



**OFFICIAL REPORT**

**OF THE**

**STATES OF DELIBERATION**

**OF THE**

**ISLAND OF GUERNSEY**

**HANSARD**

**Royal Court House, Guernsey, Friday, 27th January 2023**

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

**The Clerk to the States of Deliberation**

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

**Absent at the Evocation**

Deputy M. P. Leadbeater and Deputy A. W. Taylor (*relevé à 10h 26*)

Deputy Jonathan Le Tocq (*relevé à 10h 28*)

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# States of Deliberation

*The States met at 9.30 a.m.*

[THE BAILIFF *in the Chair*]

## PRAYERS

*The States' Greffier*

## EVOCATION

# Billet d'État II

## POLICY & RESOURCES COMMITTEE

### 5. The Tax Review: Phase 2 – Debate continued

**The States' Greffier:** Billet d'État II, Article 5, the continuation of the debate.

**The Bailiff:** Deputy Meerveld.

5

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

With your permission, I will take opportunity to speak in general debate as well as on this specific amendment.

10 I was called up late last night by a member of the public to say that there were comments on Facebook, what I refer to as antisocial media, decrying the fact that I was seen having a drink with a colleague from P&R last night at the OGH, amongst others. And then all kinds of conspiracy theories like, 'Oh, what are they conspiring to do?'

15 People on social media, unfortunately, often take a rather simplistic black-and-white view of the world and what they are missing is that I have absolute respect for P&R. (**A Member:** Hear, hear.) They are colleagues and I think they have done an excellent job so far this term under *very* difficult circumstances. But that does not stop us being opposing sides on any particular debate. So I opposed them on the Alderney runway in December and I have had innumerable occasions when I have fought very hard against the things they proposed because I did not believe in them.

20 As people have seen in this debate so far, I have continued to fight on this issue of GST and the way tax increases are being implemented because I believe the public will is against it. I myself, personally do not want to see a sales tax come in. But that does not mean I disrespect them or the work they have done and the proposals they have brought forward to try and handle the very difficult position this Island faces. So, I would encourage all Members to remember in debate that we are colleagues first and our differences of opinion should start and end with debate. (**A Member:** Hear, hear.)

25

As I said before, I personally do not want to see a sales tax introduced in Guernsey although I do understand the merits. Ironically, when a group of both Deputies and members of the public met in December to talk about doing the anti-GST campaign that people are seeing, I opened that meeting by saying 'Let's talk about all the positives of GST: the fact that it is a broad-based tax and it diversifies the tax base; the fact that everybody pays it ...' There are positives. And I said you need to be able to understand the positives and then frame your argument against it.

Now, I have supported the anti-GST campaign and myself and a group of Deputies helped organise it, but we actually did not campaign against GST. We never went out and persuaded anybody in the public domain and said, 'No, no, no. Let me tell you why you should not want it.' All we did was create a vehicle for the public to express their opinion and I think that opinion was expressed *very* loudly. (**A Member:** Hear, hear.) And one of my reservations about voting for GST – even if I *was* supportive, which I am not – is the practicality that, at the end of the day, we are all accountable to the public.

We all have to face an election and that is when public opinion can be directly voiced and influence the future policies. My concern has always been that a vote for GST now and implementation shortly before the election – assuming the States can deliver on time, which we do not have the greatest track record of doing – would be overturned, very much like the incinerator debate some years back. It would be overturned at the election at great cost, great disruption and great confusion because the public will is not there.

So if there is any failing I want to lay at P&R's feet it is simply the failure to bring the public with them in the argument. There is no way, in my opinion, if GST is voted through by this Assembly, that it will stand past the next election. Therefore it is better for us to steer a different course, not to waste nearly 29 months pursuing something that ultimately might fail. We have to look at an alternative route and that will involve very difficult decisions and very difficult conversations because we simply do not have the money to carry on doing what we are doing now if we are not imposing much larger taxes.

So, if we have come to the point where we want to reject GST as a group, which I think the majority of this Assembly wishes to do, we are now faced with the next question: what next? What is the direction this Assembly can take?

Myself and Deputy Blin proposed a *sursis motivé* which would have had us look at a top-down approach but I appreciate that Members could see how difficult that was going to be to do, although I had in my mind how it would be approached, and it was rejected. So that was one option for a way forward. We had the Deputy Parkinson amendment, that we will be debating shortly, which only looks at part of the problem and has some inherent problems, which unfortunately means I probably will not be able to support that. And of course we have the Soulsby/St Pier amendment that we are discussing now.

I have serious reservations about this amendment, both because of its content and the political intent. The fact is it asks us to take away from P&R a big chunk of their mandate and give it to two sub-committees, effectively neutering that top Committee and taking away their authority and handing it to a sub-group. From a cynical political perspective it looks like two backbenchers trying to write themselves onto the top bench, and I have issues about how those sub-committees would function.

At the end of the day we have a Committee, P&R, that is fully supported by all of the staff that support the central hub, all the Treasury team, etc. Are you going to transfer that Treasury team and part of its function and have them reporting to these sub-groups to give them the resources they need? How much of the senior management team are going to be split between P&R performing its functions and these Committees that have been set up to form a big portion of their functions? I can actually see it being much more dysfunctional and not achieving the aims.

So then you say, 'Okay, the problem then is, if we reject the Soulsby/St Pier amendment, what does it leave us with?' Because then we have the original Propositions – and as we know GST is intrinsically entwined within those – so that people who do not want GST will be left in the unenviable position of having to vote a substantive amount of those down as well; and only 1 and 4,

if you are against GST. The only problem is 1-6 could be voted through and that really leaves us with a blank sheet of paper going forward and that is not acceptable. We have a major issue: we need to be making a decision today hopefully, and if not at the next earliest date we can meet and have a conclusion and a way forward. We cannot simply have a blank sheet of paper in front of us and drift towards the next election and hope the next Assembly will sort it out for us. That would be a dereliction of our duty to the public and our community.

So I have consulted with P&R and worked up an amendment that is going to be published shortly. It will put on the table all of the Propositions from the original policy letter as proposed by P&R and combinations of the two further amendments they have put in, including the one that assumes that GST will fail – to enable people to have a way forward, to enable them basically to say that P&R has done a good job, we understand where they are coming from with GST, although we do not agree that GST is right at this time or that the public of Guernsey are ready to accept GST. But we leave P&R in charge of coming back with solutions that do not include GST, for helping steer us through those difficult decisions.

So I will not be supporting this amendment and I hope Members will look at the ultimate amendment that I will be laying, which has no words from me in there. I have not inserted any extra proposition of my own. It is purely a consolidated selection of the P&R amendments without GST included. I hope that Members will instead support that amendment.

Thank you, sir.

**The Bailiff:** Well, Members, I do not see anyone else rising to speak in debate on Amendment 4 so I am going to turn to the President of the Policy & Resources Committee.

Deputy Ferbrache.

**Deputy Ferbrache:** I will just wait for the noise to die.

**The Bailiff:** Can we please, during the course of the debate, there has been a lot of chit-chat from Members. (**A Member:** Hear, hear.) The level rises to such an extent that it is quite difficult for people to follow what is going on. So, if people want to talk, please go outside and do it rather than sitting in their seats unless you are going to keep the volume very low indeed.

Deputy Ferbrache.

**Deputy Ferbrache:** Thank you very much, sir.

I am grateful to everybody for their contribution so far, both in relation to this debate and generally. But I would like to express, I think I mentioned it before but I would like to emphasise it, in connection with what I regard as the political courage, absolute courage of three of our Members in particular, today. I am very grateful I should say for the efforts of Mr Thompson on the Advisory Group but of course he is not a politician. I am very grateful for his efforts.

But I am exceedingly grateful for the courage – and that is what it is, political courage – shared by Deputy Roffey, Deputy Helyar and Deputy Mahoney. Very easy to just take an alternative route and say, 'Well, we are perhaps committing ourselves, we made certain statements, we do not want to do that.' Very easy to do that. These people have been brave because they have listened to the evidence, they have listened to the facts, they have exercised their judgement. They have shown great political courage and I commend them for that, whatever the result of this particular debate.

What I would also say is Deputy Le Tissier, I am very grateful to him yesterday for referring to his Guernsey heritage and my Guernsey heritage, and I am *very* proud and *very* fortunate to be a Guernseyman. Absolutely. I was born six years after the occupation and went off to law school in the very late 1960s and *every single penny* of my education costs, whether it was tuition costs, residence costs, whatever it may be, travelling costs, were paid for by the taxpayer of Guernsey.

My mum and my dad could not contribute a penny towards the cost of my education and I would like us to go back to those days but I realise that is not possible. Because working-class people of Guernsey of that era – and I do not mind using that terminology because that is what we were –

130 that is what we had to do. We would have had no opportunity at all if it had not been for the taxpayer of Guernsey, to try and exercise our potential. I am exceedingly grateful to them. I always will be. And that has been the canon that I have carried through my political life, whether in 1994 to 2000, or 2016 onwards. And I will carry that on as long as I am a politician, whether that be a short time or a slightly longer time. So let us not move away from that at all.

135 Now, what I abhor from my fellow Guernsey members of the public, the conduct that a member ... because in my life, having a family, I do not run it particularly, it is run by family members and they are the future, I am not. We have a business that runs restaurants. We employ people from Bangladesh, we employ people from Rwanda, we employ people from Latvia, from Madeira, from Poland, from Kenya and other countries. They are *thoroughly* decent people (**A Member:** Hear, hear.) who come hundreds or thousands of miles to work in our community, that is what they come to and they do not deserve to be racially abused.

140 One of my staff last Sunday picked up the telephone to take what he thought – and he is a black man – was a booking at one of our restaurants. Somebody had phoned, so he picked up the phone. Now obviously they must have known the staff, so these people must have come into the restaurant, they were anonymous of course because these kinds of people always are. He was racially abused. I am not going to say the words he said. I was sworn at and my restaurant was sworn at.

145 Whichever piece of scum did that I am ashamed of the Guernseymen, if they were from Guernsey. Absolutely ashamed. If people have got something to say to me, come and say it to me. It does not help when we have had a campaign – I am not criticising anybody in this room, it is not an implied or expressed criticism of anybody. But if people have got something to say, let them say it. This is the evil of social media as well.

150 One of my daughters phoned me up at seven o'clock this morning – not about what we are talking about, just about a family matter – and she said, 'Dad, I don't often feel sorry for you, because you don't merit it (*Laughter*) but I do feel a bit sorry for you today.' She said a friend of mine put me on to some social link, and I make no apology for that and I do not understand it, it makes no difference to me, it is trite rubbish most of it. But again she said, 'These people hate you. They hate you.'

155 I think that speaks for them rather than for me. Because the points I am putting forward, whether people accept them or reject them, are put forward with absolute sincerity in what I believe is in the best interests of the Island. That is what I sincerely believe and I am happy to be a Guernseyman and I am happy to try to do what I regard is better the lives of people.

160 Now, Deputy St Pier said yesterday when he made his usual able speech – I get the impression that I have heard second- or third-hand that some people are not going to vote for this amendment because of the personalities involved. Well I do not know if that is true or not, I accept that is what he believes, but certainly not from me. I have never had any personality politics.

165 When I lost by a narrow margin the election for Policy & Resources President in 2016, that was democracy. That was the way it was. That was the vote. You get on with life. You move on. And since I have been President of P&R over the last two years three months or thereabouts, no personality politics for me.

170 Whether an amendment is brought by Deputy St Pier, Deputy McKenna, Deputy Meerveld or Deputy Caligula it makes no difference to me. That amendment or proposition or policy letter or whatever is has to be judged on its merits by Members. And, as Deputy Meerveld said – and I am very grateful to him for his remarks at the beginning of his shorter speech than I anticipated, from what he said last night. I am very grateful to him and I have no criticism of that at all, but that is the way we should work. We can have a disagreement.

175 I can remember some months ago Deputy Meerveld gave me a pound because he had lost the bet and he wrote a note on the back. I kept the pound for a time but eventually I spent it. But in relation to that, that is what you do. You move on and you get off.

180 And I mentioned my good friend, and we have been good friends for many years, Deputy McKenna. Now Deputy McKenna, he is the best MC in Guernsey. He could be at Las Vegas. He could be at Wembley, and he would be saying that this amendment that we are discussing now is the



main event of the evening. Absolutely, it is the main event of the evening, that is what we are here for, that is what we are discussing. And in relation to that I very much respect the views of Deputy McKenna because he has been consistent throughout the last two or three years, whenever we were talking about this particular topic.

185

When we had the vote in October 2021 about these proposals, the only Member – and I do not mean this as a criticism – who voted against them about continuing this theme, was Deputy McKenna. I, like Deputy McKenna, err in favour of nice strokes. I, like Deputy McKenna, would like to give the carers more money. I, like Deputy Gollop, Deputy McKenna and others would like to do more for the people of Guernsey and Alderney. But you can only pay your bills if you have got the money to pay them. (**A Member:** Hear, hear.) That is the truth of it.

190

In lots of ways I am a liberal. I have always been a liberal with my policies and I would like to do more for people because there is no point ... We might want to save our own money and not spend it, but what we should be doing is investing every penny of public money sensibly for the benefit of the people of Guernsey and Alderney in particular. I say Guernsey and Alderney because we are in a fiscal arrangement, and therefore in relation to that. But we have got to make decisions.

195

Now it seems to me, with respect, that some people in this Assembly are using various things as a lifeline: the accounting principles, we do not know how really much money we have got, we do not know what debt we have got. Yes, we *do!*

200

I cannot remember which speaker it was now, but some speaker in the course of this debate has said that our accounting standards have not been up to much since 2011. Well, why was something not done about them in 2012? Or 2013, 2014, 2015, 2016, 2017, 2018, 2019? We started to do something about them in October/November 2020 when we became Members of P&R.

205

Deputy Helyar mentioned that yesterday. It is a trade process. I do not know how easy it is to change from one set of accounting principles to another. I imagine it must be pretty difficult. He said – and this is my phrase, not his – that these are interim arrangements anyway. Interim accounts have dealt with that. I have been told that by the end of 2024 – I know it is still two years off – that we will have these new accounting principles. But you do not have to be an expert.

210

Now, what I have done in a political career of 50 years – and I am a bang-average intelligent person. I am not a clever person. I do not think I am any less intelligent than the average person, and I know I am no more intelligent than the average person. I am a bang-average intelligent person. (**A Member:** Hear, hear.) (*Laughter*) And there is another person who is a bang-average intelligent person! (*Laughter*)

215

I am a Nobby Stiles. I am not a Hoddle or a Matt Le Tissier. I have got to work hard for everything I do and every principle I have got. I have just got to work. I do not have that natural ability in relation to these things. And in connection with that, it has taught me that – sadly, my little five-year-old grandchild that I saw this week, who is a treasure, who I saw recently at the weekend, she still believes in Father Christmas and we had a great conversation about Father Christmas – I would love to. But that is not the world we live in. We live in the real world where we have to get money in before we can spend it.

220

Now, it is also easy to say, 'Oh, you can just make cuts.' If you remember, it is in the policy letter, paragraph 3 onwards and various others, where we have asked each individual Committee if there was a 5% cost what would it look like, if there was a 10% cut what would it look like, if it was a 15% cut what would it look like? I think some certificates were given yesterday which I am sure inadvertently were given wrongly.

225

It was said it would be easy to cut, for example, Education's budget. Well, I am sure Deputy Dudley-Owen would not agree with that. I think the figure in the budget, when we looked at the budget proposals, they had a budget of just over £82 million and they had spent £79.77 million. And somebody said, 'Well, that's a 10% underspend.'

230

When I was educated at Vauvert Infants from 1956 to 1958 and Amherst Junior School from 1958 to 1962 before I passed the 11-plus, which some people got rid of, when I was there we were taught arithmetic. We were taught that one and one was two; two and two was four; four and four was

eight. So, an underspend of about £2 million pounds is not 10%, it is 2.3% – £2.3 million or thereabouts.

235 In relation to that, that was due – because I corresponded with one of my Education colleagues – because we had 2021 and 2020 which were the COVID years, when poor people like ... I could go off to law school in the late 1960s/early 1970s. I was able to meet people from different jurisdictions. I met Nigerians, I met English people – I actually liked some of the English people – I met Welsh people, I met people from all the jurisdictions in relation to it. I met those people.

240 A lot of our students in 2021 did not have that opportunity because of COVID, and training courses could not be undertaken all year. But Deputy Dudley-Owen will know a lot better than me. So I am pretty sure that, if it had been a normal year or a normal couple of years their budget would have been fully spent. But there we go.

245 And why I am also surprised – and I very much respect and have worked very closely with Deputy de Sausmarez on various things – I was very surprised to hear her imply, at least, that it would be easy to cut budgets. Because I have heard her say not once, not twice, but probably a hundred times how limited we are with the resources, how many resources we could do with. And when you look at what Environment & Infrastructure said in that request, they said we cannot cut budgets, we should increase expenditure.

250 If it is a point of correction I give way.

**Deputy de Sausmarez:** A point of correction, it is.

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

255 **Deputy de Sausmarez:** As is accurately reflected in the policy letter, Environment & Infrastructure did, of course, give a perfectly detailed answer about how budgets *could* be cut but also suggested some alternative approaches, so we gave probably a more fulsome reply. And as I explained yesterday – although we are very strapped for resources and that is something I have spoken of often – I also think there are many expensive inefficiencies in the way that we go about things and that is the area that I think we can and should improve.

**A Member:** Hear, hear.

265 **Deputy Ferbrache:** I am reading read paragraph 3(14) of the policy letter:

The Committee for the Environment & Infrastructure ...

