Tax Review.

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**Deputy Leadbeater:** I would like to invoke Rule 26(1), please, sir.

**The Bailiff:** Deputy Leadbeater wishes to close debate on this amendment, so I am going to invite those Members who wish to speak, who have not yet spoken on Amendment 1 to stand in their places first, please. There is just one Member stood. Do you still wish me to put Rule 26(1) to the States?

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

**The Bailiff:** In that case, Members of the States, subject of course to the usual winding up, there will be no speeches from other Members. That is the motion being put under Rule 26(1). Those in favour; those against?

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*Members voted Contre.*

**The Bailiff:** I will declare that carried, which means that I will now turn to Deputy Helyar, on behalf of the Committee, to reply to the short debate on this amendment.

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**Deputy Helyar:** Sir, thank you very much. I would like to pay tribute to Deputy Queripel's moving speech. Nobody, certainly, wishes to hear of or support suffering of the kind which he describes and, like minds with Deputy Roffey, I do hope that when we look at the tax system we can ensure that the focus is in the right area.

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But, as it is Budget Day and I gave a long speech this morning about what we can and we cannot do at this moment in time, there is no financial capacity for us to approve an amendment of this type and, for that reason, P&R will be rejecting the amendment and we ask you to support that. I say that with a heavy heart. It is Christmas and it is certainly not nice to hear of those sorts of experiences at this particular time. But unfortunately that remains the position. Thank you.

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**The Bailiff:** Now, Deputy de Lisle to reply to what other Members have said in debate. Deputy de Lisle.

**Deputy de Lisle:** Yes sir. I noted some of the points that Deputy Helyar had brought out in his report on the various amendments and I need to point out that the Joint Board, in its review in 2015, made a number of points. It really researched this area in some detail and it showed that the lowest pensioners, typically those with no private pension, who are highly reliant on the States' Pension, may not actually have an income high enough to pay tax. But that was only 9% of households that would fall in that category.

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They showed that 25% of pensioner households have an equivalent gross income of more than £50,000. So it means that two thirds of pensioners reach the tax threshold with under £50,000 a year and it is a tax relief for those that need it most in fact. I also noted the figures that were given by Social Security to me, indicating that only 27% of pensions are paid out at the full rate and, in fact, less than one in three received a full pension –

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**The Bailiff:** Deputy de Lisle, can I just remind you of Rule 17(4) that says the Member who replies to the debate shall respond to the points made during the debate only and shall not rehearse any new or further arguments. If there were arguments you wanted to make you had the opportunity

to make them when you were opening debate on this amendment. There have only really been the two speeches, Deputy Queripel's, Deputy Roffey's and a very brief reply from Deputy Helyar. Those are the points that you are entitled to reply to.

**Deputy de Lisle:** Right, well perhaps I will go on then to give my thanks to Deputy Queripel for his support and giving us all some insight into the work that he has conducted over the past number of years with pensioners. Also, to make the point that the Joint Board, again, recommended that the Age Allowance should be frozen until the Personal Allowance available to working age people caught up and that was it. They did not go any further.

It was seen as a temporary freeze in Age Allowance only and this was introduced in 2016, over four years, 2017-2020, and the effect of the increase in Personal Allowance and the freeze in Age Allowance is shown in the table, as I mentioned before. Pensioners took a hit to give all taxpayers a lift. I think, in many cases, being promised that it would return following that lift.

So, I would like to make another point and that is that the whole tax system was reviewed in '89, when marginal relief was abolished. That was the year that the tax system in this Island was simplified and the exemption allowances at that time were used to help to determine what level of Personal Allowances would be going forward. The review saw the Single and Married Allowance of £4,200 and £8,400 increased by £700 for single over-64 and married over-64, two in married couples where both were over 64, to £1,400.

Now, they did a full review. They came to the conclusion that that allowance should be continued. The last States did not do that. They went the other way and threw it all out. That is how they respected the elderly. So, as I say, the States went beyond the recommendation of the Tax and Benefits Review in 2015 to keep both at the same level, but this denied the elderly the Age Allowance since 64, at least. This amounted to cutting the support to the elderly by £4 million and that is £4 million a year being lost to older people in this Island. As I say, the elderly are losing one thing after another and it is just not fair. **(A Member: Hear, hear.)**

The elderly are losing out like never before in this Island. Do not forget that is 25% of our population. So you are hitting out at a quarter if you do not support this. Sir, it is Christmas, we have been told, and Members in here may be well-heeled, so I hope you will all support parents and grandparents. Mine wish me luck. Thank you, sir. Please support this.

