

THE STATES OF DELIBERATION
of the
ISLAND OF GUERNSEY

25th January 2023

Proposition No. P.2022/112

POLICY & RESOURCES COMMITTEE

THE TAX REVIEW: PHASE 2

AMENDMENT

Proposed by: Deputy P J Roffey

Seconded by: Deputy P T R Ferbrache

In Proposition 2(C)iii.:

- a) for “£28,000” substitute “£33,000”, and
- b) after the word “couple” add “with a 30% supplement for households where all adults are above States pension age”

Rule 4(1) Information

- a) The proposition contributes to the States’ objectives and policy plans by delivering on the action in the Government Work Plan to agree a sustainable taxation policy particularly one of its principles to reflect people’s ability to pay and be generally progressive.
- b) In preparing the proposition, consultation has been undertaken with the Policy & Resources Committee and the Committee *for* Employment & Social Security.
- c) The proposition has been submitted to His Majesty’s Procureur for advice on any legal or constitutional implications.
- d) It has been estimated that the ongoing cost of the additional benefit provided will be approximately £800,000 thereby reducing the estimated net revenue raised from the package to approximately £53.8million.

Explanatory Note

This amendment would amend the wording of Proposition 2(C)iii. to read:

“A cost support scheme is made available to households with a gross income of less than £33,000 who are not in receipt of income support at an initial rate of £450 a year for a single adult and £675 for a couple with a 30% supplement for households where all adults are above States pension age.”

The purpose of this proposed amendment is simple. The tax reform working party was pleased to be able to propose a package of reforms to Guernsey’s tax and social security systems which, despite raising an additional £55M, leaves most households on low to medium incomes better off. However, that is not true for all household types.

In particular, the “tipping point” between being better off and being worse off is far lower down the income spectrum for pensioner couples leaving many lower income pensioners roughly neutral rather than better off. While that is largely due to such households being treated particularly favourably under the current regime it is still felt, on further reflection, that some extra mitigation for these households is justified.

The proposal in this amendment comes at a cost of about 1.5% of the additional revenues that the package is projected to raise but would give a considerable boost to lower income pensioner couples. For example, it would mean that a pensioner couple with a gross annual income of £32,000 would be on average £715 a year better off, compared to £160 worse off under the original proposals.