– sir, there cannot be any argument about these words, if I am reading them correctly –

advises that its preferred option would be revenue-raising instead of expenditure reductions and has identified a range of measures for increased prices/introduction of new charges that would generate additional income ...

And then it lists them. (*Interjection*)

Let me carry on, please, I am reading. I do not think I am reading inaccurately:

Should it be required to deliver expenditure reductions, the Committee has identified measures such as:

– and they have listed three.

The Committee notes that “cutting services in these areas ... would negatively impact both tourism and visitor experience and also the local community.”

270 So if that shows an acknowledgement that there should be reductions in budgets, in my opinion, which I am allowed to express, that is not a hallelujah, let's have a reduction. It is always 'They can reduce, they can do things more efficiently, they can do it.'

Now, we have had it raised – and it is in the Deputy Soulsby/Deputy St Pier amendment – public service pensions. I can remember when I left the States voluntarily – I do not know whether I would have been re-elected – at the end of April 2000 as a Conseiller, I would say to my colleagues in Advisory and Finance then that we should be looking at the pension scheme. We should be stopping from next year – 2001 it would have been then – people coming in on the then pension scheme.

280 Nothing much happened for a long time and I think it took until about 2015 or 2016, I may have got the years a bit wrong, but it took a heck of a long time, far longer than it would to adjust the pension scheme. And it has not finished yet, because there are disputes going on which may end up in some kind of tribunal or whatever, about the effects of the decisions made at that particular time. They are not resolved yet. So it said we are looking at whether it should be defined contributions rather than benefits, or the other way round. It should be changed to look into the costs of it.

285 As Deputy Roffey said yesterday, for the employer that is not going to cost more, and he explained why. And if you look at any system where that is done, that is generally the case. More often than not, and I am not saying there are not exceptions, that is the case. But what you do is transfer the risk of the shortfall, if I can call it that, from the employer to the employee.

290 Well, firstly, do you really want to do that, where you are encouraging people to make sure they have got decent pensions when they retire? But even if you say that is the case, there is the other point, the other counterbalance in relation to that, which is Deputy Brouard is going to get nurses. Deputy Prow is going to get police officers and border agency officers. Deputy Dudley-Owen is going to get teachers and others – and a lot of those, where they are employed in England and Wales, are on the kinds of pension schemes that we have currently got.

295 So are we going to be able to encourage them to come across to have a lesser pension scheme? We may be able to. We may just say that is the decision we have made. I am not saying we are not. That is something we should look at. But that is not something that this Policy & Resources Committee engendered in the sense that we were left with that position to deal with and we have attempted and are attempting to deal with it.

300 There was an article in the *Guernsey Press* I think in the last few days, whenever it was – I think it was written by a very able former Deputy Fallows – about our redundancy package and how generous it is. I think it is far too generous. I do not know any – or there may be one or two, and somebody could jump up – I will tell you what I know. I do not know any private institution, private company, that gives a redundancy package that gives people more than a year's pay. There may be one or two and I think we should be looking at that and we are looking at it. (*Interjection*)

305 But again, yes, it is alright saying hallelujah, Deputy Vermeulen, but we are looking at it. But when you are dealing with employment-related matters you have got to go through a process. You have got to talk to people because you want those people not to be dispirited, you want those people to want to work hard as they genuinely do. (*Interjection*) Public sector employees – and I am sure there is the odd lazy person in any organisation – work hard. They do a good job, whether it is the postman, whether it is the sewage cart driver, whoever it may be. You have got to handle that carefully. So we are doing it, we are doing that already.

315 Now what shocks me in the extreme is that, bearing in mind we had a debate – in the old States when I was part of that with about half of the Members of this Assembly – in January 2020, about the first stage of this, really, of where we should go in connection with this. I have re-read the policy letter in relation to that and if we concern ourselves with that, we are in a position whereby, at paragraph 2(42) of that – and I referred to it previously – we had acknowledged spending requirements, or possible spending requirements, *additional* spending requirements of over £70 million to over £130 million. I took Members through that in a previous speech.

320 There were seven principles that we agreed and we voted for them, except for Deputy McKenna – not Deputy, because he was not in the States then – but I am sure he would have voted,

and I am sure he was listening carefully as he was doing his teeth and tending to the old people that he tends to. I am sure he was doing all of that. But in connection with that, we had the seven principles that we approved overwhelmingly at that particular time in connection with the States.

325 There was one amendment brought and it was GDP, and Deputy St Pier said, 'Look, because of the revalue of GDP and the fact that we have not, except for one year, spent 3% on capital projects, we should review that down to not less than 1.5%.' Deputy Roffey dropped in with 11, averaged at 2% over eight years. That is what he said. I voted against it as part of our 19-17. Deputy Soulsby voted for it. And Deputy Parkinson actually spoke in favour of it because, when I turn up my notes  
330 in relation to what he said, he said this at the time: 'In the last four-year term the only capital project of any significance that has been undertaken has been the Waste Transfer Station.'

That is a pretty poor return for four years of Government effort. So he said he was going to support the amendment and he said, 'And it is up to us, the Assembly, to make it happen and provide leadership to create results. Two per cent is a statement of ambition.' He also referred to  
335 the Policy & Resource plan's particular priority to create a long-term Infrastructure Investment Plan.

And he said: 'I don't know where that is. I don't know when we can expect to receive it.' And he said, I think in one *Press* headline, we were – nice it was 'we', it was not 'me' – no doubt Mr Camp or Mr Fallaize or somebody will refer to it in due course, or the editor. I think in one *Press* headline we were referred to as the 'States of Inertia', and sadly there is a lot of truth in that criticism. We  
340 were three years and nine months or thereabouts into that particular term.

So I did not vote for it, but I respect those who did vote for it. He voted for the Roffey amendment.

Now of course it is words, isn't it – and I know Deputy Queripel will jump and say 'Words, words are all I have' – the Bee Gees or whatever it was, whenever it was when they were number 1. He  
345 would know that, I do not know that, I just know the song and it is a wonderful song, and I used to dance to it when I used to go to discotheques and stuff like that. But in connection with all of that we are all in a position in relation to those that we are under, under, *under*-invested in our product, which is Guernsey, for many years. **(A Member: Hear, Hear.)**

We have been very fortunate in Guernsey. We have had lots of people over the years who have come to live in this Island from other jurisdictions and made their homes. Fifty-odd years ago, or  
350 whatever it might have been, we had lots of Italians who came and set up restaurants. They were really very successful and they were good people. They put their roots down in our community and they have added to our community considerably.

There is this one who used to have a restaurant, I think he still may own it but he does not patronise it any more – and he used to come round and give the ladies roses at the end of every  
355 night. And he was a lovely man, he *is* a lovely man. He spoke to me in the street a few months ago – we just happen to meet in the street occasionally and he always imparts his wisdom to me and I am always very grateful to receive it. And what he said was this, he said Guernsey is starting to look tatty. It is starting to look down-at-heel. We, meaning the people of Guernsey, should do more to improve our product. We can only do that if we have got the money.  
360

Deputy Vermeulen said yesterday, and if I have misunderstood him I apologise. I would give a pre-speaking apology to him in relation to that if I have got it wrong. He said he was not sure of the detail of how we got to our £580-odd million of capital. I have got a list here which all Members  
365 are entitled to, and it has never been the intent to hold it from, which shows how we get to £500-odd million; and we have some which have got legacy portfolio and I have referred to some of those. I can refer to some of the others.

We have then 'must do' and I have referred to some of those, and then we have got other things that we are in the process of doing. Or we may *not* do. I have referred to Hospital Phase 2. It will depend on the decision of this Assembly in this debate as to whether the Assembly has the will, the  
370 wish, the desire to spend that kind of money going forward. We as an Assembly, I know we have got delegated authority, will in relation to such matters in my view have to make that decision because it is £180 million-£190 million. We will have to make that decision.

375 I do not want Guernsey to go backwards; I do not want it to be a tatty old thing, *Second Hand Rose* or whatever it might be – that was a song, wasn't it? I want Guernsey to be able to move forward and I want us to do the best we can. And we can only do that if we are financially prudent and if we had the money to pay for it.

380 I took a little offence, and I am not a shrinking violet, I am a Rocky Marciano but not one who has won all his fights, which Rocky Marciano did. I am a Ulysses S Grant-type of soldier rather than a Robert E Lee. I only know the way of going forward and steamrolling people. But in connection with that Deputy Falla said yesterday, effectively, 'the tactics of P&R'. Now I do not know what he meant by that because our door has been open, it is still open, and has been open in relation to tax matters, if I can call it that, since day one.

385 We do not have the wisdom of Solomon. We have invited people to make their representations, invited people to make their comments, invited people to say things to us. That is what we have done. Now, if that is a tactic, I do not know what it is. Because I am disappointed, perfectly within the rules. But the Deputy Soulsby/Deputy St Pier amendment I saw for the first time, and I think the majority of States' Members saw for the first time, when it was sent across the ether at 4.46 p.m. on the Sunday afternoon before it had to be tabled for 3 p.m. on the Tuesday to meet the thing. So I just saw it then.

390 I did not know then, I found out afterwards when I was doing a podcast with Deputy Meerveld last week down at the *Guernsey Press* when we were talking to the chap who was interviewing us, that there had actually been a press conference on the Friday, two days before it was published to States' Members. Why didn't Deputy Soulsby and/or Deputy St Pier come and speak to us and say, 'We are thinking about this. These are our ideas. I appreciate we have not formulated them yet, we are under time pressures and we might not be able to give you the final version. These are the kind of things we are talking about. These are the kind of ideas that we have got. How realistic do you think this is? What about if we did this?' Not one single conversation.

400 Deputy Helyar referred yesterday to these various things and lots of people have been to all of them. Not everybody can go to everything. Deputy Trott has been a good attender, Deputy Burford is a good attender. They are not the only ones. There have been people who have been good attenders. The people who have been very *poor* attenders are Deputy Parkinson and Deputy St Pier.

405 Now, they do not have to go along to them. But I remember when I first became a barrister, July 1972 I was called to the English Bar, the day after my 21st birthday. I can remember you then go in to a very gnarled, experienced barrister. He reminded me of *Rumpole*. I did not know of *Rumpole* at the time but now I know of *Rumpole*. He reminded me of *Rumpole*. He was exactly that. He was always going to be a junior barrister. He drank a lot, he smoked a lot, he was a *really* good chap.

410 He said to me on the very first day – I am a brand-new qualified barrister, I am there, 'Oh what am I going to do, am I going to conquer justice? Is it going to be that for me? What am I going to do?' And he said, 'Come on, Ferbrache, we are going for a drink.' I said ... [*Inaudible*] 'We will go for a drink.' So we go to some pub in Fleet Street for a drink about 11 o' clock in the morning. We did not leave until three o'clock in the afternoon. (*Laughter*) So I did not get much work done that first day, but I still remember it. And he said two things to me that have stuck with me.

415 He said, 'Ferbrache, do you believe in the Ways and Means Act?' I said, 'I don't know what the Ways and Means Act is.' His name was Jeremy. I said, 'I don't know what the Ways and Means are, Jeremy'. He said, 'Oh, that it is a way of getting things done and the means of getting it done.' He said, 'Always do that in life and you will get on.'

420 And he said, secondly, 'Even listen to a fool, because even a fool can sometimes speak wisdom'. I have listened to a fool on many occasions (*Laughter*) and I have had words of wisdom given to me. So I would have said to Deputy Parkinson and Deputy St Pier, 'If you think Ferbrache is a fool, I will plead guilty to that, no mitigation, give me a sentence in relation to that.' But occasionally I, or more importantly, the officers who ably support me, might have words of wisdom. Just listen to them in relation to that.

425 Also people will think that if we vote for the Deputy Soulsby/Deputy St Pier amendment, it will  
be some kind of saviour. There will be this white charger that will come over the hill. Well, it has not  
so far. And we made a decision in January 2020 that we would adopt these principles. We made a  
decision in October 2021 where the only person – and I do not mean this as criticism – my friend  
Deputy McKenna. The only person who voted against them was Deputy McKenna. Everybody else  
voted in favour of moving towards what is now Phase 2. That does not mean they were accepting  
430 the principles of GST or whatever, because they were not. But they were accepting the principles  
that it should be looked at.

And again I just want to read some other words if I can in relation to where we are. This brings  
me to GST. We have had lots of emails and letters, and people rushing to the media saying they  
hate GST. Well, *so do I*, in the purest form. I could not accept it but it has been abundantly clear that  
435 people have *not* read the policy letter.

The proposals are not just to bring in GST but a consumption tax and mitigations. Mitigations  
that would actually make the poorest in our society better off, as Deputy Roffey covered off earlier.

It is clear and evident before we went into COVID that there is inequality in our community and  
COVID has only made it worse. By adopting the proposals put in here for GST in many ways we are  
440 trying to put that right. Whereas bringing in an Income Tax, quite the opposite will happen. And,  
like an extra Income Tax, will be more aggressive and put the burden on a reducing number of  
people.

Small businesses can opt out. I understand in 2015, I think 70% of Jersey businesses would be  
exempt from GST, through the £300,000 threshold. I think preliminary calculations are that it would  
445 be at least 50% although we cannot be absolutely certain at this moment in time. Finance businesses  
will need to pay to be exempt, bringing in £10 million; and we will directly make money from those  
who visit us.

Those could be my words today. Those were the words of Deputy Soulsby in October 2021. That  
is the exact quote of what she said from *Hansard* at that particular time. Now what has happened?  
450 Rhetorically, what has happened to change that since? In practical terms, nothing. And in practical  
terms, there has been no ... [*Inaudible*] We have got proposals. I have called it – and I do not mean  
to be disrespectful because I have never intended to be disrespectful to anybody in the whole of  
my life – but it is a Liquorice Allsorts type of amendment, the Soulsby thing, because it brings in  
something for everybody.

455 It got the angst of Deputy Vermeulen yesterday about the boats that would sail on by if that  
comes through. And I appreciate the point made by Deputy Matthews that if the amendment is  
passed you can then vote against the individual bits. We all know that anyway but still well said to  
him for reminding us.

And in relation to that, what Deputy St Pier said in January 2020, he referred to his work in  
460 presenting in November 2019 the 2020 Budget. He said:

I should point out ... that Guernsey's tax take ... remains relatively small ... - 21% of GDP in Guernsey - compared to 26%  
in Jersey, 38% in the United Kingdom and 53% in France. If we are to meet the increased demand on public services, we  
are going to need to raise additional revenues

– reverting to January 2020:

Due to our ... comparatively small and exceptionally narrow existing tax base, there is very little opportunity to raise  
additional revenues from the current structure. The scale of revenues required to fund emerging policy cannot, and  
should not, be met from 'tweaking round the edges' of the existing system – a series of small, uncoordinated and  
opportunistic tax increases would not raise sufficient revenues or create the most efficient and equitable outcome. To  
put into context, a 1% increase in the headline income tax rate – i.e. from 20% to 21% would raise only £13.5million of  
additional revenues. Raising the headline rate of income tax will never be the solution. Especially if we keep in mind that  
the pond from which we are fishing is and will continue to shrink as the proportion of dependents to economically active  
will continue to grow.

The words of Deputy St Pier three years ago. So even if you do not go back to 2001 or whatever it was I was looking at, you go back to really three years ago. That is the position we are in. What has changed? What has got better? Not much.

465 Now, as I said, I do not want to go back to the situation whereby – and I have referred to it before – I make no apology of my background, I am proud of my background, it has given me the opportunity to stand here today as a Guernseyman and given me an opportunity from a working-class background. So I do not make any apology to anybody in this Assembly or wherever in relation to it. But Guernsey people in the 1950s did not have much money.

470 Whenever you look at our GDP, whatever rate it was ... I do not know if we had GDP then or GVA or whatever ... We had IPA and that was quite good but we did not have the others I think. But in relation to all of that we had a position whereby the wealth was in the hands of the very few. The average Guernseyman and Guernseywoman: she worked in a shop or she cleaned, he worked in greenhouses or he worked for various other people. They did not have much money. The wealth of our community has been brought about by the finance sector over the last 40 years. **(Two Members: Hear, hear.)**

475 And it is on the graph. Deputy Trott and Deputy Parkinson will tell you the graph has not always gone up. It has gone up and down. But it is significantly more up than it was 40 years ago. People have got significantly better lifestyles than they were. We have got massive problems: our housing situation deserves to be, *must* be, attacked in a more vigorous way than it is. Not just social housing, though I 100% support and will continue to support the efforts of Deputy Roffey in that regard – and I know he will probably hold me to that in the future – but I do in that position.

480 But we have to do more for what are called the middle-Guernsey people that we have not done enough for. That is not a plaintive cry as it appeared, a heart-bleeding or whatever the phrase was in the *Guernsey Press* the other day, that is a truism. We have got to do more for those kinds of people. We can only do it if we have got some money. We can only do it if we have got money to be able to encourage and prime-pump those services because if we do not, those people will suffer for another three, four, five years and their already difficult position will be made worse.

485 So we have got to look at what we have got. We have already been round – I am now going to look at the wording of the amendment itself. Turn to Amendment 4. You can only have 3 or 2 or whatever it is if we approve Proposition 2; otherwise those do not get debated. They are a mish-mash, they are the kinds of things that I have just quoted that Deputy St Pier rightly criticised in January 2020, so I am not going to go through those individually. Though I would say, I am not quite sure what is meant and I am sure Deputy Soulsby, if she wishes, can deal with that when she speaks in reply to this debate.