**The Bailiff:** Members of the States, it is now time to vote in respect of Amendment 1, proposed by Deputy de Lisle, seconded by Deputy Queripel, who has requested that there be a recorded vote. It is to insert an additional Proposition after Proposition 10. So, Greffier, a recorded vote please.

*There was a recorded vote.*

*Not carried – Pour 6, Contre 30, Ne vote pas 0, Absent 4*

**POUR**

Deputy Gollop  
Deputy Le Tissier  
Deputy McKenna  
Deputy Queripel  
Deputy de Lisle  
Deputy Dyke

**CONTRE**

Deputy Fairclough  
Deputy Falla  
Deputy Ferbrache  
Deputy Gabriel  
Deputy Haskins  
Deputy Helyar  
Deputy Inder  
Deputy Kasantseva-Miller  
Deputy Mahoney  
Deputy Meerveld  
Deputy Moakes  
Deputy Murray  
Deputy Oliver  
Deputy Parkinson  
Deputy Prow

**NE VOTE PAS**

None

**ABSENT**

Deputy Le Tocq  
Deputy Leadbeater  
Deputy Matthews  
Deputy Burford



Alderney Rep. Roberts  
Deputy Roffey  
Alderney Rep. Snowdon  
Deputy Soulsby  
Deputy St Pier  
Deputy Taylor  
Deputy Trott  
Deputy Vermeulen  
Deputy Aldwell  
Deputy Blin  
Deputy Brouard  
Deputy Bury  
Deputy Cameron  
Deputy de Sausmarez  
Deputy Dudley-Owen

3090 **The Bailiff:** The voting in respect of Amendment 1, which was proposed by Deputy de Lisle, seconded by Deputy Queripel. There voted in favour 6, against 30. Four Members were absent at the time of the vote and that is why it is declared lost.

[Amendment 7](#)

*After proposition 13 to insert the following proposition –*

*"13A. To direct the Policy & Resources Committee that the baseline for the 2022 cash limit for the Overseas Aid & Development Commission shall be £3.15 million".*

**The Bailiff:** If we can move next to Amendment 7, which is to be proposed by Deputy St Pier and seconded by Deputy de Sausmarez. Deputy St Pier are in you in a position to proceed straight away?

3095 **Deputy St Pier:** Yes sir.

**The Bailiff:** Thank you.

3100 **Deputy St Pier:** I will read the amendment:

*After proposition 13 to insert the following proposition –*

*"13A. To direct the Policy & Resources Committee that the baseline for the 2022 cash limit for the Overseas Aid & Development Commission shall be £3.15 million"*

3105 Sir, P&R have advised in one sentence that it does not oppose this amendment but considers it unnecessary as the reduction offered by the OADC was for 2021 only and does not affect the base position for 2022. That seems clear enough. But it then says it is not prudent to commit cash limits to any committee which are more than 12 months away. So, I am a little unclear and I am sure Deputy Helyar will clear that up for me.

The latter statement, in my view, does make it absolutely necessary that the States should give direction. Now, once again, the States have debated overseas aid several times in recent years and set a policy course, which this new States can, of course, change. But it should do so clearly and openly.

3110 If P&R does need or want to come back this time next year, based on conditions then prevailing, with a Budget recommendation for a different cash limit to that which it would otherwise be, it is of course completely unfettered and free to do so. But it is entirely reasonable that it should be doing so seeking a departure from the 2022 baseline, set in accordance with, once again, extant policy, rather than from the exceptional baseline of the 2021 cash limit, following events this year. I  
3115 do not think there can be any good reason, actually, to oppose this amendment and I hope that Members will support it and I hope that Policy & Resources' comment that it does not oppose it means that they too will be supporting it.

**The Bailiff:** Deputy de Sausmarez, do you formally second the amendment?

3120 **Deputy de Sausmarez:** Yes sir.

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

3125 **Deputy Meerveld:** Sir, I would like to invoke Rule 24(4).

