

THE STATES OF DELIBERATION
of the
ISLAND OF GUERNSEY

POLICY & RESOURCES COMMITTEE

THE STATES OF GUERNSEY ANNUAL BUDGET FOR 2023

The States are asked to decide whether, after consideration of the States of Guernsey Annual Budget for 2023, they are of the opinion:-

1. To authorise the Policy & Resources Committee to make a transfer from General Revenue to Guernsey Ports equivalent to the balance of Guernsey Ports' short-term loan facility as at 31 December 2022; and to approve provision within the 2023 Budget for the transfer of £6.2million to Guernsey Ports to fund its 2023 deficit.
2. To extend the period for the withdrawal of mortgage interest relief on a Principal Private Residence so that relief will be available for an individual as follows:

2023	£3,500
2024	£2,000
2025	£1,000
2026 and subsequent years of charge	£nil

3. To increase the limit on the amount of income tax payable by an individual resident in Guernsey in respect of qualifying income from £130,000 to £150,000 and, in the case of such an individual in respect of both qualifying and non-qualifying income, from £260,000 to £300,000; and in paragraph 1 of the Sixth Schedule to the Income Tax (Guernsey) Law, 1975 –
 - (a) for "£130,000" in both places appearing to substitute "£150,000"; and
 - (b) for "£260,000" in both places appearing to substitute "£300,000".
4. To exempt from income tax payments made to sponsors under the Ukraine Sponsorship Scheme.
5. To agree that the annual tax-free lump sum limit for a pension scheme remains at £203,000 for 2023.
6. To introduce penal measures to apply to unauthorised payments made from approved pension schemes, within the meaning of section 150 of the Income Tax (Guernsey) Law, 1975 and retirement annuity schemes and retirement annuity trust schemes approved under section 157A of the Law, in the form of a higher rate of tax at 50% (with the ability for the Revenue Service to abate that liability, if just and reasonable in the circumstances), in the manner set out in paragraph 2.15 of this Report.

- 7. With retrospective effect to 27 June 2012, and in the manner set out in paragraph 2.18 of this Report, to confirm the disallowance of (i) further transfers or contributions being made into any new exempt pension contract or exempt pension trust within the meaning of section 157E of the Income Tax (Guernsey) Law, 1975; and (ii) the approval of any new such contract or trust.
- 8. With effect from 1 January 2023, to reduce the amount of tax relief in respect of interest paid on money borrowed for the acquisition, construction, reconstruction or repair of a domestic dwelling, situated in the Bailiwick of Guernsey, allowable under section 2 of the Income Tax (Tax Relief on Interest Payments) (Guernsey) Ordinance, 2007 as amended, as follows:

	% of Interest Paid eligible for tax relief
2023	75%
2024	50%
2025	25%
2026 and subsequent years of charge	0%

with no such relief in respect of a domestic dwelling available to be carried forward to the first year of letting (should that be after 2026).

- 9. 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 2023 by an individual solely or principally resident in Guernsey by way of relief from income tax at the individual standard rate, shall be the allowances specified in the First Schedule to this proposition;
 - (b) the allowances specified in the First Schedule to this Proposition shall only be granted to an individual who has made a claim in accordance with the provisions of the Income Tax (Guernsey) Law, 1975 and who has proved the conditions applicable to such allowances and prescribed in the Second Schedule to this Proposition have been fulfilled;
 - (c) “Family Allowances” means Family Allowances payable under the Family Allowances (Guernsey) Law, 1950 as amended; and
 - (d) “the Income Tax (Guernsey) Law, 1975” means that Law as amended, extended or applied by or under any other enactment and includes, where relevant, any Ordinance, regulation or Resolution of the States made under that Law.