495 It says, at 10:

To direct the Policy & Resources Committee, to investigate the options to ensure that high net worth individuals make a minimum tax contribution.

I would like some more details in relation to that because we have already got tax-capping. What we could do, GST would actually make those people if they went to buy some purchases, pay some tax because they would have to pay tax on their Aston Martins or whatever other posh cars people tend to have – Skodas, some of us have – but whatever they have, they would have to pay GST on those assets, on those things that they buy. They do not currently do it; a lot of them do not do it.

500 Mr Guy Hands wrote an excellent letter in the *Guernsey Press* today about 1% on things. That may be something we can look at and I would like to sit down with him and say: 'Do you just mean a one-off 1% when you buy the property? Or do you mean like an annual, almost like a wealth tax?' I do not know. I would like to sit down with an intelligent man who has come up with a solution. It would not be the absolute solution because even if you do the arithmetic and whatever it would bring in, it would not bring in enough money. But it is a helpful, constructive suggestion from members of our community.

510 But if we look at the two sub-committees or advisory groups or whatever you call them, 2(a):

To agree that the States must determine the role and size of government to establish the revenues needed to fund the services that are required by the community; and in order to do so, to agree that a States' Investigation & Advisory Committee (SIAC1) be established with terms of reference as set out in the Report entitled, 'A Fairer Alternative' attached to this amendment and to report back by the end of the current term with proposals and recommendations;

I know it says 'by the end of the term', and some people will say, 'Well, it could be earlier.' I am sure there are examples where things have been done earlier but there are a heck of a lot more examples where they have been done later. So we would be reporting back in real terms at the very earliest at the end of this term, in two years and five months' time. What on *earth* is that? Two years and five months' time? We would be in a state of aspice really for the next two years and five months in connection with that. And then it goes on to report back by whoever is elected etc.

Now also, attached to 'A Fairer Alternative' are the terms of reference at the back of that document for the two Advisory Committees. So bearing in mind, as Deputy Helyar exemplified yesterday with SLAWS when that was approved years ago, it took years to approve, and we are still talking about it in 2023. It is a *massive* topic. But here we have been writ large that topic by a multiple of about 10 under the terms of this review. Read the terms of the review. I was going to read them all out but I think people would be bored to tears if I did that. But look at them. Look how vast and lengthy they are.

And then we come to the second bit, which is the second part of Proposition 2, again to report back etc., and Members have the exact words before them in relation to the corporate. To consider changes in the corporate tax system, look at what is written there.

Now, I was very grateful, and I referred to it in my opening speech at the beginning of this overall debate two days ago now, for the contributions made by Deputy Trott. I am grateful for the contributions and discussions he and I have had over this in relation to it. Well, I am a little disappointed, not with the content, not with his speech yesterday because I am grateful for the comments he made to say we need a bit more time effectively. No, we do not. Because we have had the corporate ... We went off to Ernst & Young and said, 'Put your hands in every corporate entity's pockets, look at their wallets, see if you can take out more pound notes, really do everything that you could.' And they came back with the report that Members have seen in September.

Now Deputy Trott, who is an intelligent man and knows all about the industry – he is like me, bang-average intelligent but he is an intelligent man – he could have come back in the last two or three months and said: 'I have looked at this and I think you guys, girls, folks ought to look at this, that or the other. Now, with respect, and I do not mean it disrespectfully, he has not done so. Deputy St Pier could do that, Deputy Parkinson could have done it. They could have done it over the last three or four months.

So if they cannot do it and people of their experience etc., in four months can do it, what is going to happen? What magic – is David Nixon going to be able to pull a rabbit out of the hat? Well, he cannot anymore because he is dead. But the equivalent of David Nixon: is he going to be able to pull a rabbit out of the hat and tell us where the promised land is going to be? Where this magic is going to come from over the next two years and five months?

If he does, where are the resources that Deputy de Sausmarez *rightly* complains about the lack of over the last two-and-a-bit years? It is almost a song. I have almost asked Deputy Queripel to write a poem or a song about it – I am sure it will be top of the hit parade. Alan Freeman is no longer around but other people are. But in connection with that, where will we get the resources to start this?

If you recall, in the letter or the memo that was sent round we were told that the cost of providing resources to these two investigatory agencies, bodies, or whatever they are, is £2 million to £2.2 million. Where are we going to get £2.2 million, just like that? Let us just wave away £2.2 million. As Deputy Trott said, the average taxpayer I think pays about £6,000 or £7,000 a year in tax; something of that ilk, perhaps a bit less. Let's just say £7,000 for argument's sake: £7,000 into £2 million you are talking about 10 x 7s are 70; 100 x 70s are ... you are talking about 300 taxpayers' contributions for a whole year to pay for these investigations. Three hundred people.



560 How are you going to pay for the knee operations? How are you going to pay for the schools? Just wave away £2.2 million. I do not really like the figures. I do not agree with them. They are not right. Well, come up with some other figures, then! Tell us what the cost is. Put on record what you say the figures are going to be, Deputy Soulsby, when you reply. You tell us and we have then got a record on *Hansard* as to what you can say and, if it happens in due course, we can see if you are accurate or not. I am putting my neck on that particular ...

565 And Deputy Roffey said something. He said – and I have been hoping exactly the same – we were hoping that a lifeboat would come to the ship that has been sailed by us in relation to these proposals. He is a bit younger than me so he might have been in the lifeboat a bit quicker. But I would have been just behind him in relation to that lifeboat to say, 'Let's sail away from the good ship the proposals that we have put forward; and let's let those who are cleverer than us, who know better, who are going to come up with concrete proposals, take us to the promised land.'

570 Take us, the good ship, whatever it may be, let's sail it into a happy port. Let's do that. Let's take us to where we should go. Sadly it is not there. It is like Deliberation when it does not come on a Friday. It is a bit like that in relation to where we are. We have to deal with what we have to deal with.

575 So if Members want to waste ... If it gives them comfort, and the Assembly has then got to make a decision, means they can go into the next election saying: 'Well, we have not made a decision, we bashed those boys about, we told them it was a good thing.' Instead of looking at something that has been progressively put forward by intelligent people over a period of time, do it. That is the Guernsey that you will be giving to the next generation. That is the Guernsey that you will be foisting upon your children. That is the Guernsey that you will be foisting upon your grandchildren. Do it!

580 Thank you very much.

**The Bailiff:** Deputy Le Tocq is not here. (*Laughter*) But he was, briefly. But we will come back to him in a moment. Deputy Leadbeater and Deputy Taylor, is it your wish to be relevéd?

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

**Deputy Taylor:** Yes please, sir, thank you.

590 **The Bailiff:** Thank you very much. So I invite Deputy Soulsby as proposer of Amendment 4 to reply to the debate. Would it be helpful, Deputy Soulsby, given that we now have paper copies of the amendment to which Deputy Meerveld referred, if those paper copies were distributed now so that at least Members can have a few moments to look at it before you commence your reply?

Then I will invite the Sheriff to do that.

595 Members of the States, you now have hopefully a copy of Amendment 12, particularly for those who otherwise will not have seen it electronically. You have got time to have a think about it while you are listening to Deputy Soulsby reply to the debate.

But Deputy Le Tocq, is it your wish to be relevéd?

600 **Deputy Le Tocq:** Thank you, sir.

**The Bailiff:** Thank you very much. We have got a full house. Deputy Soulsby, if you are ready to begin your reply then, please.

605 **Deputy Soulsby:** Thank you, sir.

I think that Deputy Meerveld's contribution was quite remarkable. We were told last night that it was going to be a very long speech and that he would not have long enough to finish up but I think it was actually a shorter speech than Deputy Blin's. But then we have an amendment which, possibly, we may or may not hopefully have to debate, which is basically nothing at all. It is no better than absolutely throwing out all the Policy & Resources' policy letter. There is no revenue-raising

610 and it completely eradicates anything to do with Social Security reform. So I would absolutely request that Members do not take that amendment seriously at all. (**A Member:** Hear, hear.)

Sir, if Members support this amendment it means GST will be off the table this term as a minimum. I hope it will be much longer but as we know, and as P&R have told us on a regular basis, we cannot bind any future States. That is why, have we put anything like 'No GST for 10 years'. We  
615 would have got criticism for it from P&R, quite rightly, just as if we might have an amendment saying GST will not be increased by 10 years. We just cannot do it.

I thank Members for what I do think has been quite a good debate, little in the way of interruptions which has been refreshing, and that is probably one of the better debates that we have had. It probably tailed off towards the end but I thought generally there were some really  
620 good contributions. I will reference some of the comments, not absolutely everything from every contributor.

I will start with Deputy Inder who sadly is not in this room at the moment. He said the reason we have got the finance industry is luck. No, it is not. It is because of the laws of our Island. It is because of the intelligence on the Island that has developed the finance industry that we know. I know the  
625 guys – when I first joined the finance industry, those from the 1980s who had *really* built up the industry. They were clever people. It was not luck. They knew exactly what they were doing and they really helped to develop it. The next generation did more and that has continued to be the case. It is not luck at all.

Standard & Poor's really felt that this was a terrible thing to have, we were all going to hell in a handcart because of it, but that has been debunked by more than one person, particularly  
630 Deputy St Pier. He said he had been taken aside after going the Guernsey Finance debates and people are really concerned about all this and what are we going to do.

Well I got taken aside by some people after the Guernsey Finance presentation, which was excellent and I do agree with him that Guernsey Finance are doing a really fantastic job at the  
635 moment. They took me aside and said we do not want GST, we are really against it and we do not think it is the thing to do. And they had contributed to the IOD survey and others have done to the Chamber survey. So we can always quote somebody who might support our opinion or not; so certainly what Deputy Inder was saying did not reflect the mood of the room.

Now, Deputy Prow and I think Deputy Ferbrache have made comments on it on more than one  
640 occasion. Why was it the last minute? Well you could say exactly the same about Policy & Resources' submission of their policy letter. That was submitted at the last minute and in fact it was the last day on which it could make a submission to be able to make this meeting. And that meant it gave anybody who wanted to come up with an alternative, a shorter time to have to deal with it and have much of their Christmas disrupted because of it. But hey, I am sad, I do not really mind about that.

But I think that is a very odd comment to make and that we had talked in the media about it  
645 first. Well we did. Actually it was still draft; I think the Law Officers still had to approve everything, but we knew we had to do it on the Friday because we wanted to submit it on the Monday. We did not want to submit it at 3.00 p.m. on Tuesday which would have been the last moment for a submission.

I would just pick up on Deputy Ferbrache's comment about: 'Why didn't you talk to us and tell  
650 us what you were doing?' Well Deputy Ferbrache knew very well that an alternative was coming. I had really flagged that up everywhere that that was likely to happen. And, really, does he think that we would submit it to him and then P&R go: 'Aahh, you know, that is a jolly good idea, we have completely changed our mind, we think you are right in all the things that you are standing for. No, no we will change our mind, it will make a difference.'

Really I do not see what difference it would have made. P&R had plenty of time. The whole point is that we have to submit amendments before certain times, before this debate. It gave them plenty of time to respond and consider – which they have done.

I will deal with motives later. I will just reference though to Deputy Ferbrache because I thought  
660 we left on good terms. Thinking from the comments that he made today, and I thought, and he will agree, when I advised him that I would have to leave Policy & Resources we had a good chat. What

he said to me then, I needed to come up with an alternative and he is absolutely right. It would have been wrong just to have walked away. So that is what I have done.

665 There has been talk about why have Special Investigation Advisory Committees? Why not a P&R Committee sub-group? I will give you an example of why that probably is not the best option. I will give you HAG, the Housing Action Group. There is more than one person in this Assembly that has said: 'This group that is going on, we do not really know what the terms of reference are, it cannot report to us directly, it has got to be through P&R, and it is really not satisfactory.'

670 The point of having a Special Investigation Advisory Committee is the terms of reference agreed by this States, and it is accountable to this Assembly. That is a major advantage of having a separate committee. It is not about undermining P&R at all; it is about the Assembly having a committee directly accountable on a really important topic. And I think if we had done that for housing, which I think a few months ago I did raise, as I thought it would be a solution. I think if we had done that with housing we might have moved further along than we have at the moment.

675 IPSAS, I think Deputy Falla raised that. Yes, it might be coming. I know that is true, I mean it has been going on forever. Deputy Parkinson was the first one to try and bring it in when he was Treasury Minister I believe, and I think it was whilst he was on his sabbatical out of the States that I laid an amendment to try and move it on even faster but still today we have not got it in. I do think it is important in terms of understanding what our financial position is. It is really difficult.

680 I am a chartered accountant and I struggle with what is included where, because it does not follow generally accepted accounting principles. We have got a bit of cash accounting here and a bit of accruals accounting there. We do not depreciate our assets. So how on earth do we really know what is going on? If I struggle with that it must be impossible for those people who do not have a finance background. (**A Member:** Hear, hear.)

685 Deputy Queripel, I thank you for your support and appreciate that.

Deputy Aldwell is really worried about a 1% budget cut. We really just cannot do it. Deputy St Pier gave a list of the percentages of how much each Committee was under budget and I think could very well manage a 1% budget cut.

690 **Deputy Aldwell:** Point of correction, please.

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

695 **Deputy Aldwell:** Deputy St Pier said we gave back 10%. We certainly did not. We gave back 2% –

**A Member:** No, he did not –

700 **Deputy Aldwell:** Yes, he did, because I have checked it. He said we gave back 10%. We certainly did not. We gave back 2% and that was because we were in COVID years. We did not have students going off to university. There were all kinds of things we could not do.

He was talking about the COVID years. That is not what was happening but will happen in the future. We cannot just give up 1% of our budget.

705 **The Bailiff:** Deputy Soulsby.

**Deputy Soulsby:** That is not what I understand. I will give way to Deputy St Pier.

710 **Deputy St Pier:** Thank you to Deputy Soulsby for giving way.

What I said was that the Committee underspent its cash limit by 10% in 2021. It was a COVID year. I did not say the Committee gave up anything. I merely said they underspent their cash limit as did every other Committee.

**Deputy Aldwell:** Which is the same because of COVID –

715

**The Bailiff:** Deputy Aldwell, you cannot speak unless you are called.  
Deputy Soulsby to continue please.

**Deputy Soulsby:** Deputy Gollop made some very interesting points as always. He said that Policy & Resources were looking at the pension scheme. Well that was news to me because they were not before November, but anyway I am glad that they are. Excellent. One thing I did like that he said was 'think-tanking not firefighting'. And that again is another reason why having a separate committee that can be focused on looking at spending, looking at what Government does, looking at what it can do better, makes absolute sense. And that is what this is about.

725 Deputy Queripel, thank you. Oh, I have done Deputy Queripel twice! I thank him again.

Now Deputy Roffey, I really do have the deepest admiration for the stance that he has taken. I fear my response might not do it justice because he did speak in general debate because of his background. I think the problem is we *are* coming from a different perspective and I know what matters to him is we do not cut public services. I know that fundamentally that is not what he wants to do and I respect him for the position that he is taking and why he believes that it must be GST that will do that.

730 All I am saying is that we do not need GST to be able to achieve that; and what we are proposing is not a slash-and-burn approach to public services. It is about looking at what we are doing and making sure we are doing it in the most efficient way.

735 He says STSB is not there to raise taxes, but I think you will see that what we are proposing is a levy. Of course STSB does raise money from various sources from landing fees to the wholesale price of milk so –

I give way.

740 **Deputy Roffey:** Can we just seek clarification then, if we were to raise an extra half a million pounds on cruise ships, does she see it going towards lessening the current losses of the ports, which means it cannot go to tackling the central deficit? Or does she, as I perceive, because it was in this amendment on this debate, see it as going to lessening the central deficit, in which case it cannot lessen the losses of the ports?

745

**Deputy Soulsby:** I thank Deputy Roffey for that, but of course the structural deficit does include the deficit from the ports; it includes £6 million of deficit from the ports. I think that showed in the policy letter as well as in the letter of comment from P&R, so it is part of the same solution.

750 And what we are not suggesting is a blanket tax and I do not know why that thought process entered ... The idea that the team has no evidence it says, but the cruise ships will go. You cannot say that, I think it is an irresponsible comment to make.

755 We know that such a levy exists elsewhere. It is not done as blanket tax on the cruise ships, it is done through charges per head of passengers and it works out at about £3 or £4 per head. I do not think that will stop cruise ships going away. (*Interjection*) Well, it has not done in other jurisdictions, I would say that. So I think we will put that aside.

There is a talk about delay. Deputy Roffey talked about delay, and some others, but one person's delay is another person's ... What they say where I come from 'doing a proper job'. (*Interjections*) Or another phrase might be, 'Fools rush in where angels fear to tread.' I think I have said that before, but anyhow ...

760 I do agree with him though that revenues need raising. Much of the problem with that amendment, should this be approved, and the problem should we throw everything out? But the problem with GST and the mitigations is as an investment adviser may say, they can go up or can go down. Or in this case the former can go up, and I cannot imagine it will ever go down, as you cannot bind future States, and the latter is very likely to go down.

765 Deputy Dyke described the Micawber situation, as we all know, and I will not repeat that quote. He also spoke about economic growth and the need to consider it. Well, originally, though I know we have got a 40-page report attached to this amendment, it was longer because we did think about including what we could do about economic growth, but we thought that tipped the focus away from debate and I think it could well have gone all over the place. So we decided to take that  
770 aspect of it out, but have ideas about how we can deal with economic growth, improving participation and various other aspects. But that perhaps is for another day. So we decided to concentrate on spending and revenue-raising.