**The Bailiff:** Okay. Deputy Meerveld wishes to move a motion pursuant to Rule 24(4), so I am going to invite those Members who support there being debate on this amendment to stand in their places. If fewer than seven stand there will be no debate. There are eight Members standing and therefore Rule 24(4) does not carry. Now who would like to actually speak in debate?

3130 **Deputy Inder:** Sir, I am going to go for 26(1) then please.

**The Bailiff:** We are moving swiftly to Rule 26(1). Would those Members who would wish to speak in debate now, rather than those who supported there being debate, but those who are actually positively going to stand up at some time and speak in debate, please stand in their places. Is it still your wish, Deputy Inder, that I put a motion under Rule 26(1) to the States?

**Deputy Inder:** I will withdraw it, sir.

3140 **The Bailiff:** Thank you very much. In that case, which of the two of you wants to speak first? Who is going to stand up? Deputy Falla.

**Deputy Falla:** Thank you, sir. We face challenging times and we all recognise that finances are tight and tightening further. It has been a repeated concept today. But we are relatively well off and it is our duty as global citizens to give proportionate support to those who are much worse off than we are.

3145 In the past, the overseas aid charities supported have been carefully chosen to focus on those who help themselves. So it is not just about giving what we perceive we can afford, it is about investing in our global citizenship. The UN's target for international aid spending on development assistance is 0.7% of donors' national income. Guernsey is paying what some might regard is a woeful 0.1%. At the very least, uncomfortably underweight, which we temporarily reduced by 25% for 2021.

3150 To play our part in the world it is important that we take our global responsibilities seriously. By the world's standards we are rich. We benefit from the wealth of the world through our financial services industry and we should be doing our part towards rebalancing the inequality of wealth around the globe. I realise that anything decided today could change again in the 2022 Budget proposed by P&R in a year's time but I do consider it is important that we are intentional now about restoring our below-par contribution for 2022. Thank you, sir.

3160 **The Bailiff:** I am going to call the President of the Overseas Aid & Development Commission, if he is going to stand up again, who might like to tell us how he would like his name to be pronounced, first, please, because we have had a variety of versions.

**Deputy Blin:** I honestly do not mind, sir.

3165 **The Bailiff:** You do not mind, whatever you are called? (*Laughter*) Can I suggest to Members of the States that it is a binary choice between an Anglicised or a Francophile version, so Deputy Blin.

**Deputy Blin:** Thank you. Sir, as I mentioned in my previous speech, Deputy St Pier approached me as President of the OADC and requested I second this amendment. But, after consultation with the officers and the commissioners, we concluded that we could not support it. When this amendment was first presented to me, I considered it fairly innocuous and I was inclined to support it.

However, after further consideration, I decided that it was inappropriate to request that the Assembly prejudge overseas aid funding for 2022 when we are facing unprecedented economic dislocation, from the double whammy of the economic impact of Covid-19 and Brexit on top, already a constraint on Government finances.

The commissioners, officers and I have discussed this at length and have concluded that it would be premature and inappropriate to try and predetermine the 2022 overseas aid budget until we have a better understanding of the economic consequences of Covid-19 and Brexit on our own economy.

However, we did think it prudent to contact P&R, regarding whether the start point for consideration would be the levels of funding previously agreed. They did kindly confirm that this is the case, which in our case and for myself made Amendment 7 irrelevant. It may be that P&R will feel it necessary to recommend a reduction in the 2022 Budget for overseas aid but this is something neither us nor P&R can predetermine. So the Overseas Aid & Development Commission can stand ready to consider the 2022 Budget when the time is appropriate and the economic situation is clearer. We did ask that this amendment not be laid but, as it has been done, it is my request not to support it.

**The Bailiff:** As no one else is standing, I will turn next to Deputy Helyar, on behalf of the Committee, to reply to that short debate. Deputy Helyar please.

**Deputy Helyar:** Thank you, sir. I would just like to echo everything Deputy Blin said. We have had a discussion about this. In an ideal world we would be matching the Budget as it was set last year and, going forward, we would be very happy to do the same thing. But that requires us to reach a level of financial confidence, more than a year away, which I do not know where we are going to be.