FIRST SCHEDULE
Year of Charge 2023

This schedule specifies the allowances claimable by an individual solely or principally resident in Guernsey by way of relief from income tax at the individual standard rate. All allowances are subject to the following conditions –

- (i) the allowances shall be pro-rated for an individual who is solely or principally resident in the years of that individual'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 an individual 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 States 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 individual'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 individual's allowances and withdrawable deductions are reduced at a ratio of £1 of allowances and withdrawable deductions for every £5 that that individual's calculated income is above the limit of £90,000 (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
 - o Retirement Annuity Allowance
 - o contributions to an approved occupational or personal pension schemeover £1,000 (which aggregate amount shall not be withdrawn, and shall not form part of the 'withdrawable deductions')
 - Mortgage interest relief

<u>NATURE OF ALLOWANCE</u>	<u>AMOUNT OF ALLOWANCE</u>
1. Personal Allowance*^	Tax at the individual standard rate on £13,025.
2. Dependent Relative Allowance*	In respect of each dependent relative - tax at the individual standard rate on £4,225 or on the amount of the contributions whichever is less: Provided that if the income of the dependent relative (exclusive of any contribution) exceeds £8,800 the allowance shall be reduced to tax at the individual standard rate on such sum as remains after subtracting from £4,225 the sum of £1 for every pound by which the dependent relative's income exceeds £8,800.
3. Infirm Person's Allowance*	Tax at the individual standard rate on £4,225
4. Housekeeper Allowance	Tax at the individual standard rate on £4,225
5. Charge of Children Allowance*	Tax at the individual standard rate on £8,850
6. Retirement Annuity Allowance	Tax at the individual standard rate on a sum equal to the qualifying premiums or contributions.

SECOND SCHEDULE

This schedule prescribes the 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 the child 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 of them 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 the child were the child of that cohabitee.
 - (4) In computing the amount of a child's income in the child's 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 individuals 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 the claimant's own expense maintains or contributes towards the maintenance of a person being a relative of the claimant; 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 individuals 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 compelled to maintain or employ an individual solely for the purpose of having care of the claimant;

Provided that the allowance shall not be granted by reason of infirmity unless throughout the year the claimant was permanently incapacitated by physical or mental infirmity.
 - (b) if such an individual is a relative of the claimant and if the claimant is entitled to any other allowance in the First Schedule in respect of that individual, that the claim to that other allowance 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 Infirm Person's Allowance shall be allowed to any claimant for any year.

Housekeeper Allowance

- (1) The conditions to be fulfilled to entitle a 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 and if the claimant is entitled to any other allowance in the First Schedule in respect of that person, that the claim to that other allowance 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 to a dependent relative allowance 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).

Provided also that, for the purposes of subparagraph (a), an individual ("X") shall be deemed to be in receipt of a Family Allowance in respect of a child in a year of charge –

(aa) only if X has made a claim for such an Allowance, and it is being paid to X in X's name, or

(bb) where X is an individual to whom the preceding proviso applies, only if such an Allowance would, but for X's income, be paid to X in X's name.

- (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 to a dependent relative allowance 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).

Provided also that, for the purposes of subparagraph (a), an individual ("Y") shall be deemed to be in receipt of a Family Allowance in respect of a child in a year of charge –

(aa) only if Y has made a claim for such an Allowance, and it is being paid to Y in Y's name, or

(bb) where Y is an individual to whom the preceding proviso applies, only if such an Allowance would, but for Y's income, be paid to Y in Y's name (but without prejudice to the application of condition B of the preceding proviso).

- (3) The claimant must 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 Charge of Children 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) of the Income Tax (Guernsey) Law, 1975 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 is a beneficiary.
- (2) Subject to the provisions of paragraph (3) 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 charge.
- (3) Notwithstanding the provisions of paragraph (2) 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 charge, 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 marked 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.

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| (i) transfers between married couples or couples in a civil partnership | If at the commencement of the year of charge the claimant's spouse is living with the claimant as a married couple, the claimant may, in respect of the year of |
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charge, by notice in writing addressed to the Director, elect that any unused part of the allowance to which the claimant would otherwise be entitled shall cease to be the claimant's and shall become part of the allowance of the claimant's spouse, such election, once made, to be irrevocable in respect of that year of charge.