Deputy Brouard and others referencing the cost of agency. I think it was Deputy Murray who talked about that agency as well and how terrible it was. And Deputy Ferbrache had to talk about  
775 how we increased the number of staff at HSC under my watch. Yes, we did. I am actually very proud of what that Committee achieved in doing so. And it is very interesting when he talked about the budget going up as well. Well, I will give Members a background as to that, because when we took office we managed to recruit so many more *permanent* staff that we went above what was called the 'vacancy factor'.

780 HSC had what is called a vacancy factor, it was basically a cut in the pay budget to reflect the fact that it never managed to get to its full establishment of staff. But we managed to do that! So the consequence of doing that was we went over budget, but it meant we could fully staff wards. It meant that we did not have to recruit loads of agency nurses. But it did mean that we needed to go to P&R and say, 'Can we increase our budget because we are now getting to an establishment  
785 figure?'

We certainly had nothing like 159 agency staff and that cost has doubled in a year. I think that is something that really does need to be looked at, and I think can that be just because of housing? Or do we really think we are paying our nurses enough? I think those are the questions we have got to ask.

790 Deputy Brouard really has changed his tune since last term. I mean, I remember having to go into P&R and it was Deputy Brouard who was saying, 'Where are your savings?' 'Are you making savings?' And 'Why should you have any more money?' And he was definitely the one who had the hands on the purse strings who did not want to let go. So I do find it funny now to hear his comments when it comes to his budget.

795 That leads me to Deputy Murray and I will talk about other things Deputy Murray said further on. He said we need to look at how we develop a sustainable health service. Well, Deputy Murray, that has been done. That was done last term and I know, thankfully Deputy St Pier mentioned it because I know I am the only one that ever witters-on about it anymore, but that is what the Partnership of Purpose is all about. And I would recommend Members read it because it goes back  
800 to that report we have here ... Members talking about how we cannot do this approach with these Committees. We cannot look at what Government is doing, how it can do it more efficiently, how it can commission out. Well actually, that is, we already have two Resolutions of the States to look exactly at that. Resolution 4 of the Partnership of Purpose:

To direct the Committee for Health & Social Care to work together with all health and care providers to produce a schedule of primary, secondary and tertiary health and care services that shall be publicly available as the Universal Offer either fully-subsidised or at an agreed rate;

Resolution 5 states:

To direct the Committee for Health & Social Care, the Committee for Employment & Social Security and the Policy & Resources Committee, together with any non-States' bodies affected, to consider how the current States' funding of health and care can be reorganised to support the Universal Offer and, if necessary, to report back to the States at the earliest opportunity;

805 So when we hear about 'Oh, gosh, it is going to be huge, controversial, awful.' We already have a resolution of the States to do it. So if Members do not think that is what we should be doing then just get rid of those two Resolutions, otherwise we are just not being truthful.

Deputy Murray says GST on its own is regressive. This is GST in its regressive form. It is a broad-based consumption tax at 5% with minimum exemptions. That is a regressive form of GST. That is what is being proposed by P&R. It looks like GST, it sounds like GST, it *is* GST.

810 If he thinks mitigations are enough, I do not believe they are and I will wager few do either. I am pretty sure that at some point that £30,000 threshold will not go up, that personal allowances will not go up, and we will find that people will be struggling because that is the easiest thing to do. **(Two Members:** Hear, hear.)

815 I thank Deputy Gabriel for his support and Deputy Burford, who made a very good summary of the problem about timing of this policy letter coming here. People think supporting a policy letter will lead to the end of the matter. It will not, just as just kicking everything out and supporting an amendment which does effectively the same thing will not do either.

820 Deputy de Lisle is nothing but consistent so I cannot knock him for doing that, but really we have to live in the real world here and I do believe that we do need to raise revenues. I think most people out there do understand that. But they want to know that Government is doing all it can to reduce that amount.

825 Deputy Matthews made a point about pension scheme and what we are doing. I think others did as well. We do talk about it being a decision in principle but as Deputy Ferbrache has said they are already looking at it anyway, so no Members should have any problem with that Proposition.

Deputy Vermeulen, I was a bit confused by his speech because it sounded like he supported what we were doing, apart from I think it was something to do with cruise liners he did not like. But as Deputy Matthews said, you can approve the amendment and if he does not like that specific Proposition he can vote it down.

830 I do not know if Deputy Vermeulen is saying he wants me to give way but he has not stood up. But if he stands up, I will be happy to give way.

**Deputy Vermeulen:** Thank you.

835 It was really with regard to tourism and whilst it is a very attractive proposition, what you have put forward, Deputy Soulsby, there is no doubt about it, and I have congratulated you on it. It is well thought out. I know that you have said to me, and you have made a great effort to explain that I *can* vote against the cruise liner thing and the extra bit on the visitor economy, but it is mainly about the visitor economy which is struggling hard enough at the moment.

840 We certainly do not need a 5% GST, but this is an increase as well and it is *very* price sensitive. We cannot blow people out of the water. Every £5 which is put on top makes Guernsey more and more exclusive and when you become exclusive you tend to exclude people, but the business of tourism works on throughput. So does retail: retail needs people coming through on day trips through the port heads and into the High Street, into the shops. **(A Member:** Hear, hear.)

845 So I will not be supporting this. I am proud to be launching another amendment a bit later on but there it is. It was about tourism, and yes, I can vote against those things but it does not mean that everybody else will feel the same. Tourism at the moment is most delicate and it does need our support, as does retail, construction and manufacturing on the Island, which I will get onto a bit later.

850 **Deputy Soulsby:** Thank you, sir.

Well at least Deputy Vermeulen does not believe in GST in his argument but I would say it is definitely better than GST, and it raises revenues which the amendment that he is seeking to second does not do.

855 Now Deputy Mahoney, in fact it was also P&R on why I seemed to change my view, and there is the rub. Deputy Ferbrache said the same thing. I did cover that off in my opening speech. Rather than dig in and sit in the trenches I listened to what was being said around me. I sought information

to justify the position we were being asked to go over the top with. And I realised it did not stack up. The Orders did not make sense.

860 I thank others for their analysis; and Deputy Le Tissier who thinks that now, he did approach me and say, 'Well, I don't know, there is this other amendment.' But I really need to ask him if you think that we need to raise revenues, the other amendment is not the answer.

865 Now, Deputy Dudley-Owen, I cannot say I have covered everything off here ... Oh, yes, she talked a lot about the principles to be followed as part of the Tax Review. But I think as she went through all the various ones, and if I can dig them out very quickly here, it might be in my list that I have ... but possibly not, could not get there that quickly. But I think she did reel off all the different principles.

Here we go, for what we were told the revised tax system must have:

Be capable of raising revenues of up to 24% of GDP in a way that is economically and socially sustainable  
Be diversified between different forms of taxation  
Be transparent, simple and credible  
Be resilient to demographic change and economic shocks  
Support and facilitate sustainable economic growth and employment  
Comply with international tax standards  
Maintain alignment on corporate tax policy with Jersey and the Isle of Man  
Overall, reflect people's ability to pay and be generally progressive, while accepting that a balanced tax system will include some elements (such as excise taxes) which are considered regressive in nature  
Not discriminate on the basis of age, gender, marital status or employment status in assessing the amount an individual must pay  
Support the delivery of environmental and social objectives if there are opportunities to do so without breaching the previous principles

870 Well, I would say from the work that we have done and the approach that we have taken, that our approach goes beyond, it goes further in supporting those principles and P&R's proposals. We look at sustainability bond; we look at carbon emissions levy. I do not see those appearing anywhere within P&R's proposals.

Deputy Trott, thank you for your wise words. This is a fairer and, as you said, a workable alternative.

I would like to thank Deputy Taylor for his support.

875 Deputy Moakes –

**Deputy Trott:** I am very grateful to Deputy Soulsby for giving way, sir, in what is an excellent speech with, I imagine, even better to come. But I would just like to be very clear on one thing.

880 If, like me, you want action this day and if, like me, you know that GST cannot get the required number of votes, and also if, like me, you believe that the latest amendment, Amendment 12, is nothing more than a sursis in disguise, (**A Member:** Hear, hear.) does Deputy Soulsby agree with me that the only way of coming out of this debate with anything meaningful is to support the Soulsby/St Pier amendment? (**Two Members:** Hear, hear.)

Thank you.

885

**Deputy Soulsby:** I do not have to answer that, it is obvious, Deputy Trott. That is precisely why we have come up with the solution that we have. It is not for any other motivation, and I will reference that again later.

890 Now, Deputy Moakes wants to know what we are going to cut. We are not sure that is really the way to approach things, I don't think. But then if he is bothered by our approach he must scratch his head at the fact P&R have lodged an amendment seeking to follow what we are trying to do, even to the extent of reducing the capital requirement. But still requiring GST.

895 He does not want uncertainty but I am sorry that is precisely what Deputy Moakes will get if he does not support this amendment, as Deputy Trott has just made very clear. Uncertainty from supporting P&R's proposals; uncertainty from supporting an amendment that has not yet been laid, but we have just found out at the last minute that it exists; and by throwing everything out.

I would like to thank Deputy St Pier for a great speech; and as I expected with his background as Treasury Minister he knows this matter backwards. (**A Member:** Hear, hear.)

900 Deputy Trott, I will give him a gold star for trying, but I am sorry, these proposals are not progressive, he really cannot say that because it is predicated on a lot of assumptions about people's spending; and by their own admission from their own policy letter, not all of the poorest will be better off. They say about 75% will be better off, that the bottom third will be better off. But if you work it through that shows a minimum of at least 3% of the richest will be better off.

905 The Fairer Alternative *is* more progressive. It puts less of a burden on individuals and households. I would just talk about Policy & Resources' commentary. It actually enables me to quote another Sir Humphrey Appleby little missive:

Statistics? You can prove anything with statistics [Minister.] Even the truth.

Percentages can hide a multitude of sins and so it is with graphs from the commentary. You would think from the first graphs on percentage of gain the Fairer Alternative is so much worse. But as they say, 100% of nowt is nowt. Actually the second graph shows how very close indeed we are.  
910 But we should be very wary of these graphs more generally. They contain, as I say, a lot of assumptions, not least in terms of the levels of spending per household which is needed for the GST-based model from Policy & Resources, because that is what it is based on.

There really are too many variables between households to come up with a meaningful analysis. For households where a member has a specific disability may well need to spend relatively more on heating and care and specialist equipment than another in the same income bracket. Some households have access to funds that others do not. The graphs work if you meet the cookie-cutter profile but not if you do not.

Deputy Trott talks about –

920 **Deputy Dudley-Owen:** Point of correction, sir.

**The Bailiff:** Point of correction, Deputy Dudley-Owen.

**Deputy Dudley-Owen:** ... [*Inaudible*] Oh, apologies, I did not realise my microphone was not on!  
925 The States undertakes an analysis of household expenditure for a basket of goods which I understood was in the region of about a thousand. Deputy Roffey will give more information. He did, I am sure. But it is not on an anonymised profile basis. It is on people who live in the Island. Therefore the assumption that this is just pulled out of their hat on the basis of anonymised work with profiles that are made up, is incorrect.

930

**The Bailiff:** Deputy Soulsby.

**Deputy Soulsby:** Sir, I think Deputy Dudley-Owen is mistaken and does not quite understand the point I am making. I apologise and perhaps I need to be clearer. Of course, yes, there is a basket of goods and the work that the unit will have done is to be using averages and using what they expect people to spend through that basket of goods. But it does not represent every individual family on the Island. Unless she knows, she is aware that anybody going to the Co-op or Waitrose, all their expenditure goes directly to the Statistics Unit, it is news to me. But that is the only way they can find out exactly how any particular household will benefit or not.

940 And on that I am not sure whether – and they may well be – but certainly my concern has been the analysis that was done and all that was shown before we had such a high increase in prices, and we noted particularly how food has shot up over the last year. I am pretty sure that the analysis would have been done before that took place, which I think might give a different skew in terms of who will benefit or not.



945 Deputy Fairclough, I thank him for his kind words. Actually, I thought it was one of the best speeches of the last few days. It was really well-structured and to-the-point analysis. His comments about the capital portfolio *are* spot on and that is why we are saying we need a proper review of it.

Deputy Haskins, to bring up the rear in debate says it is dangerous to tourism. I cannot see how a levy which raises far less money from tourists is going to be any more dangerous than P&R's proposals which seek to raise £6 million. So I find that an odd comment.

950 Then we come to Deputy Helyar's contribution. Now, I say it is always wise when looking to quote someone from a debate that you know they are not going to come back and quote something back to you. Indeed, Deputy Helyar quoted a few passages from my speech in September 2021 but he did not quote everything. And neither did he quote what anyone else said at the time, which may be pertinent. So I thought it might be a good idea if I did just that now.

955 Yes, I did speak about the difficulties in looking at savings but this is against a background of those believing at the time that we did not need to raise revenues at all and savings were enough. I have never said savings were enough. But one of those who was putting across that view was Deputy Murray, whose Damascene conversion in the last 15 months really is a wonder to behold. He said, back in September 2021, the original Propositions before they were amended:

... does undertake to set up a working group to explore cost savings across Principal Committees,

But I would argue that until that has been done the ramifications and need to scale for further tax increases cannot be judged with any degree of certainty. He went on to say:

I simply do not get the logic which is being suggested that it would bring in millions of pounds from visitors.

He said:

... the impact on local retail. ... GST will inevitably add administration costs, make local purchases even less competitive, and/or inhibit some purchasing altogether.

And who added:

... we can look, as some here want to do, at what has happened in Jersey. They have had GST for years, and just last week announced a range of cost-saving measures in their public sector. So GST is no silver bullet for addressing a structural deficit.

965 It was also the same speech where he asked whether the Airport was in the right place but I think that is probably for another debate.

Anyway, what Deputy Helyar did not mention is what I went on to say in my speech and it really is how I will get to close in this debate. I said in that debate, in September 2021:

... the only sustainable way of managing health and social care budget is for every Committee of Government understanding its role in Health. As ... only through a 'health in all policies' approach will we be able to keep costs down.

970 It is true that the cost of health is the key to it all but those who just talk about an ageing population being the problem really do not get it. Prevention and early intervention is the key to keeping the bills down and the key element of that is reducing inequality, which does not mean increasing benefits, but helping people help themselves. (**A Member:** Hear, hear.)

975 And I will repeat what I said in that debate, which was a quote from what I said in November 2019 that is in the previous States, when incidentally we had just undertaken our pandemic flu exercise, not realising that a few months later it would become real, before Brexit and before the war in Ukraine. I said:

[But this] Budget indicates that the time has come for a wider conversation over what the community is able and willing to pay to maintain our services.

The current arrangements are unsustainable if we are to meet growing expectations, be it in how long we have to wait for surgery, how much we have to pay to see a GP, the drugs and treatments we want or the level of care we desire in the community. Something has to give. All the savings that HSC has made in the last three years –

And yes, we did –

without cutting services. We have done it through thinking differently and working differently.

I said it back then, I said it in November 2019, I said it in September 2021 and I am saying it now:

The time has come for all of us to think and work differently and ... think and work together to find the best solution for the people of the Bailiwick because decisions ... need to be made now.

980 I have been consistent. What I said in November 2019, what I said in September 2021 and what I am saying today is encapsulated in this amendment and it is what the Fairer Alternative is about.

Now, just finally, I was going to end there but then some of the comments that I have heard indirectly and some of the comments from P&R over the past couple of days I thought I ought to address the elephant in the room and that is the motivation for this amendment.

985 Anyone who has worked for me and with me knows I do not do plotting or scheming. It might be what others do, so they think that I must do it. But I do not and never have. It is my experience of those that go down that rabbit hole usually end up stuck down it. **(Two Members: Hear, hear.)**

990 My motivation is simple: as I said, I had a chat with Deputy Ferbrache and I agreed with him that I could not just walk away from P&R and say, 'Be done with it, stew in your own juices, I am just going to carp from the backbenches.' That is not my style. Deputy Ferbrache, I would hope, would know that is not my style. When I get something I want to finish it. I want to make things better, that is in my nature. **(A Member: Hear, hear.)**

995 I know I had to focus on an alternative that did not include GST. That is what I have done, working collaboratively with others because that is what I do. I have despaired at the 'us and them' attitude of some in this place. I really wish we could start respecting the view of others rather than see differences of opinion as a personal affront. **(A Member: Hear, hear.)**

1000 To think we could end the whole tax debate because of who is proposing an amendment. We would be doing a disservice not only to those in this Assembly but the members of the public who have sent us hundreds of emails, who marched on Sunday and have turned up at the Royal Court steps. They want a positive decision and this is the only means of achieving it. **(A Member: Hear, hear.)**

We have here a non-GST –

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

1005 **The Bailiff:** Point of correction, Deputy Vermeulen.

1010 **Deputy Vermeulen:** Sir, Amendment 12 also gets rid of GST but we are going onto that later. But perhaps when you wrote this speech Amendment 12 was not in play but it certainly does take GST off the table, and I know how much the public want that got rid of. And it is not a sursis –

**The Bailiff:** Deputy Vermeulen, I am going to stop you there –

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

1015 **The Bailiff:** – on the basis that I am going to rule that that is not a valid point of correction because you can only correct an inaccurate or misleading statement, and what was being advanced by Deputy Soulsby's opinion. Therefore I am not going to give you the opportunity to speak to an amendment that cannot necessarily be laid unless the Motion under Article 7 of the Reform Law is carried.