I think I said that quite clearly this morning. There is a level of uncertainty in the Budget, which is probably higher than any Budget that has ever been delivered in this Assembly. It is prudent, certainly, to make a commitment, because that is an international obligation as much as anything else, and I think it is absolutely right for Deputy Falla to point that out and we should make that commitment. But I do not think P&R should be tied by an amendment to do something a year into the future when we may come back and decide to do something completely different.

So, I leave it to Members of the Assembly to make up their own mind. As I say, we are agnostic on the promise because we may come back and say something completely different. So I leave it to the Assembly.

**The Bailiff:** Finally, Deputy St Pier, as the proposer of Amendment 7, to reply to the debate.

**Deputy St Pier:** Sir, I think in many ways, we are all agreed, exactly as Deputy Helyar says, that the Policy & Resources Committee will be perfectly entitled, as I said in my opening speech, to come back next year with an appropriate recommendation based on circumstances that are existing at that time. All this amendment does is it does not bind either P&R or this Assembly, it merely sets and expectation, as Deputy Falla has said, about what the baseline ought to be.

Clearly, if we are unable to meet that baseline, for reasons that exist in a year's time, as we have been unable to do this year for 2021, then an appropriate Proposition will be put by P&R. So, on that basis, I think it is exactly as Deputy Falla said it is about being intentional and I hope that Members will support it on that basis.

**The Bailiff:** Members of the States, we now move to the vote on Amendment 7, proposed by Deputy St Pier, seconded by Deputy de Sausmarez. Those in favour, those against?

*Some Members voted Pour, some Members voted Contre.*

**That Bailiff:** That was a bit half-hearted, was it not? In both. I find it difficult to distinguish between the two votes there so we will have a recorded vote on Amendment 7, please Greffier.

*There was a recorded vote.*

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

POUR	CONTRE	NE VOTE PAS	ABSENT
Deputy Falla	Deputy Fairclough	None	Deputy Le Tocq
Deputy Gollop	Deputy Ferbrache		Deputy Burford
Deputy Kasantseva-Miller	Deputy Gabriel		
Deputy Matthews	Deputy Haskins		
Deputy Roffey	Deputy Helyar		
Deputy St Pier	Deputy Inder		
Deputy Bury	Deputy Le Tissier		
Deputy Cameron	Deputy Leadbeater		
Deputy de Sausmarez	Deputy Mahoney		
	Deputy McKenna		
	Deputy Meerveld		
	Deputy Moakes		
	Deputy Murray		
	Deputy Oliver		
	Deputy Parkinson		
	Deputy Prow		
	Deputy Queripel		
	Alderney Rep. Roberts		
	Alderney Rep. Snowdon		
	Deputy Soulsby		
	Deputy Taylor		
	Deputy Trott		
	Deputy Vermeulen		
	Deputy Aldwell		
	Deputy Blin		
	Deputy Brouard		
	Deputy de Lisle		
	Deputy Dudley-Owen		
	Deputy Dyke		

3225 **The Bailiff:** That is much clearer, Members of the States, as a result of that. If that vast number of people who voted Contre had spoken up a bit louder then we would not have had to have a recorded vote! I am going to declare Amendment 7 duly lost.

3230 The voting in respect of Amendment 7, which was proposed by Deputy St Pier, seconded by Deputy de Sausmarez, was that there voted Pour 9, Contre 29, two absentees and that is why Amendment 7 was declared lost.

[Amendment 4](#)

*After proposition 21 to insert the following proposition –*

*"22. To direct the Policy & Resources Committee to include consideration of the impact of duty free on its review of the tax base."*

3235 **The Bailiff:** We reach the 12th and final amendment to the original Propositions, and that is Amendment 4, which is to be proposed by Deputy St Pier and seconded by Deputy Trott. Deputy St Pier, are you ready to move ahead?

**Deputy St Pier:** Yes sir:

After proposition 21 to insert the following proposition –

“22. To direct the Policy & Resources Committee to include consideration of the impact of duty free on its review of the tax base.”

Sir, in view of P&R’s indicated support, for which I am grateful, I will be brief. The amendment of course does no more than direct P&R to conclude a review of duty free in its tax review. The 2022 experience of substantial additional tobacco and alcohol excise duties attributed at least in part to the absence of availability of duty free, given the limitations on Bailiwick residents’ travel, must of course give us all, and P&R in particular, pause for thought as to whether it needs to look at duty free.