Provided that, should the marriage or 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 eligible for transfer.

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 civil partnership end in the year of charge, by reason of death, the full unused allowance is transferrable.

Where an election is made to transfer an allowance under this paragraph, that part of the allowance that is unused will be transferred upon receipt of a claim in the transferor's or transferee's tax return.

(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 at the commencement of the year of charge, 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.

Provided that, should the couple cease to cohabit in the year of charge, 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 eligible for transfer.

Provided also that, should the couple cease to co-habit in the year of charge, by reason of death, the full unused allowance is transferrable.

For the purposes of this paragraph "cohabiting" means living with another person, as if they were married or in a civil partnership, 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.

Where an election is made to transfer an allowance under this paragraph, that part of the allowance that is unused will be transferred upon receipt of a claim in the transferor's or transferee's tax return.

10. To approve the draft Ordinance entitled “The Excise Duties (Budget) Ordinance, 2022” and to direct that the same shall have effect as an Ordinance of the States.
11. To endorse the intention of the Policy & Resources Committee to recommend, in the 2024 Budget Report, the introduction of a mechanism to charge enhanced TRP tariffs for derelict land and greenhouse sites and unoccupied buildings (residential and commercial).
12. To endorse the intention of the Policy & Resources Committee to recommend, in the 2024 Budget Report, the introduction of a mechanism to charge enhanced TRP tariffs for buildings and sites which have planning permission but the development has not been completed within three years.
13. To approve the draft Ordinance entitled “The Taxation of Real Property (Guernsey and Alderney) (Amendment) Ordinance, 2022” and to direct that the same shall have effect as an Ordinance of the States.
14. To approve the draft Ordinance entitled “The Document Duty (Rates) (Amendment) Ordinance, 2022” and to direct that the same shall have effect as an Ordinance of the States.
15. To approve the draft Ordinance entitled “The Document Duty (Anti-Avoidance) (Rates) (Amendment) Ordinance, 2022” and to direct that the same shall have effect as an Ordinance of the States.
16. To endorse increasing the rates and changing the bands of tax imposed on the first registration of motor vehicles (known as First Registration Duty), to result in the rates and bands as set out in the Table in paragraph 2.55 of this Report, effective from 1 January 2023.
17. To approve ordinary revenue expenditure for 2023 totalling £573.1million as set out in the table in paragraph 3.6 of this Report and the revenue expenditure budgets on pages 79 to 96;
18. To approve the following Budgets for the year 2023:
 - (a) Guernsey Ports
 - (b) Guernsey Water
 - (c) Guernsey Waste
 - (d) States Works
 - (e) Guernsey Dairy
 - (f) Superannuation Fund Administration
 - (g) Committee for Employment & Social Security – Contributory Funds.
19. To direct the preparation of such legislation as may be necessary to give effect to the above decisions.

Compliance with Rule 4 of the Rules of Procedure of the States of Deliberation and their Committees.

In accordance with Rule 4(1)(a), the Propositions contribute to delivery of the Government Work Plan 2021-2025 by including proposals to generate a real-terms increase in revenues of £1.7million and to allocate funding for delivery of the four priorities of the Government Work Plan framework.

In accordance with Rule 4(1)(b), other States Committees have been consulted to establish and discuss their funding requirements in preparation of the revenue expenditure proposals.

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

In accordance with Rule 4(2)(a), the Propositions relate to the Committee's responsibilities for *"fiscal policy, economic affairs and the financial and other resources of the States which includes: preparing the States' budget and submitting it to the States annually"*.

In accordance with Rule 4(2)(b), it is confirmed that the Propositions are supported unanimously by the Policy & Resources Committee.

P T R Ferbrache
President

H J R Soulsby MBE
Vice-President

M A J Helyar
J P Le Tocq
D J Mahoney