1020 Deputy Soulsby.

**Deputy Soulsby:** The public want a positive decision. They do not want things thrown out, they want to know we have a way forward. They want to see Government doing something positive. (A Member: Hear, hear.)

1025 We have here a non-GST comprehensive and credible alternative. (Two Members: Hear, hear.)  
The *only* one in front of Members, in fact. It has been fully costed. It addresses structural deficit through a balanced approach to savings and revenue raising that is progressive and does not increase the burden on households who are struggling. It does not ignore it, it does not put its fingers in its ears and go, 'La, la, la, let's forget about the money that we need to raise.' It deals with the issue now.

1030 The most important thing here is it addresses the concerns of the public, who right now have lost trust in its Government. (A Member: Hear, hear.)

They want to know that we are doing our bit –

1035 **Deputy Haskins:** Point of order.

**Deputy Soulsby:** – before they are expected to –

**The Bailiff:** Point of order, Deputy Haskins.

1040 **Deputy Haskins:** Yes, I think this is 17(4) where I think Deputy Soulsby should be replying to the debate rather than addressing new arguments.

**Deputy Soulsby:** I am closing it.

1045 **The Bailiff:** I am going to rule that that is not a valid point of order on the basis that, yes, the reply to the debate must deal with the arguments that have been made but when so many Members have spoken there is an opportunity to advocate why the amendment should be supported rather than rejected.

So Deputy Soulsby to continue, please.

1050 **Deputy Soulsby:** Most importantly, this amendment addresses the concerns of the public, who have, right now, lost trust in their Government. They want to know we are doing our bit before they are expected to shoulder new taxes that they believe will just be the start of a slippery slope.

1055 So whether this amendment wins or loses, I have found the last six weeks more inspirational and constructive than at any time in the last two years. (Two Members: Hear, hear.)

I would like to thank all those inside and outside the States for their help and support in producing something I believe is a fair alternative for the people of the Bailiwick; and I ask Members to support it.

1060 **Two Members:** Hear, hear.

1065 **The Bailiff:** Well, Members of the States, it is now time to vote on Amendment number 4, proposed by Deputy Soulsby, seconded by Deputy St Pier. I would simply remind Members that the effect, if it is supported, will be to remove the set of original Propositions submitted by the Policy & Resources Committee and replace them.

Greffier, will you open the voting please.

*There was a recorded vote.*

*Amendment 4*

*Not carried – Pour 16, Contre 24, Ne vote pas 0, Did not vote 0, Absent 0*

| <b>POUR</b>              | <b>CONTRE</b>       | <b>NE VOTE PAS</b> | <b>DID NOT VOTE</b> | <b>ABSENT</b> |
|--------------------------|---------------------|--------------------|---------------------|---------------|
| Burford, Yvonne          | Aldwell, Sue        | None               | None                | None          |
| Bury, Tina               | Blin, Chris         |                    |                     |               |
| Cameron, Andy            | Brouard, Al         |                    |                     |               |
| De Sausmarez, Lindsay    | De Lisle, David     |                    |                     |               |
| Fairclough, Simon        | Dudley-Owen, Andrea |                    |                     |               |
| Falla, Steve             | Dyke, John          |                    |                     |               |
| Gabriel, Adrian          | Ferbrache, Peter    |                    |                     |               |
| Kazantseva-Miller, Sasha | Gollop, John        |                    |                     |               |
| Leadbeater, Marc         | Haskins, Sam        |                    |                     |               |
| Matthews, Aidan          | Helyar, Mark        |                    |                     |               |
| Parkinson, Charles       | Inder, Neil         |                    |                     |               |
| Queripel, Lester         | Le Tissier, Chris   |                    |                     |               |
| Soulsby, Heidi           | Le Tocq, Jonathan   |                    |                     |               |
| St Pier, Gavin           | Mahoney, David      |                    |                     |               |
| Taylor, Andrew           | McKenna, Liam       |                    |                     |               |
| Trott, Lyndon            | Meerveld, Carl      |                    |                     |               |
|                          | Moakes, Nick        |                    |                     |               |
|                          | Murray, Bob         |                    |                     |               |
|                          | Oliver, Victoria    |                    |                     |               |
|                          | Prow, Robert        |                    |                     |               |
|                          | Roberts, Steve      |                    |                     |               |
|                          | Roffey, Peter       |                    |                     |               |
|                          | Snowdon, Alexander  |                    |                     |               |
|                          | Vermeulen, Simon    |                    |                     |               |

**The Bailiff:** And will you close the voting please, Greffier.

1070 The voting on Amendment 4, proposed by Deputy Soulsby and seconded by Deputy St Pier is as follows: there voted in favour 16 Members, against 24 Members, nobody abstained, all Members voted and therefore I declare Amendment 4 lost by 16 votes to 24.

Deputy Le Tocq.

1075 **Deputy Le Tocq:** Sir, could I ask for a recess in order for P&R to consider a potential way forward, bearing in mind how the debate has gone so far?

**The Bailiff:** Let me first check with Deputy Parkinson. In the light of the vote on Amendment number 4 is it still your wish to lay Amendment number 2?

1080 **Deputy Parkinson:** Yes, sir.

**The Bailiff:** Does that affect your request, Deputy Le Tocq?

1085 **Deputy Le Tocq:** No, sir.

**The Bailiff:** Then I am going to put to Members ... How long are you asking for, Deputy Le Tocq?

**Deputy Le Tocq:** I think probably at least 20 minutes.

1090 **The Bailiff:** I am going to put the motion to you, Members, that we have a recess until 11.40 a.m. Those in favour; those against. I declare that carried and we will resume at 11.40 a.m.

*The Assembly adjourned at 11.17 a.m.  
and resumed its sitting at 11.46 a.m.*

**The Tax Review: Phase 2 –  
Debate continued**

**The Bailiff:** Deputy Parkinson, you indicated it is your wish to move Amendment number 2 and therefore I invite you to do that now.

[Amendment 2](#)

*To delete propositions 2 to 6 and substitute therefor:*

*2. To agree that the States will address the current and future fiscal deficits of the States of Guernsey by a two-phase reform:*

*A) In Phase 1 to design a new Corporate Income Tax ('CIT'), on a territorial basis with a general rate of 10% to 15% to raise a minimum of £20m per annum, and that a States' Investigation & Advisory Committee ('SI&AC') shall be established with the Constitution and Mandate set out below which shall report back to the States of Deliberation no later than the end of the current States term.*

- Title Corporate Income Tax Investigation & Advisory Committee*
- Constitution*

*Two Members who shall be members of the Policy & Resources Committee (one of whom shall be President) and*

*Two Members (upon establishment of the Committee to be Deputy Charles Parkinson and Deputy Gavin St Pier) who shall be Members of the States and One voting member who shall not be a Member of the States who shall be elected by the other members of the SI&AC but who shall be an independent international tax consultant who does not have a client or customer relationship (at the time of his or her election and whilst he or she is a member of the Committee) with a company liable or potentially liable to tax in Guernsey on its profits.*

- Mandate*

*To develop proposals for and define the detailed features of a new tax (to be known as Corporate Income Tax or CIT) to be levied at a rate of 10% to 15% on a territorial basis on the profits of Guernsey registered companies and other companies doing business on Guernsey.*

*To engage and consult with those companies whose profits will or may be subject to CIT, representative bodies of such companies, the other Crown Dependencies, relevant international bodies and any other persons, bodies or organisations that the Committee thinks fit for the purpose of discharging its mandate.*

*And in particular to consider:*

*a) The source rules for categories of income, including but not limited to:*

- i) Banking income*
- ii) Insurance income*
- iii) Franchise income*
- iv) Income from intellectual property*

*b) The desirability of a new 'Participation Exemption' in the Guernsey tax system*

*c) Any necessary amendments to Guernsey's Unilateral Double Tax Relief provisions*

*d) Any Economic Substance Test which may be necessary or desirable*

*e) The rates of Guernsey withholding tax on dividends, interest and royalties paid by Guernsey residents to non-Guernsey residents,*

*f) If appropriate, other ideas and opportunities as they arise in relation to corporate tax that would improve the net financial position or sustainability of the States of Guernsey in the longer-term,*

*g) How better to understand the scale of accumulated untaxed, undistributed profits in Guernsey-resident companies since the introduction of Zero-10 in 2008 and the abolition of the deemed distribution regime in 2012, and if appropriate, having regard to compliance with international standards, to consider:*

- i) The viability of extending section 67 of the Income Tax Law to provide appropriate anti-avoidance legislation, particularly in respect of closely held investment holding companies.*

*ii) Incentivising earlier taxable distributions.*

*iii) Any other mechanisms to increase revenues from this source of profits,*

*h) Recommending such consequential changes to the current Income Tax Laws as may be necessary or desirable*

*And to report back to the States by the end of the current States' term with proposals and recommendations.*

**AND:**

*B) To direct the Policy & Resources Committee to:*

*i. Prepare the States of Guernsey Annual Budgets for 2024 and 2025 to include no real-terms growth in revenue expenditure, excepting the budget of the Committee for Health & Social Care; and*

*ii. Include proposals within the Government Work Plan 2023 to reprioritise initiatives for which funding has not yet been released to the extent necessary to limit the additional expenditure to deliver these initiatives over the remainder of this term to a maximum of £5.7m, being 1% of the 2023 General Revenue budget*

**AND:**

*C) In Phase 2, following at least two full years of operation of the new CIT to direct the Policy & Resources Committee to review the effect on Guernsey's public finances of the implementation of Phase 1, and report back to the States with any recommendations for further measures, if any, needed to address any remaining fiscal deficit, before 31 December 2029.*

*3. To authorise the Policy & Resources Committee to make such funding available from the Budget Reserve as is necessary in order to enable the CITI&AC to carry out its mandate.*

1095 **Deputy Parkinson:** Thank you very much, sir.

Now, this is a subject that has been debated several times over recent years and Members have heard my views on GST and reform of corporate tax before, so I will try not to spend too much time going over old territory.

1100 I basically want to cover three topics in this speech: briefly to recap on why we need to replace Zero-10 with a territorial corporate tax; and then focusing on what has changed since the last time we discussed this I want to talk about the E&Y report on corporate tax options; and finally a bit on the response of IOD and GIBA, or at least some members of those organisations, to my amendment.

1105 Briefly then, to recap on why we need to replace Zero-10 with a territorial corporate tax. Members will be well aware that when we introduced Zero-10 on 1st January 2008 we shifted quite a large burden of the cost of our public services from the corporate sector to the personal tax pay-up. We gave up about £100 million of Corporate Income Tax on that day, and we did so because we knew we had to exempt the clients of the finance sector from tax, by and large.

1110 Under the previous regime Guernsey-resident companies or companies owned by Guernsey residents paid tax at 20% on their income; companies owned by non-residents could pay an annual fee which was, I think, £500, to be exempt from Guernsey Income Tax. And the EU had told us that we could not discriminate between companies on the basis of whether they were owned by Guernsey residents or non-residents. They all had to be subject to the same tax level.

1115 Led by the Isle of Man, all of the Crown Dependencies introduced what we call Zero-10, under which the general rate of tax on companies was reduced to Zero but a subset of companies in the finance sector were taxed at 10%. This is all old ground, familiar to you.

1120 It was a response and it achieved the effect of exempting clients in the finance industry from tax, because if you reduce the rate of tax to Zero it does not matter how much profit is in charge to tax, the net result will always be nil. But it is an unintelligent response because the product – the amount of tax that the taxpayer has to pay – is a product of the taxable base times the tax rate. And to get to the answer you want, which is nil, the other way of achieving that is to reduce the amount of income in charge to tax to nothing. And then it does not really matter what the rate is because the products of the calculation will still be nil. And the obvious way to achieve that effect is to introduce territorial tax which means that companies will only pay tax on income arising in Guernsey.

1125 Now, for most clients in the offshore financial services business they do not have income arising in Guernsey. Some rare exceptions will have and they were always treated on a territorial basis previously. If an exempt company pre-2008, for example, owned a Guernsey investment property, it was liable to Guernsey Income Tax on the rent it received from that investment property. Locally-owned companies were taxable more on a worldwide income basis but companies owned by non-residents were taxable on a territorial basis.

1130 The territorial basis is completely normal. More than 30 countries now from the 38 OECD countries operate territorial systems of tax. This is far from being an exotic preacher.

1135 So if we were to replace Zero-10 with a territorial Corporate Income Tax we would, by and large replicate the effects of the pre-change Guernsey tax system but with the important distinction that we would not be exempting our domestic economy. Businesses doing business on Guernsey would become once again liable to Guernsey Income Tax. And it was exempting businesses in our domestic economy which accounted for a large part of the £100 million in Corporate Income Tax that we gave up when we introduced Zero-10.

1140 There is no moral or logical reason why companies doing business on Guernsey should not be paying tax on Guernsey. They use our public services and they should be contributing to the cost.

1145 Introducing territorial tax would also, I believe, improve our international reputation. I think the 0% tax rate is a red rag to a bull. It paints a target on our backs. We spend a lot of time and energy telling the world that we are not a tax haven, we are a regulated international finance centre, we do our best to suppress money-laundering, we try to be good citizens of the international community. But all the rest of the world sees is that 0% rate of tax and they say, 'If that is not a tax haven, what is?'

1150 Now, I have said before, if you were to go out and ask the man on the street in Leicester what he knows about Guernsey, first of all he would probably say: is that part of Jersey? Secondly, he might have heard of cows but the other thing he would almost certainly say of Guernsey is that it is a tax haven. We will have grave difficulty shaking off this unfortunate stigma while we offer the world a 0% corporate tax rate. If we offered the world a territorial Corporate Income Tax at 10% or 15%, whatever the decision may be, that brings us into line with other countries around the world, the vast majority, and it shows a positive corporate tax rate and people would be less hostile towards us.

1155 By people, I mean especially international bodies like the EU and OECD, which are constantly attacking us and trying to pick holes in Guernsey's status. We are almost constantly under audit by international bodies and we all know that there is a Moneyval inspection coming up soon. **(A Member: Hear, hear.)** Which, if we fail, will be fatal to not only our finance industry but also our economy. So we put ourselves in grave jeopardy by walking around with this target on our back; unnecessarily, because we could have achieved the same result of exempting the clients of our finance industry without introducing a 0% corporate tax rate.

1160 Reforming the taxation of companies in Guernsey would also close another loophole. Unfortunately, we were not allowed to introduce anti-avoidance legislation. I remember at the time, I was Treasury Minister until 2012, and we wanted to introduce anti-avoidance legislation to stop Guernsey residents – individuals – using companies to shelter their income from Income Tax. *Many* countries have such rules. They say Americans have personal holding company regimes; the UK has a closed company tax regime, and so on. And they basically say, 'Look, if you are using a personal holding company to hold your income-producing assets, we will look through that company and attribute the income of that company to the individual taxpayer, and we will tax you accordingly.'

1170 We were not allowed to do that because the EU Code of Conduct Group said that was effectively introducing discrimination between Guernsey-owned companies and non-resident-owned companies, and so we gave up on the normal anti-avoidance rules that you would find in other developed tax regimes. The result is that a number of Guernsey residents, wealthy Guernsey residents, unfortunately use companies to shelter their income from Guernsey Income Tax. I am told there are about 200 on Guernsey who have put their income-producing assets in a company and it means they do not have to pay tax on their income unless and until they distribute that income to

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themselves in the form of a dividend. There are ways that they can extract money out of the company without suffering tax on it. So there are about 200 very wealthy people in Guernsey who choose to pay no tax, or very little tax, because we have created this loophole and they have exploited it.

1180 Now, if we taxed the company, of course at least in respect of Guernsey-sourced income, that problem would not exist. Moreover, another really stupid feature of Zero-10 is that, for many companies that are invested in Guernsey, many international groups that are invested in Guernsey, paying tax here would not cost them any money because Guernsey subsidiaries of UK groups, for example – but it applies equally to many other groups based in many other countries – are quite likely to be what the UK calls ‘controlled foreign companies’. And that means that if the UK company owns more than 25% of the shares of the Guernsey company its pro rata share of the income of the Guernsey company will be attributed, under certain circumstances – and I am not going to get bogged down in the rules – to the UK parent company, which will then pay UK corporation tax on the Guernsey profits.

1190 So, when we say we have a 0% rate of tax that does not mean that the profits of the Guernsey company do not suffer tax. It just means they do not suffer tax *in Guernsey*. Those profits may very well be taxable in another jurisdiction; for example, the UK.

1195 And the converse applies. If we were to tax the profits of the Guernsey company it would not be a real burden on the group concerned because they would offset the Guernsey tax they have to pay against the UK tax which they would otherwise be paying. In other words, if we were to charge a Corporate Income Tax in Guernsey, the tax would be borne, to a significant extent, not by the group concerned or the company in Guernsey, but by the UK Exchequer.

1200 Now, as it is with the system we have created, effectively Guernsey is paying tens of millions of pounds every year in corporate tax to the UK Exchequer. One reason why we have the fiscal deficits we are debating today is because we choose, bizarrely, to pay tens of millions of pounds every year to the UK Exchequer in return for nothing at all.

1205 So Zero-10 is not just undermining our tax system, our tax base, by exempting our domestic economy or large parts of it from tax, it is also creating a loophole by which a significant number of very wealthy people on this Island are able to opt out of paying us Income Tax; and it is destroying our international relationships by creating this reputation of us being a tax haven, in many cases for no benefit. We are simply paying tax, tens of millions of pounds of tax, away to the UK Exchequer for nothing at all.