I do take Deputy Helyar’s point that this could have simply been requested without an amendment. But Deputy Helyar, in making that point, will not be aware, that duty free has been looked at before, several times actually, and there are a myriad of reasons why it has been off-limits. The impact on ports and revenues, the impact on travel operators’ revenues, the impact on the travel trade and international treaty obligations around duty free. In short, as in so many things in Government, if it was simple, it would have been solved and sorted by now.

It is not, it is complex. In short, although Deputy Helyar may not realise it, the Assembly will actually be doing him a favour by directing the Committee to look at this, because I think it will provide power to his elbow to do so – and he can thank me later! – for it will actually provide good cover for lifting the drains when he is faced with vested interests and obstacles, both internal and external, and now that we know the sums at stake are actually quite large, there can be no reason not to do so. So, with P&R support, I do urge Members to support this amendment.

**The Bailiff:** Deputy Trott, do you formally second that amendment?

**Deputy Trott:** I do, sir, and reserve my right to speak.

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

**Deputy Gollop:** Sir, I was not going to support this amendment but now Policy & Resources appear to be minded to, I will probably turn in line. Seeing this amendment put forward by two previous chief ministers and Treasury ministers is quite an impressive thing, perhaps, but in a way it could have been a proposed by Deputy John Gollop type amendment. Because it does not really do anything, actually. It kind of instructs Policy & Resources and the States to look at something that they are well minded of, in terms of knowledge and common sense and awareness, to look at anyway.

I agree that there are many complexities to looking at it. Not least the fact that it has an impact on those who are well off and those who are less well off. It might have implications, should we be lucky enough to get the cruise industry back again. I am President of the States’ Transport Committee. I am not going to bring airlines into this but it could have an impact on the nature of air services that we receive, to a degree, because it is a contributory niche for airports and airlines and ferry operators and I think we should be very cautious with this kind of approach because it may lead, as we have said on other things, to the results of unintended consequences.

But I suppose as part of our overall Tax and Benefits Review this fits in. But I would not like Guernsey to find itself in a situation whereby the loss of duty free has a material effect on our competitiveness in some other respect.

**The Bailiff:** Deputy Prow.

**Deputy Prow:** Thank you, Mr Bailiff. I just join with other Deputies who have made the comment about whether there was indeed a need for this amendment. But having said that, I do actually

3285 support it and I will outline why in a second. I believe that Policy & Resources do understand the conundrum and if you look at 4.28, which the amendment actually refers to, it says this in the middle of the paragraph:

In 2020, income has been positively affected by the impact of the COVID-19 restrictions on travel, which has meant that the opportunity to access duty free tobacco products has significantly reduced for many consumers.

Then it goes on and talks about the estimated income from Excise Duty on tobacco will be £11.6 million in 2020, which is £4.4 million higher than the Budget of £7.2 million. So I think that is in fact evidence that P&R understand the issue and presumably would take that into their thinking.

3290 However, it does give me an opportunity to make a few remarks. I will start by endorsing what Deputy Roffey said earlier around another amendment, around the harms of tobacco. He is a former health minister. Also the comments of Deputy Heidi Soulsby. It is absolutely clear that having a tobacco strategy to combat the harms of tobacco is very significant.

3295 Annually the tobacco trade reports and they have estimated that 50% of cigarettes that are smoked in Guernsey are duty free and I think the evidence of what has happened over the Covid lack of travel tends to evidence that as being accurate.

3300 But the conundrum here is that we can all understand what the issue is. What the answer to it is, is far more difficult to find. Again, experience and listening to the debates we have had today, it is about finding a balance – I certainly support this – enabling commerce, and economic enablers, there have been some very powerful speeches on that, which I support, balanced against a health strategy.

3305 It is all about the use or relief of Excise Duty in fiscal policy in achieving sometimes conflicting aims. So I will support this amendment but I put the caveat, in doing so, that this is going to be a very difficult problem to solve. All the opportunities you have to buy duty free, when you travel, you can buy it outwards, at Guernsey Airport, you can buy it outwards on the aircraft when you go out. You can buy it in Gatwick or another airport duty free and on the aircraft when you come back. Thank you, sir.