1210 That is why I think we need to replace Zero-10 with a territorial Corporate Income Tax. It is just a far more intelligent solution to the original problem and it would avoid some of this collateral damage which we have incurred by introducing Zero-10. But I do not want to spend a lot more time dwelling on that. I am very happy to take any questions on it at any time and at the end of this debate in particular.

1215 I want to turn my attention now to what I regard as ‘the elephant in the room’. And the elephant in the room is growth. (**A Member:** Hear, hear.) Growth is clearly necessary for us to cope with the demographic changes which we have already seen and which are coming down the track.

1220 The Policy & Resources policy letter basically attempts to show that the Island can raise an extra nett £50 million of tax to plug the existing fiscal deficit, but it acknowledges that the deficits are only going to get bigger as the demographic changes continue. But it offers no solution to filling the future deficits that will arise because of demographic change other than to go on increasing tax.

GST will do absolutely nothing to promote economic growth in Guernsey; in fact, quite the contrary. (**A Member:** Hear, hear.) It will be a drag on economic growth. It will make those future problems worse.

1225 *All* taxation is a fiscal drag: it takes money out of the pockets of people who might spend or invest and it puts it in the hands of Government. But different taxes have different effects according to which sectors of the public or which corporate sector is affected, and how much. GST takes money out of the pockets of consumers and therefore directly reduces activity in the economy. Indirectly



of course it will tend to reduce imports because much of what we consume in Guernsey has been imported, but the first line effect of introducing a 5% GST, which is bound to increase in future, will be to take economic activity out of the Guernsey economy.

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Corporate Income Taxes, of course in general, reduce the amount of money that companies have to invest but in the peculiar situation of Guernsey much of the cost of that will be borne by groups that are based outside the Island. And indeed, as I have shown, much of the cost of Guernsey tax paid will actually be borne by the UK Exchequer, not by the groups of companies themselves. So it has a far less detrimental effect, in the Guernsey context, on growth, than GST would.

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Now, Deputy Kazantseva-Miller did a sterling job yesterday of showing how poorly Guernsey is currently performing under Zero-10. The economy has been growing at about 0.5% per annum; the finance industry has been shrinking at about 0.7% per annum; and public spending has been increasing at around 2% per annum. This is a road to disaster. (**A Member:** Hear, hear.)

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What we have a problem with is an existing fiscal deficit which will only get worse with demographic changes. Nothing else on the table has been proposed – which has not yet been debated – which offers the possibility of economic growth to balance future demographic pressures; and essentially the only way under the Policy & Resources Plan of addressing those future pressures is to increase the rate of GST and plunge the economy into a downward spiral because the more tax we take in GST the slower the growth in the economy will be.

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There is nothing in the policy letter which promotes economic growth. And this is the central problem that we face. Our economy is growing very slowly and it is true of Jersey and the Isle of Man, and our finance industry is actually shrinking and the proposals on the table will only make those problems worse. So I believe we have to look at a sensible alternative.

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Taxing companies judiciously is a sensible way of raising more money without killing off growth and which actually offers the possibility of a more stable, more internationally acceptable tax regime which will encourage more investment into Guernsey. If Guernsey is not perceived as a tax haven, or perceived *less* as a tax haven, it will be less under attack internationally and investing companies may be more inclined to invest here. We know that some companies choose not to invest in Guernsey precisely because they do not want to be associated with that kind of brand of tax haven.

1255

We have also heard much about stability and uncertainty in this debate and people have said, 'Oh, we mustn't do anything that creates uncertainty or instability.' The corporate investing community hates uncertainty. So my response to that is nothing could be more unstable than this Assembly voting to introduce GST, which will *not* be introduced and will not be brought into effect before the next General Election.

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Everyone out there knows that this will become *the* only issue at the next General Election; and it is quite likely that a very differently composed States will be returned at that election and overturn the decision. That is not stable. That is wildly unstable. It is not certain, it produces no certain outcome, and frankly it would be the worst of all possible worlds.

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Now I want at this point to turn to the E&Y comments in their report on corporate tax options and their subsequent letter to P&R dated 20th January, just a week or so ago. I want first of all – proving to Deputy Ferbrache that I *have* actually read it and I understood it – E&Y recognise that there are a number of Guernsey companies for which their Guernsey profits are taxed elsewhere. That is good of them. They say, and I quote:

In theory, if Guernsey were to operate a territorial corporate income tax, the tax paid in Guernsey could reduce the tax due elsewhere.

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Yes! They are confirming that I am right.

As such, this should allow an increase in corporate income tax receipts without increasing the burden on the group and hence not triggering a behavioural response ...

By which they mean the company would not leave because it would not suffer from the increase in Guernsey Corporate Income Tax. And they go on.

In their letter of 20th January they have somewhat changed their tune, I suspect under pressure from P&R. They say:

We were not provided with information that would allow us to evaluate the extent of such profits. We therefore have no reason to believe that a large proportion of any tax imposed in Guernsey would necessarily be offset by reductions in foreign tax.

1275 I just want to pause for a minute to dwell on that extraordinary statement. 'We were not provided with information that would allow us to evaluate the extent of such profits. We therefore have no reason to believe that a large proportion of any tax imposed in Guernsey would necessarily be offset by reductions in foreign tax paid.'

1280 What an extraordinary statement from a very highly paid firm of tax consultants. Effectively what they are saying is we recognise that for a number of Guernsey companies, Guernsey tax would not be a real cost to the group but we were not provided with any information – and we did not ask for it – so we have no reason to believe that the effect of behavioural change would be material. They just did not look at it. They go on ...

1285 I mean, that is one of the most unprofessional statements I have ever read from a supposedly reputable firm of accountants.

1290 Whilst we are on the subject of Ernst & Young, there are some other comments on the idea of Guernsey introducing a Corporate Income Tax. They refer to the new global minimum tax, and this is a tax that has been agreed by more than 130 countries, that any group or company with a turnover of more than €750,000 million a year will pay a minimum of 15% tax on their profits from January 2024. This is quite a significant factor for Guernsey because there are a number of companies in Guernsey which are members of groups with a turnover of X in excess of €750,000 million. From next year they will all be subject to a global minimum tax of 15%.

1295 Well, E&Y mention this. They refer to it and they effectively say they have ignored the idea of Guernsey imposing such a tax on companies outside the finance sector. Why? And they do not explain why a Guernsey Corporate Income Tax should not equally be imposed on companies within the finance sector.

1300 Their Guernsey profits will be taxed at 15% from next January if the group turnover exceeds €750,000 million whatever we do. And it we do not collect the tax it will be paid to some other jurisdiction. That is the simple fact of the matter. But they have ignored that. They write, in a section headed 'Additional Options' – the additional options they consider being a domestic minimum tax of 15% in response to the global minimum tax rate and an environmental, social and governance voluntary tax, which we will go on to.

And what they said about these things was, I quote:

These options fall outside the scope of the current project but should be considered in the context of a wider strategic review.

1305 So, yes, from next January, Members' companies of large groups in Guernsey, will be subject to a global minimum tax rate of at least 15% whether we tax them or not. But these options fall outside the scope of the current project. In other words, we have not looked at it.

1310 The suggested environmental, social and governance voluntary tax in the policy letter is a complete nonsense. It is mentioned by E&Y as something else which should be considered as part of a future strategic review, but it is a complete nonsense. If a payment is voluntary, it is not a tax. No foreign revenue authority is going to give credit to such a payment. It is a charitable donation, not a tax, and E&Y should have said this.

1315 They did not need to go into a great deal of analysis but at the very bare minimum they should have said there is no point in Guernsey introducing a voluntary tax because it is a contradiction in terms. The group that owns the Guernsey company will get no credit for the Guernsey voluntary tax paid.

They then talk about the potential for tax uncertainty and we have touched on this subject already. They note that some territorial tax regimes have been the focus of the EU Code of Conduct

1320 attention; for example, the regime in Hong Kong, and that is quite true, *that* is under review. And indeed the Hong Kong authorities have brought in changes to their territorial tax regime with effect from 1st January, this month, to meet EU objections. What the EU are concerned about in relation to Hong Kong is that multinational enterprises will set up money-box companies in Hong Kong to route income through, to reduce group tax liabilities. Companies, effectively brass-plate companies, with no economic substance. And the EU very justifiably consider that that is a concern. And the Hong Kong authorities have taken steps to address that concern.

1325 We do not tend to have a problem with brass-plate companies in Guernsey. Under the Base Erosion and Profit Shifting rules we have already done a lot of work to demonstrate that there is economic substance in Guernsey's finance sector; and certainly we would take on board, in designing any new Corporate Income Tax, what has happened in Hong Kong. And that is the point here.

1330 Because the Hong Kong tax regime is currently under review, and has been under review for most of last year, we would know before we made any changes to our Corporate Income Tax system what the outcome of that review was. And provided any new Corporate Income Tax in Guernsey sticks reasonably closely to the Hong Kong model, we will know before we make any changes whether it is code-compliant, because the EU will have ruled on the Hong Kong tax regime and will have critiqued any deficiencies that they perceive in it, and Hong Kong clearly will have responded to address their concerns.

1335 In their original report, Ernst & Young wrote on page 32, for anyone who is following in the paper, I quote:

None of the options examined is likely be in clear breach of the relevant rules and this matter was discussed directly with the Policy and Resources Committee.

1340 So, they have considered a territorial tax regime, they have discussed it with the Policy & Resources Committee and they have said none of the options being considered are a clear breach of the rules. And they go on:

In any event, should the options presented proceed to become policy proposals under the Strategic Review, such proposals would need to be assessed in detail against the relevant criteria.

Well of course they would.

However, in their letter of 20th January their tone had changed somewhat. They said:

Such an introduction could result in Guernsey being placed on the EU's grey list during the period of review, resulting in a period of uncertainty.

1345 I have already explained why I think that risk is severely overstated. I do not think Guernsey would introduce any changes that had not already been approved by the EU Code of Conduct group.

1350 So the only thing I think, frankly, that is likely to come out of this debate is uncertainty. Bizarrely, the only certainty is uncertainty. Deputy Burford addressed this point very clearly in her speech. The reality is we are likely to end up, I suspect, voting out all the amendments and then voting out the principal Propositions and leaving the public of Guernsey with no direction forward, (**A Member:** Hear, hear.) no plan to address the current and future deficits, and frankly a vacuum at the head of Government. So I congratulate Deputy Burford on her perceptive analysis.

1355 Members may think that I think the Ernst & Young report is completely useless. It is not, actually, there is some valuable stuff in it and I would draw Members' attention to section 5.2 in the original report where E&Y modelled the amount of tax that a territorial Corporate Income Tax with a rate of 15% could produce – if the so-called red line sectors were excluded, i.e. excluding most of the finance sector, and they came up with a figure of £18.4 million.

Their figure is open to criticism: first of all there are a number of sectors in Guernsey which currently pay tax at *more* than 15%: Guernsey source rental income; regulated utilities; the growing

1360 of cannabis and others are taxed at 20% under the current regime, now. In doing their model E&Y have assumed that all those sectors will see a tax reduction from 20% to 15%. I think that is completely unrealistic. I think Guernsey will always want to tax Guernsey source rental income at 20% and therefore we will take the additional amount of Income Tax from those sectors.

1365 Moreover, we know, because they have told us, that they have expressly ignored the effect on behavioural response to tax changes. The fact that in many cases any Guernsey tax charge would not be a real cost to the group concerned. They have just said, 'We are not taking any account of that.' So in their tables, what they do is they calculate a gross amount of tax that might be raised by taxing any particular sector, they deduct an amount for behavioural response – in other words, companies moving off the Island or transferring business off the Island – and they come to a net figure of what Guernsey might hope to realise from that from taxing that sector.

1370 But in calculating that second column – Behavioural Response – they have expressly ignored both the fact that under the current rules – Controlled Foreign Company rules, etc. – in many cases the situation would be that if the group paid tax in Guernsey it would be no real cost to the group, the tax would be relieved against tax that would otherwise have been charged elsewhere. And they have also expressly ignored the effect of the global minimum tax rate.

1375 So, in calculating the behavioural response, they have ignored the fact that from January next year the very large groups that operate in Guernsey would not be able to reduce their tax below 15% wherever they went in the developed world. The reality is, for those groups, there is going to be absolutely no incentive to move their company or business out of Guernsey if Guernsey taxes them.

1380 So I think the £18.4 million figure is understated, clearly. You have to add back the extra tax that will be collected from sectors that currently pay 20% and you have to reduce the behavioural response by some sort of estimate of what would not leave the Island, which E&Y have assumed *would* leave the Island. I do not know what the right number is, it is somewhere north of £18.4 million, somewhere in the low twenties, I suspect.

1385 And there is more, because E&Y also model an option 2a. This models the effect of a 15% territorial Corporate Income Tax applied to all sectors including funds, which no-one is proposing. This is helpful because it does give us an idea of the amount of revenue that would be collected if selected areas of the finance sector were brought in charge to tax. The first model excluded, put a red line around all of the finance sector and said that is clearly not going to be taxed. The second model makes – and I suppose I would say just for comparison's sake – the very unrealistic assumption that all of the finance sector, or most of it, would be brought into tax.

1390 Now, we can question the rationale for even doing that but it does actually throw out some quite interesting data; for example, in this modelling E&Y estimated that the captive insurance companies in Guernsey would pay £6 million in tax, but behavioural change would reduce this amount by 1395 £1.3 million, for a net tax take of £4.7 million. I do not know what data that is based on so I have no means of telling whether that is a sensible calculation. Six million gross take seems to me pretty low for an industry that is comprised of, I think, more than 700 captive insurance companies, but since I have no better data to offer the Assembly I will have to take E&Y at their word.

1400 What is though clearly is not reliable is the deduction of £1.3 million for behavioural change, because E&Y have expressly excluded the implications of the fact that for many of those companies their profits are taxed in the UK or elsewhere. Two-thirds of the captive insurance companies in Guernsey are subsidiaries of UK companies. So goodness knows why they have ignored that, but the fact is that that £1.3 million can only be an overestimate.

1405 Some other interesting data from that, they estimate, for example, that domestic retail banking would produce an additional £6.5 million and net £6.2 million. Obviously a relatively small reduction of £300,000, and that is rational because this is domestic banking. You cannot run a high street bank in Guernsey from the Isle of Man; it is a bank in Guernsey and its customers are here. So that suggests there is another £6.2 million to come from retail domestic banking.

1410 They talk about regulated fiduciary could produce an additional £2.5 million, net £1.9 million. I will not go on. There is a whole schedule of industry groups there and Members can study it at their own leisure.

1415 What it means in short is that there are quite a lot of sections of the finance industry which, if brought into charge to tax in Guernsey, would significantly contribute to the tax take over and above the £18.4 million or the £21 million, or whatever that turns out to be, from the non-finance sector.

My conclusion on that is that, although I think the figures can be challenged in a number of different ways, you would probably end up with a figure of around £40 million-plus, if a judiciously constructed Corporate Income Tax was raised on a territorial basis.

1420 Now Deputy Helyar and others will say £40 million is not enough but it is a jolly good chunk of a deficit which might be £80 million, goodness knows, the numbers jump around, don't they? Who knows what the deficit is? But it feels like it about half way towards solving the current deficit problem, and it leaves a balance of remaining deficit that could be addressed by other tax changes, such as changes in TRP and other local taxes. Nobody likes tax increases, nobody likes paid parking, but personally I think it would be much more preferable to include paid parking than a regressive and growth-killing GST.

1425 So that is my comment on the Ernst & Young report. I think it is a bit 'parson's egg-ish'. Some of it is verging on the unprofessional but some of the research I think is quite useful and it does give us some information that would be helpful in designing a new Corporate Income Tax system.

1430 I now want to turn to the reaction to my amendment that we have seen from the IOD and GIBA, at least representing some of their members. Now, I have said already that the worldwide income tax basis that Guernsey applies is an outlier. The Crown Dependencies are very much in a minority amongst taxing jurisdictions in using this basis of tax. A tiny minority of OECD countries use it, including Israel and Mexico, for example; but if you are talking about the big ones, the USA, Germany, France, the UK especially, they all use territorial corporate tax systems. The notion that is being mooted about, that Guernsey would be putting itself out on a limb by adopting a territorial Corporate Income Tax, is nothing short of rubbish.

1435 Most clients in the finance sector, GIBA and the IOD say, 'Well, okay that might be case but people will not look beyond the headline rates.' If the headline rate of tax in Jersey and the Isle of Man is 0% and in Guernsey it is 10% or 15%, most people will not look any further into it, they will run away.

1440 I ran a very successful financial services business in Guernsey, a very successful fiduciary business. It is now one of the largest businesses on the Island. I will not name it. I think some of you know the name.

1445 I dealt with these clients all the time in my professional career and they are not stupid people. They are all intelligent, successful business people and they very largely live in jurisdictions which impose territorial corporate taxes. They understand what 'territorial taxation' means. And if they do not, they have large organisations including tax departments which deal with group tax affairs, and those people know a hell of a lot about tax. I still deal with them regularly, I am Chairman of the audit committee of Guernsey's largest-listed trading company by market capitalisation.

1450 These people are not wet behind the ears. They are not country bumpkins who do not understand tax. They know a lot more about it than anyone in the IOD or GIBA. And the reality is they perfectly well understand that 10% times nothing is nothing. And if you want a Zero result you do not have to reduce the rate to Zero. They are perfectly capable of understanding that. This is the regime that operates in New York. This is the regime that operates in London. They get it.