**The Bailiff:** Deputy Soulsby.

3310 **Deputy Soulsby:** Thank you, sir. I will be brief. In June 2018, I wrote on behalf of the Health & Social Care Committee at the time, to the proposer of this amendment, actually, then P&R President, copied into the previous Home Affairs President, requesting that consideration be given to the direct and indirect cost to the States of Guernsey of duty free sales. So I have to say I did have a little chuckle when I saw this amendment. Obviously, it meant something.

3315 Of course, I am sure that we all understand that duty free subsidises the cost of travel, but it is clear from the rising duty, which we have seen this year, that it is undermining the use of duty increases to impact behaviours. However much that is considered an effective tool, and I will not go on repeating the debate that we had earlier.

3320 Now it had been hoped that such a review would already have been undertaken to help inform the substance use strategy, but events clearly have got in the way of that. However, it is needed and really I do not think this amendment is needed, but I am happy to support it.

3325 **The Bailiff:** I now turn to Deputy Helyar, on behalf of the Committee, if he wishes to reply to that debate.

3330 **Deputy Helyar:** Thank you, sir. As Deputy St Pier has already indicated, the Committee supports this amendment and Deputy St Pier's comments about the need to have some form of mandate, however informal, are duly noted. I may well come back and thank him for that in due course, and I would commend the amendment to the Assembly. Thank you.

**The Bailiff:** And Deputy St Pier, as the proposer of the amendment, to reply to the whole debate.  
**Deputy St Pier:** Yes, very briefly sir, thank you to the few that have spoken. Really, repeating Deputy Prow, this is a difficult problem and, as Deputy Soulsby said, I do recall her writing to myself and former Deputy Mary Lowe, who is in the public gallery this afternoon, about looking at duty free. We did look at it then and decided that it was, for all the reasons that Deputy Prow has identified, too complex to proceed with.

The difference and the thing that has changed is what we did not know was the scale and clearly what we have had an opportunity to identify, through the effective limitations on travel this year is the scale is much larger than anyone anticipated, even in 2018, when Deputy Soulsby wrote to me then.

So, I think that is the thing that has changed. I am pretty confident, though, that I will give Deputy Soulsby and indeed probably many other Members of this Assembly, plenty of opportunities to chuckle to themselves over things that I will say and do over the next four years, so let us get that out of the way now. But in this case, it was looked at, there were good reasons for not proceeding with it at the time but the evidence has changed and I am delighted that P&R are happy to pick it up as part of the Tax Review and I will take Deputy Helyar's thanks in due course, when he finds it is useful. Thank you, sir.

**The Bailiff:** Well, Members of the States, we now move to the vote on Amendment 4, to insert an additional Proposition 22, proposed by Deputy St Pier, seconded by Deputy Trott. Those in favour; those against.

*Members voted Pour.*

**The Bailiff:** I will declare that duly carried.

At this point in the day, we move into general debate. Can I just remind Members that there have been five successful amendments, so when you are considering your Propositions, there is an inserted Proposition 10a, as a result of Amendment 5; there are changes to Proposition 11 as a result of Amendment 8, there are two inserted Propositions, numbered 20a – we will take 20a as Amendment 12 and we will call Amendment 11 20b, by renumbering it, because that was the order in which it came, and now we have added Proposition 22.

**Deputy Inder:** Sir, I am wondering, if you do not mind, sir, given we have got a new Assembly, this is a big Budget, I wonder if we could not have a consolidated set of Propositions towards the end of general debate?

**The Bailiff:** That depends how long general debate is going to be. Let us tackle that overnight and perhaps a composite set of Propositions will be capable of being prepared. They are pages long of course but we can deal with that overnight. I think we have probably got time for at least one, if not more speeches in general debate. Deputy Roffey first.

**Deputy Roffey:** Thank you, sir. I can keep us going long enough to be able to get a consolidated set of proposals overnight, I am sure. This Budget is what it had to be. It is a holding Budget and I do support that. To have taken any more money out of Guernsey's economy in 2021 would have risked inducing toxic shock into the economy at a time when it is already under the cosh from the pandemic.

We may be very lucky that the health crisis in Guernsey is, so far at least, far less serious than elsewhere. But our economy will not escape. At first glance, it may seem as if outside of tourism our economy is operating as usual. That is a mirage. No island is an island complete unto itself. Several of our industries, including our main industry, are completely plugged into the wider world economy. If it sneezes, we catch a cold, to use a particularly unfortunate analogy at this time of Covid-19.

Other industries may be more domestic in nature but they too rely on the circulation of profits generated by the outward-facing sectors of our economy. So we should expect subdued economic activity next year, hopefully followed by a rapid recovery, but we would be very foolish to count on that.

3385 So, P&R is right to defer any real tax increases. But, make no mistake, that reckoning is coming. As Deputy Helyar pointed out in his opening speech at the beginning of the day, the numbers currently just do not add up. Either we are going to have to cut services and reduce Islanders' sense of expectation and sense of entitlement, or we are going to have to ask them to stump up a lot more cash. I suspect it will be both. Unlike Deputy Helyar, who obviously thinks it will be more of the former, I actually think it will be more of the latter.

3390 Guernsey is a sophisticated, modern society, and therefore there is rightly an expectation of decent public services. Now no one, Deputy Gollop through you sir, is expecting a Nordic model of big government providing for everybody's wants and needs. But I suspect there is a baseline of public service provision, below which it will be very hard indeed to convince Islanders that we should drop. Quite rightly so in my view.

3395 So, I think we should expect significant increases in taxation and, as I will reveal in my Update Statement in the next States' Meeting, to start tomorrow or the day afterwards, Social Security contributions as well.

3400 Perhaps the good news is that all of our competitors are in very much the same boat. I say that not because I take any comfort at all in the distress of others, I do not. But because, while tax increases in Guernsey are very unwelcome in themselves, at least they are less likely to threaten our competitive position. These others are almost certainly going to be forced to take similar measures.

3405 I suppose the danger will be everybody playing a sort of game of chicken, thinking that the first mover is going to put themselves at a competitive disadvantage and there is some truth in that, which is why I would prefer to adopt a gradualist approach to increasing taxes and contributions, but one that commences soon and where the Medium-Term Plan is clearly and honestly set out from the outset.

3410 I warn Members that when that happens, in fact when we increase taxes or when we cut services, or when we do a mixture of both, one of the immutable laws of politics is going to kick in. This Assembly is going to change, quite rapidly, from being what it is now, the fresh-faced hopeful newcomers who must at least be much better than that old lot, into being, almost overnight, the worst States ever in the Island's long history. I do not think Members believe me in saying that but you wait, it is coming!

3415 Another snag is there is going to be glaring inconsistencies between Members' election promises and what we will be able to afford to deliver. Those examples are going to be legion, but I am just going to flag up two of them because we have only got 10 or 15 minutes before the end of play.

3420 I personally thought, and still do, that the current States' policy of moving to two 11-18 colleges has quite a few educational and financial advantages. That said, I tend to accept that its prospects of becoming reality are probably pretty slim, given all of the election promises made a few months ago.

3425 Of course, a proper comparison still needs to be made between that model, which remains official States' policy, and the other possible models under examination currently. Of course the terms of the pause and review requête must be properly and rigorously fulfilled, I accept that. But it seems very likely to me that the States' policy will change and the concept of two 11-18 colleges will be consigned to history. Indeed, I am not sure now that it is politically deliverable, even if we wanted to, which most Members seemingly do not. Such is politics.

3430 What worries me financially, and with respect to our Budgetary provision, is the overwhelming set of promises from Members to opt for three 11-16 schools and a completely standalone 16-18 facility. That clearly is going to be head and shoulders the most expensive option from a revenue point of view. That was blindingly obvious instinctively and it was confirmed in the presentation from ESC the other day. Yet it is precisely what most Members of this Assembly have solemnly



promised. How on earth are we going to pick up that tab? How on earth are we going to afford to honour their promises?

3435       Actually, what worries me most is not that it will cost more to operate, rather that P&R will quite rightly say, 'It cannot cost more to operate, here is your revenue cost envelope and you have to operate within it.' Then, if we have promised a very efficient model in terms of revenue costs, we will be obliged to sacrifice significant facilities and educational features in order to live within that Budget. For example, maybe the class size of 24, which Guernsey schools have traditionally enjoyed.

3440       If that sort of revenue value engineering has to take place then I warn Members, if they thought some angry teachers in the last States' term, they ain't seen nothing yet.

3445       The other example where I fear a real gulf between many Members' clear election promises and the Budgetary reality is in respect of nurses' pay. Now, I bow to no one in my respect for the job done by nurses. Not only that but I have been a very long-term campaigner for equal pay for work of equal value. So if our nurses are underpaid in comparison to administrative staff or any other staff group then I agree that needs to be rectified.