1455 So why, in response to the IOD and GIBA, would Guernsey want to be shackled to an obsolete and uncompetitive tax system? And I say uncompetitive because while Guernsey, Jersey and the Isle of Man have been growing at a snail's pace over the last decade, our territorial tax competitors like Hong Kong, Singapore, Dubai, Switzerland, Luxembourg, Dublin have been growing in leaps and bounds. They have been *massively* more successful than we are. If the regimes they are operating are uncompetitive, why are they not failing? Why is it Guernsey which is failing?

1460 The reality is that people who operate in the offshore world know that that is the way sophisticated offshore finances centres operate. They have operations in Singapore. They know Dubai, they know Switzerland, they know Luxembourg. To them Guernsey, and quaint old Jersey

1465 and the Isle of Man, along with Mexico and Israel, operating a worldwide income basis of taxation are just outliers. Obsolete, uncompetitive tax jurisdictions.

1470 The pressure on Jersey and the Isle of Man to reform their tax systems is rather different to the pressure that we feel. The Isle of Man, which triggered Zero-10 in the first place by being the first to go for it, does not need to collect a lot of corporate tax from the point of view of balancing their books. They have UK-style VAT at 20% and they collected a lot of money from that. Originally, they collected vastly more than they should have economically been entitled to because the UK divvied-up the common purse very much in the Isle of Man's favour. They were just awash with money, they did not need to get money from the companies.

1475 I think all the other arguments remain that in adopting Zero-10 they had probably damaged their growth rates and they had probably damaged their fiscal fairness within the community, and maybe have even undermined the community itself. But from a pure revenue-raising point of view they did not need corporate tax. Whereas we, who do not have a consumption tax, *do* need to do something about corporate tax. It is important to us.

1480 So when GIBA and the IOD say, 'Well, yes, Charles, it is all very good, worked very well in theory and we can see the point of your argument. We can't move until Jersey and the Isle of Man move.'

I would say to them, 'Well the answer is you are never going to move.' There is very little pressure on the Isle of Man to reform its Corporate Income Tax system. And basically, unless and until some international body like the OECD or the EU tells them that they cannot have Zero-10, I think it is unlikely they will change from it. And if we shackle ourselves to them and say we cannot move until they move, we are going to be stuck here forever in a growth-killing, unfair, regressive GST.

1485 Do we want to see 20% GST? The reality is, because the only way that Policy & Resources can address future demographic effects in Guernsey is by increasing the rate of GST. Dr Sloan calculated that it would have to be 12.5% *ab initio* to balance the books.

1490 If we want to go down that route, sure, we can copy the Isle of Man. I just think it is a really stupid thing to do. We could have addressed the Island's critical needs, which is to protect the clients of the finance industry, while taxing our domestic economy at a sensible rate. We could have done that by a far more intelligent process. And to be told that we cannot change because the Isle of Man will not change, I am afraid simply does not wash with me. Zero-10 is doing enormous damage: it has undermined our public finances, it is damaging our international reputation and most of all it is killing growth.

1495 The definition of madness, we are told, is doing the same thing over and over again and expecting a different result. Zero-10 has produced *no* growth since 2008. If we run it for another 10 years does anyone seriously think it is going to produce any growth? No, it will not. It absolutely will not. We would just be doing the same thing over and over again expecting a different result.

1500 We have to change. The people of Guernsey expect us to change, to sort this out. Members of P&R presented their support for their proposal on GST as brave. I do not think it is brave, it is just foolish. We are being asked to support a complete dead-end street tax policy, when there is an alternative which is far more likely to be internationally acceptable, far more likely to be competitive on the world stage and far more likely to contribute to build a stable economic foundation on which we could grow our economy.

1505 So, I think, Members, we are people's Deputies and we here to represent the people and we know what their views are. They do not want GST and they know – because some of us have been telling them – that there are actually more intelligent alternatives. They expect us to not put on our big boy's pants, as Deputy Helyar urged us, but to actually put our thinking caps on. Vote with your brain, not whatever is in your pants. (*Laughter*)

1510 Members, I suspect that we will come out of this meeting having decided nothing. I suspect the results will be a massive disappointment to the people of Guernsey and I suspect the whole issue will have to be resolved by a general election. But, while there is still a chance that the States will actually make a sensible decision to put our economy on a more sound footing, to create the possibility of an economy which grows to meet the future demographic challenges, I would urge  
1515 Members to support this amendment.

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

**Deputy McKenna:** I do indeed, sir.

1520 **The Bailiff:** There are no procedural motions being laid in respect of this amendment. After yesterday I am not tempted to suggest that we take a speech now, but I will put the motion to you because I think time is pressing in relation to this debate, that we simply adjourn to two o'clock now rather than 2.30 p.m. and follow the pattern of the previous two days.

1525 Those in favour; those against. I am going to declare that carried and now we will adjourn until two o'clock.

*The Assembly adjourned at 12.40 p.m.  
and resumed its sitting at 2 p.m.*

### **The Tax Review: Phase 2 – Debate deferred to February Meeting**

**The Bailiff:** I will turn to the President of the Policy & Resources Committee, to speak on the amendment, if nobody wants to speak.

Deputy Trott, a captive audience for you.

1530 **Deputy Trott:** Thank you, sir. It would have been nicer to have spoken to a few more Members. But there we are, *c'est la vie*.

Sir, I need to I think say at the onset that I am the Chairman – primarily Non-Executive Chairman but Executive Chairman in one case – of six financial services businesses that provide services to corporate clients.

1535 It was like going back 15 years or 16 years earlier when I was listening to my friend Deputy Parkinson speak, because what has always impressed me with the way Deputy Parkinson talks about tax is he says certain things very passionately, as if they are facts, and he also leaves out certain facts which may not necessarily be complementary to his arguments. We all do that from time to time, sir, so I do not take him to task for that, but of course it does fall to people like me to maybe fill in some of those gaps.

1540 Now, I do not think that many would disagree with me when I say that Deputy Parkinson managed to insult just about every one of the Island's current international tax advisers, but he did not stop there he actually insulted a few beyond these shores as well. He said Guernsey is failing. Well, of course, Guernsey is *not* failing. What Guernsey does have, and I think he and I do agree on that, is an inappropriate funding quantum. We are short of resources; we need to get a higher percentage tax take of our economy.

1545 But to describe us as failing particularly as an international finance centre immediately ignores that in the space of three months we have been voted by international bodies that do not ... You cannot buy these awards, sir, these awards are awarded exclusively on merit. Two international agencies have regarded us as, '*The best international financial services centre on the planet.*' (Two Members: Hear, hear.) Twice in three months! That is not a symbol of an environment, a jurisdiction, a centre that is failing.

Now, Deputy Parkinson started by saying that Zero-10 was an 'unintelligent response'.

1555 Well, 15 years on it remains EU Code of Conduct on Business Taxation compliant and it has, throughout those 15 years, including the four years after me that my friend Deputy Parkinson was Treasury Minister, there has never been a serious attempt to completely rewrite Zero-10.

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

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

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**Deputy Trott:** I am very happy to give way.

**Deputy Parkinson:** The States in the term immediately after Deputy Trott was Treasury Minister and indeed while he was Chief Minister, part passed resolutions saying that we would introduce a standard Corporate Income Tax rate of 10% across the board.

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**The Bailiff:** Deputy Trott.

**Deputy Trott:** I was not intending to mislead the Assembly, sir, because I *genuinely* do not recall that. I genuinely do not recall that. But one thing is for sure, there was certainly no momentum or resolve because of course the Zero-10 Corporate Tax Regime that we have today is, to all intents and purposes ostensibly the same as we had all those years ago. Save in one regard: that as our economy has grown and as we have been able to take more out of the minority of the economy that is less than that is taxed at Zero, we have taxed more and we have bought in more.

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By the time you account for the *very* significant rises in TRP from the corporate sector the corporate service providers that I am closely associated with, pay significantly more tax today than they did back then and that is partly, of course, because their profits have grown. So Zero-10 has clearly stood the test of time and it is competitive internationally because it does not create an environment where our clients are taxed twice.

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And this is absolutely crucial, because in the absence of a network of double taxation treaties – and we do not have an international network of double taxation treaties, because if we did we would not have the competitive difficulties that sometimes we face – then tax paid here in Guernsey would effectively be credited against the liability elsewhere. It would be netted off. But in the *absence* of those international tax treaties, tax charged here cannot be netted off against a liability elsewhere means that our clients get taxed twice.

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Now, in a nutshell that is why we had to move to Zero-10. I make no dispute with Deputy Parkinson's evolution of that because I mentioned it myself yesterday, that it was the Isle of Man's abundance of tax from the UK VAT common-purse that gave them the ability to give up a significant amount of Corporate Income Tax. But once they had done that, the advice from our international advisers was that we needed to do the same or we ran the risk of seeing very material migration of our business to that jurisdiction and Jersey, and the opportunity to attract and retain that type of business in the future would be extremely limited.

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I also want to talk about ETI receipts because Deputy Parkinson talked about the fact that the industry is smaller today; and of course he is right. The industry is smaller today insofar as it employees fewer people and there are fewer international banks in particular. But in many other areas, in the areas of captive insurance administration, in the area of investment fund administration and also in the areas of traditional fiduciary business, the industry is larger. The ETI receipts from the finance sector have grown – wait for it – every single quarter, without exception, since the global financial crisis.

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In other words the amount that we take from ETI from that sector has grown because the amount that the people within it are earning, in terms of their salaries and bonuses, and in some cases distributions, particularly if they are local resident shareholders, has had a very positive contribution on ETI. So, far from failing, we need to continue to be thankful for the very significant taxes that both those employed within the industry and indeed those who are at the corporate level here in Guernsey, pay.

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Now, Deputy Parkinson said words along the lines of, if we fail at the Moneyval inspection it would be fatal. I think it would be *very* bad news indeed, I do not seek to play that down whatsoever. But what I do seek to correct, because it is wrong to say so, Moneyval is not concerned with our corporate tax regime. And even if it was, it is EU Code of Conduct compliant. It ticks the box. So

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1610 even if they were coming here to look at our tax regime their political masters have already made quite clear that what we have is entirely acceptable.

I now move on to timing, I am sure Deputy Parkinson himself would agree that this is not a panacea and it certainly does not address any near-term issues, because the amendment draws our attention to an implementation date of 2029. The last time I looked it was January 2023, so we are  
1615 an awful long way off 2029.

Now, almost all of our advisers in Guernsey who live and breathe the tax world today, and there is no denying that Deputy Parkinson was extremely knowledgeable 20 years or so ago, I forget exactly when he was practising. He still has exposure to financial services today but he is not providing tax advice on a regular basis. Those that are today, those who are aware intimately of  
1620 international tax changes and the motivations and direction, they are almost exclusively opposed to any unilateral move by us.

The problem with saying, 'Well it's okay because I do not want to do anything until 2029.' It is a little bit like talking about capital taxes. The mere fact you *do* that, means that the international community, particularly our competitors, use that against us, to talk us down, to say, 'This  
1625 jurisdiction is genuinely considering that.' And that is the problem with *very* long lead-ins on something like a territorial taxation.

It may be that in the future, this is the answer, and this is an area where Deputy Parkinson and I agree. I think there is a direction of travel that, I believe, will eventually get us to a place where territorial tax is the solution. But that is a long way off and we absolutely must not give any  
1630 impression of being unilateral in the way we approach this.

So I do hope that is helpful. Of course I have only got one opportunity to give way so if anybody would wish to ask a question while I am on my feet, now is your opportunity. (*Laughter*) I notice Deputy Parkinson gave a similar ... Okay, well, there we are. I hope that is helpful, sir.

Thank you very much. (*Laughter*) Thank you very much, sir. I will sit down in just a moment  
1635 because I see Deputy Haskins is rising. (*Laughter and interjections*)

**Deputy Haskins:** I am very grateful to Deputy Trott.

I did actually have a question which was: Deputy Parkinson mentioned that two-thirds of *captives* are based in the UK, in which there is a DTA. But can he provide any more information on those  
1640 companies who are not, i.e. the ones that would be liable to tax in both jurisdictions?

Thank you.

**Deputy Trott:** Thank you for the question. We do have in our midst someone who is a genuine expert in the area of captive insurance and that is our very own Deputy Helyar. So, when he speaks  
1645 I will ask him to address that question specifically. (*Laughter*) Because I often say in speeches that the captive insurance sector is the only one of our industry components that I have never worked in.

But what I *do* know is that more than half of the FTSE 100-listed companies have their captive insurance company here in Guernsey, the captive insurance vehicle. I can also tell through you, sir,  
1650 Deputy Haskins, that the City of London Corporation also chooses Guernsey as its preferred choice of domicile for its captive investment vehicle. And I am not surprised, because we are *the leading* European jurisdiction for that.

Now, we have a double taxation agreement with the United Kingdom so tax paid here, I believe, will be credited against the tax liability in the UK. But anyway, I am going to leave it to Deputy Helyar  
1655 to address that in more detail.

What I think I should say at this stage is that one of biggest losses in terms of revenue when we introduced Zero-10 was to UK banks that were operating here; because, in the old days, if they paid tax here the liability was creditable against their head offices tax. So – I think it was £80 million, I think Deputy Parkinson said £100 million – half of the £80 million was pretty much attributed to  
1660 UK banks.

1665 Now, what that enabled us to do for many years after – because the UK is our main trading partner for financial services – was to remind UK politicians in particular that one of the outcomes of the introduction of our essential competitive tax regime was to physically transfer £40 million of tax that would have accrued here directly to the UK as a consequence of banking activities that were undertaken here.

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

1670 **The Bailiff:** Point of correction, Deputy Kazantseva-Miller.

**Deputy Kazantseva-Miller:** The introduction of Zero-10 had lost us £60 million of our corporate ETI receipts.  
Thank you.

1675 **The Bailiff:** Deputy Trott.

**Deputy Trott:** No, it was not, it was a little bit more than that, somewhere between what you think it was, Deputy Kazantseva-Miller, at £60 million, and Deputy Parkinson at £100 million. It was about £80 million. But half of it, about £40 million, was directly attributable to banking profits.

1680 What is interesting is that that £40 million that I am referring to at 2008 prices would not be anywhere near that today. Because a number of initiatives have come on in the interim period, like Vickers, which have changed the banking model in such a way that the vast profits that were being made here back *then* are no longer made here today. There are fewer banks and the banks that *are* here are doing business in a different way.

1685 So, on a like-for-like basis, the £40 million that we gave away in 2008, if we were making the same move today it would be a fraction of that, probably £5 million to £10 million. And that needs to be taken into account when we look at the trajectory of corporate tax over the 15 years since we brought it in.

1690 So, it was not quite the answer you may have been hoping for, but the gap in my knowledge is very much around the captive industry. But others, as I say, have greater experience.

**Deputy Haskins:** I am very grateful for Deputy Trott giving way yet again.  
I wonder if he could speak to why the DTAs do take so long to be traded with?

1695 **Deputy Trott:** That is a very good question. We have a very significant number of what are called Tax Information Exchange Agreements where we exchange information, under very strict conditions, with tax authorities around the globe. So, one would automatically assume that you would be able to get double taxation agreements if you already had that first stage in place.

1700 But the issue is that our jurisdictions do not get much out of it and therefore there is a reluctance to give us what we need. But the irony is that if we *did* have an international network of DTAs we would never have needed to have introduced Zero-10 and we would not have it today, and it would fit very neatly in with a territorial system of tax.

1705 What I am hoping I am not doing is I am not attempting to completely discredit what Deputy Parkinson has said, because I think that there will come a time. What I am saying is that we really cannot be unilateral on this; it has to be a multi-lateral approach with our neighbours, our competitors, Jersey and the Isle of Man. I do not share his view that the Isle of Man will never move, because I think the Isle of Man will come under pressure from the United Kingdom, eventually. And they will do what they did last time, potentially: cut the common purse allocation further, or threaten to do that in order to incentivise the Isle of Man to move.

1710 There is certainly no doubt in my mind – well, *little* doubt in my mind – that we will eventually end up with what Deputy Parkinson envisages. But I think that is many years off, by his own

admission its implementation date is probably towards the end of this decade, I would think that is probably a reasonable timeframe.

1715 But my message to the Assembly is a strong one: this is not the right time to be openly discussing this transition. And that is the very strong advice by all but a tiny number of tax advisers and trade associations in this Island. Do not lose sight of that.

1720 The response around whether or not we should have a GST, even when they were in favour, was pretty wishy-washy; but when it comes to this particular issue they are unequivocally clear and that is that you do not move unilaterally and you do not discuss things that you do not need to discuss in an open environment until it becomes absolutely essential to do so.

Thank you, sir.

**The Bailiff:** Deputy de Lisle.

1725 **Deputy de Lisle:** Sir, I think it is the time while we have got a Tax Review under way that that Tax Review should be considering this very important aspect of taxation.

1730 Now, sir, I voted against Zero-10 because I saw the individual taxpayer being subjected to higher rates of tax as a result of that. Obviously we were losing tax as a result and it had to be made up elsewhere and the individual taxpayer since then has had to confront numerous indirect taxes of many kinds, one of which is TRP, of course.

1735 But I was particularly concerned at the time that we were going one year before Jersey in terms of that (**A Member:** Hear, hear.) and as a result we were losing £100 million as a result of that actual move. There was an amendment in this Assembly with regard to that and only four of us in the Assembly at that time actually voted against losing £100 million and that was Deputy Gollop, Deputy Matthews' father, myself and Deputy Le Cheminant.

Sir, I want to see some benefit back to Island taxpayers, particularly with the view of the hike of indirect taxes, that the individual local taxpayers have had to forfeit as a result of that particular move over time right to this day, due to the low level of corporate tax that was implemented.