3450       Actually, in fairness to the Guernsey taxpayer, that inequity needs to be tacked from both ends. Those who are relatively overpaid need to have their pay moderated over time while those who are relatively underpaid gradually have their pay increased. That is what should happen. But the clear expectation has been created that this new Assembly is going to deliver a quick and very large increase in Guernsey's pay.

3455       I do not blame nurses for expecting that. It was either promised or implied by many candidates. They voted for those candidates. Those candidates were elected. So, of course, they expect it to happen and PDQ. The only problem is it is not going to. It cannot happen because it is utterly unaffordable.

3460       Now, before closing I want to address two very specific points. The first is the Corporate Housing Fund and the second is, as has been alluded to in earlier amendments, the unsustainability of taxing motoring through duty on fuel. First with the Corporate Housing Fund. This has been gradually emasculated over the years and under this Budget it will disappear altogether.

3465       At one time, all States' house rents were paid into that fund, to create a virtual circle to be reinvested in providing social and affordable housing. Then that stopped, but it was argued that it did not matter because there was still a very large amount in the funds we used. Later on, a hard-pressed General Revenue snaffled a large chunk of the cash remaining in the fund, to be used for other purposes.

3470       But still, as we speak, there remains a fund of about £20 million, ring-fenced specifically for social or affordable housing. On 1st January, that specific fund will be done, which is slightly ironic because the months ahead we are going to see unusually high demands for draw-downs on that fund to unlock some very exciting and significant projects in this area.

3475       So, of course, I find the loss of the ring-fenced cash slightly worrisome. However ESS, of course, want to be corporate players, and we were very reassured by some of the promises made by P&R when they visited our Committee recently. In respect of our having that meeting to have no concerns about the housing programme losing out as a result of these changes, these Budgetary changes, and the consolidation into one fund.

3480       These were very fine words, but when it comes to our social housing programme, we do have, sir, a lot of parsnips that need buttering in the near future. So, I would invite both Deputies Ferbrache and Helyar, as I told them I would do at that meeting, to put on record in this Assembly during this Budget debate, that the Corporate Housing Programme will not lose out as a result of the amalgamation of the Corporate Housing Fund into the other funds linked to the Core Investment Reserve.

3485       Finally, fuel duties. The late Deputy Kuttelwascher and myself tried for years to convince this States that we simply had to find a new way of taxing motoring. Not because we wanted to tax motorists any more, but rather because the duties on dwindling fuel sales were clearly a burning platform. We thought we had convinced the States some years ago but still nothing.

3485 One thing is certain in my mind. Whatever eventually replaces Fuel Duty simply must relate to vehicle usage. While some families may be able to afford to manage without a car, such households are few and far between. Most Islanders need to own cars and to use them for some journeys. I make no apology for what might seem to be – I like social engineering, actually, it is a good thing; that is why we tax tobacco and not bread – in respect of both reducing congestion and our wider environmental aims, the aim of this Assembly must be to encourage car owners to only use them when they feel it is necessary.

3490 The trouble is, what incentives should we provide to use our cars sparingly? The capital cost of the vehicle is the same, no matter how much or how little you drive it. The same is true of insurance for that vehicle. It does not tend to go down if it is sometimes left in the drive.

3495 At the moment, the principal reward that we have for doing the right thing and cutting down a bit on car use is that you pay less fuel duty. We know that fuel consumption is steadily dropping and so we know we have to find a different way of taxing motoring. But both for environmental reasons and reasons of simple fairness, those new charges must absolutely relate to vehicle usage and I would really welcome an update on that workstream. To conclude, sir, this is a holding Budget and I support it being a holding Budget. But it is also something else. It is the calm before the fiscal storm.

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**The Bailiff:** If any Member has a short contribution to make, I invite them to stand at this point. If not, then we will adjourn overnight. I am assuming that other Members do wish to speak in General Debate? Yes. In that case, we will adjourn now until 9.30 a.m. in the morning. Obviously, that means that the ordinary Meeting will not start at 9.30 a.m. but will follow when the special Meeting concludes. Greffier.

3505

*The Assembly adjourned at 5.27 p.m.*