1740 Now, territorial tax would, as I understand it – and I do not claim to have the depth or anywhere near, the depth of Deputy Parkinson who has been working along these lines for years – that territorial tax would replicate the pre-change tax system, basically pre-2008, and it would not exempt local businesses in operating solely in the domestic economy. So a territorial tax would bring us in line with other jurisdictions; and we would not be liable really to the constant audit and criticism as a tax haven as we are reported very often in the papers, and so on.

1745 What I want to see is some benefit to Islanders if this change occurs, and I would like to ask the question – if Deputy Parkinson could elaborate – on how taxpayers could be relieved of some of the tax that has been forced on them as a result of the change in 2008, in terms of the very high and onerous TRP rates on companies as well as individuals? So, if I could leave that particular question: will the result of moving toward a territorial tax see that there will also be, at the same time, some movement back with respect to the very high TRP rates that have been forced on us as a result of moving to Zero-10?

**The Bailiff:** Deputy Moakes.

1755 **Deputy Moakes:** Thank you, sir.

As Finance Lead in Economic Developments clearly I cannot support this amendment. Let me try and explain why.

1760 Deputy Trott did an awful lot of explaining there, which I think was fantastic, so I am going to try and not go through everything he said. He covered double taxation, but I just want to focus in on something that I think Deputy Parkinson said which almost sinks the proposal to begin with.

Because, if you remember, he said that we had to introduce Zero-10 because the Isle of Man introduced Zero-10. If we had not done so, we would have been uncompetitive. And yet today what

he is proposing is the introduction of a territorial tax on a go-it-alone basis, which would result in significant risks and make Guernsey uncompetitive.

1765 Why would we do that? It would make us uncompetitive with our key competitors, jurisdictions such as Jersey and the Isle of Man.

I do not know where to go really at the moment because you will have seen a number of letters we have received, which are very strongly worded in my opinion and very anti this proposal. But let me take one of those letters and sum it up. I am paraphrasing here by the way.

1770 GIBA said:

Guernsey's corporate tax system has been a critical factor in attracting new business and clients to Guernsey for decades. Uncertainty about a possible change to the corporate tax system will have a range of negative consequences.

As I have just said:

... the introduction of a territorial tax on a 'go it alone' basis, would result in significant risks to existing businesses and make Guernsey uncompetitive with key competitor jurisdictions, such as Jersey. This would also necessitate a review of the corporate tax regime by the EU Code of Conduct. During any reassessment, there would be a period of uncertainty leading to a reduction in new business, the relocation of existing businesses and inevitably, a knock-on decline in the size of our economy and working population.

As I said before, GIBA was not the only body to condemn this amendment.

1775 To Deputy de Lisle's point, P&R is already looking to develop proposals for raising further revenues from the corporate sector, which do *not* negatively impact on Guernsey's competitive position, or compliance with international standards. So this work is already under way and I believe that it is due to report back to the States later this year. So it is going to happen.

And at risk of boring people, I am going to read something which I have read probably a couple of times over the last couple of days:

If we want to retain existing business and attract new business we cannot have uncertainty because every business, whatever sector it operates in, needs certainly to be able to thrive. They need to know the Government will maintain fiscal discipline that it will invest in infrastructure, that it will invest in people and that it will develop and implement a workable tax system to fund spending.

1780 This amendment, I think, brings uncertainty and a great deal of uncertainty. I think it is ill-conceived, I think it is dangerous and I absolutely urge Members to reject it.

Thank you.

**The Bailiff:** Deputy Le Tocq.

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**Deputy Le Tocq:** Thank you, sir.

1790 Now as we have heard already this is not the first time that Deputy Parkinson has proposed a territorial tax regime in this Assembly, and the arguments against such a unilateral move remain the same as they have been each previous time. Namely, that establishing a territorial system would be politically competitively – as we have just heard from Deputy Moakes and others – and technically challenging, which is probably one of the most concerning issues if we are trying to deal with the issues and the problems that we have got in an expeditious manner.

1795 Industry has repeatedly stressed the importance of stability as well as staying in lock-step with our neighbours and competitors. Their representatives have reported to us their uneasiness at the proposed move to a territorial regime in isolation. If we were to move away from doing so then it would need to be done incrementally which means that we would not have the time to achieve what we need. But even then, we would be moving towards a regime that is not common in Europe, not tried and tested in terms of jurisdictions with industries similar to ours, and currently brings risks of being grey- or black-listed.

1800 There is rightly strong feeling that such a major change to the corporate tax regime here would create a period of considerable uncertainty for industry. It has been suggested by some that a

territorial regime would inevitably lead to Guernsey losing the moniker of 'tax haven' and Deputy Parkinson referred to this quite heavily during his opening speech. But this is an assumption that would benefit the Island's reputation; however, there is no evidence to substantiate this claim. Indeed, many of the offshore financial centres with a territorial regime are still referred to in the media as 'tax havens'. In fact, often more frequently than we are.

Guernsey is already white-listed by the EU and OECD against robust criteria of tax co-operation agreed at an international level. Whilst internationally there has been a trend towards elements of territorial tax there has also been increased scrutiny by supra-national organisations. Territorial regimes have, very recently, been a focus of the EU Code of Conduct and Business Taxation with several jurisdictions added to their EU grey list following a determination that aspects of their regimes were harmful. This included jurisdictions with long-established territorial regimes such as Hong Kong, who are having to make changes to their regime to ensure they are deemed compliant to prevent moving into the black list.

The amendment itself recognises that there are no ready-made, off-the-shelf, easy territorial tax solutions which can just be taken down and plugged in. Instead it proposes a territorial regime is designed over the remainder of this States' term. And that word 'designed' is I think in fact the most dangerous aspect. **(A Member: Hear, hear.)**

Guernsey will not be in the position of having a long-established territorial tax regime like Hong Kong, for example. We will instead be designing and moving to a territorial tax regime that will inevitably prompt a review by the EU Code of Conduct which will entail being placed on the EU's grey list for a potentially extended period. **(A Member: Hear, hear.)**

During this time resources will have to be devoted to providing the EU Code of Conduct group with a detailed analysis of the new legislation, the practical application and compliance strategy. I remember, with no glee whatsoever, the amount of work and effort it took at the time of Zero-10, 10 years ago and the lead up to that, and the amount of resource that had to be put towards that.

In any case this will inevitably result in a period of uncertainty, whilst the regime is reviewed inevitably deterring investment at a time when promoting growth in our economy is an absolute imperative. Can you envisage any hope of growing the economy during such a time of uncertainty?

Deputy Parkinson has jumped straight to what he sees as the answer, without undertaking the analysis and options appraisal necessary to ensure that all the right decisions are made for Guernsey. The independent report conducted by the Global Tax Policy team of Ernst & Young clearly outlines the risks associated with the move to a territorial system. No such risks have been examined or mitigated in advance of Deputy Parkinson asking the States to agree to adopt such a regime.

The Ernst & Young report highlights that this may be particularly acute where competitive jurisdictions maintain their systems and hence investors would have a clear choice as to whether to adopt additional risk, particularly at a time of great volatility in the global economy.

The Ernst & Young analysis has considered the impact of behavioural change by companies, either through relocating business, meaning a decline in employment and employment-related taxes here which we are very dependent on at the moment; or by undertaking less profitable activities in Guernsey, meaning a decline in corporate Income Tax payments. The estimate in its report is that a move to territorial regime would likely lead to a decline in gross value added of between 1.2% and 1.8% minimum.

Our package already includes a commitment to continue the work begun on corporate tax and come back to the States in November this year, only 10 months away, with proposals for raising an additional £20 million from the corporate sector. In fact, we have already been engaging with key stakeholders about the outcomes from the thorough and detailed Ernst & Young report and will continue to do so. But we will do so calmly, discreetly and quietly without great fanfare, without establishing some special committees to carry out this work, and draw attention. **(Two Members: Hear, hear.)**

Responsible government has a duty to preserve business confidence and stability. This is in the best interests of the economy and all Islanders. We can be certain that any perception of uncertainty will be seized on by our competitors to their own advantage. I know so because a colleague in

1855 another Island has already buttonholed me and rather dumbfoundedly questioned me as to whether he had heard correctly. He wanted to remain anonymous but he was content that I shared the content of our conversation.

Basically he was incredulous and thought that he dreamt that Guernsey considering moving towards introducing a territorial tax regime. I had to explain to him of course it was just an amendment, a suggestion in debate. But he nevertheless went on to tell me, 'You know what we will do if you do that, don't you?' And went on to explain how easy it will become to attract business there from here instead.

I will give way.

1865 **Deputy Trott:** I am grateful to Deputy Le Tocq for reminding us of just how quick our competitors are to move, and he will recall with clarity something that happened near the start of the last term when two able Deputies bought an amendment asking the States to agree to an investigation into capital taxes. The response was extraordinary. Guernsey Finance's phones were absolutely, literally ringing off the hook with financial journalists who were asking, because they had been told by our competitor jurisdictions, were we going to seriously look at introducing capital taxes.

1870 So even the perception can be immensely damaging. I just wanted to underscore, and I am grateful for Deputy Le Tocq for giving way, that the point he makes is extremely valid and there is recent evidence to support precisely the behaviours to which he refers.

1875 **Deputy Le Tocq:** I thank Deputy Trott for that.

As I was saying, my colleague was incredulous and pointing out how easy it would be to do that sort of thing. In the meantime we, with great fanfare, would commit to completely redesign our corporate tax structure and they would be offering a stable platform to business and inward investors.

1880 To quote Guernsey's International Business Association:

... the unilateral adoption by Guernsey of a territorial tax regime brings significant risk without substantive reward.

And this is from GIBA, the main representative body for the finance sector, which is our largest contributor to GDP. The sector which accounts for 36% of that total before we add in the other aligned sectors who all would be affected, such as accountancy and law.

1885 Members have a choice, sir. Proposition 4 of the policy letter which directs that this option is examined alongside others in a proper context with a report back in November this year, for a new committee of the States to deal with matters firmly within the mandate of Policy & Resources with a narrow focus, and reporting back in two and a half years' time.

1890 But this amendment is not just about corporate tax. Deputy Parkinson's amendment leaves the drastic backstop of alternative Social Security contribution increases on the table. That is, instead of the progressive proposals that we have developed as a Committee with the Committee for Employment & Social Security, we would revert to the gradual increases in contributions over a 10-year period. Instead of the reform that would see the introduction of an allowance for such contributions, the removal of the inequities in our current system, and meaning savings in contributions for anyone earning below £65,000, we would revert to step significant annual increases in rates hitting the poorest in our society the hardest.

1895 Now, we know that Deputy Parkinson has been a prominent supporter of the 'No to GST' campaign, but curiously this amendment does not seek to take GST off the table. (**A Member:** Hear, hear.) So while a vote for this amendment may take GST from our view at the moment, it is almost inevitable that it will be back. Even the expert panel member speaking at the launch of Deputy Parkinson's amendment has since proposed that GST should be introduced alongside corporate and Income Tax changes, resulting in a 12.5% rate for each.

1900 GST will be back because we have an estimated deficit by 2040 of £100 million; roughly £70 million of which is in General Revenue. Our expert corporate tax advisers have told us that the

1905 maximum we could expect to raise from the tax proposals in front of us is about £20 million. That means a substantial gap remains. That is why Deputy Parkinson has included a Phase 2 in his amendment, and simply delays the inevitable need to report back with proposals for raising the additional revenue required until the end of 2029. By that time the deficit will have worsened further meaning that the debate would likely be a very much more difficult version of this one.

1910 I have not got any hair left to pull out. I probably will not be here though, so that is another story. But I strongly urge Members to vote *against* this amendment for all the reasons I have given.

**The Bailiff:** Deputy Inder.

1915 **Deputy Inder:** Sir, just briefly. I have got a 4,000-word speech on this but actually I delivered it two days ago. So there you go. And in that, I am going to be a lot shorter. I am thanking Deputy Trott for his technical understanding because he was actually around Zero-10 at the time. I was on the peripheries back then, I was a younger man. The web development firm we had, we had been going four or five years. I remember, I think it was Deputy Carla McNulty Bauer was President of the Board of Administration I think it was at the time. I sat on Chamber and I was a member of the Association of Guernsey Charities. All very interesting.

1920 I remember at the time, the initial phases of Zero-10, there were many people in Chamber who did not really, entirely understand it. The only people who probably did understand it would be Deputy Trott, I think Deputy Roffey was in the States at the time and I think it was Deputy Dave Jones. It was quite technical and there was a general understanding in what we would call the real economy.

1925 Back then, and it is less so now, when you started a company you basically had a good idea, you actually proudly employed people and you gave your books to the accountant at the end of the year, and if you got a tax bill that must have meant you had made some money. So that was almost like a virtuous circle.

1930 So long before things like corporate responsibility were invented, that is what Guernsey used to be. We used to employ people, we had good ideas, we employed them fully, we did not bring them in as contract workers; and at the end of it, the bit of the responsibility was the fact that you paid your tax at the end of it.

1935 For me I found Zero-10 quite odd. I would not have understood it and to a degree it has taken a few years to start understanding the reasons why, because as a simple Guernseyman – and I remember have conversations with the then President of what was the Board of Administration, she came to our desk and asked us what our thoughts were as a web development house. I remember saying to her, I said, 'Well, how are you going to pay for the nurses?' Because, in the same way if you lose your corporation tax, how are you going to pay for the nurses?

1940 So from a sympathy point of view I entirely understand the problems that have occurred in terms of funding public finance. I know the hole that is left. I think Deputy St Pier would tell us that there is not much under Zero any more. In fact, I think as Deputy de Lisle alluded to, we have made up over TRP, levies and various other bits and pieces and we have tried our hardest to claw some of that back.

1945 So nearly 15 years on, I understand what Deputy Parkinson is getting to but we simply cannot take that risk. And there are times, Members, when we *really* do have to listen to the experts – of which I am not one of them. I think Deputy Trott alluded to his role, I think he might have mentioned Deputy Helyar in his speech who he is going to talk about, and I sort of understand to a degree what Deputy Parkinson holds on to.

1950 Deputy Parkinson said the economy was shrinking. Well, there are elements of it that are, definitely, rising expenditure and GST would have made things a little bit difficult. So he has got the three horse riders of the apocalypse: conquest, famine, war. Well, this is pestilence. I mean, this is entirely pestilence.

1955 I will read from GIBA because it needs repeating. And when these boards write to us, bear in mind that when they write to us they have to write to us in a fairly flat way, for want of a better

word, because their representatives today may not be their representatives tomorrow. I am just going to read a couple of things to you and it needs repeating. And bear in mind that I had concerns over the S&P rating. Deputy St Pier does not think it is as bad as it is, but this is about trajectory and ultimately this is often about tragedy.

1960 Somewhere, I think it might have been Deputy Vermeulen – someone who was at the OGH a couple of weeks ago, and I think it was Mr Lansdown, said he would like to see tourism as 6% of the economy. We could do that today, basically vote this through, because as the finance industry walks out (*Laughter*) what is left of the economy tourism will become 6% of it overnight and we can all go home!

1965 I just want to read it again because they *have* to be repeated. This is from GIBA and as I think it was Deputy Le Tocq said this represents a *massive* part of our industry and just highlighted:

... will lead to a reduction in new business and could also cause existing businesses to relocate.

Does anyone want to do that? Or does anyone really want to take the risk?

Now, Deputy Parkinson, I am sure he will downplay it and I do not blame him to try and downplay it because he wants to get this through. But does anyone want to risk this today?

1970 GIBA members endorse that view from E&Y. It goes on to say:

Guernsey's finance industry is the primary direct contributor to GDP, accounting for 36% of the total which doesn't include other aligned sectors

Well, that has been repeated a hundred times. Everyone knows that. It is that single mine shaft in the middle of that Welsh village; this is exactly what the finance industry is, and which contributes significantly to the Island's GDP.

It goes on to say:

Businesses and clients typically have a choice as to where they base themselves. Aside from the tax regime, other key factors they will consider are stability, simplicity and certainty.

1975 I am reminded by something Deputy Prow said actually, last term. I think there was, on the analogue days it was a case of a business could leave in a week. Now it can leave at the flick of a switch. It is as simple as that, they can leave like that. Turn a server off, redirect the IP address – I will give way.

1980 **Deputy Trott:** Once again, I am grateful for Deputy Inder to give way because there is a perfect example of what Deputy Inder refers to. His reference to £80 million of Corporate Income Tax that was sacrificed back in 2008, as I said earlier about half of that came from the banking sector. The banking sector is a shadow of what it was before, because of the changes in UK law around the manner in which deposits were taken here, the amount of capital that needed to be deployed  
1985 against those deposits, and importantly the change in the rules that saw these funds upstream back into the City.

We did not do anything, but the banking industry contracted primarily because of those drivers. So, on a like-for-like basis when people like Deputy de Lisle talk about £100 million in Corporate Income Tax, the point is half of that would not accrue even if we changed our system again for the  
1990 reasons I have explained. What it emphasises is how things change, sometimes very quickly and sometimes gradually, but one thing is for certain the industry is forever changing

**Deputy Inder:** That is right.

1995 **Deputy Trott:** The threats are ever present.

**Deputy Inder:** I thank him for that interjection.



2000 Only recently, we will have heard of a bank that served us incredibly well over the last 45 years, nothing that we have done, they have looked at their business model and we are that red pin that came out of the wall, and they have moved somewhere else. That is how corporations work.

Sir, the last part of that is:

In short, the unilateral adoption by Guernsey of a territorial tax regime brings significant risk without substantive reward.

2005 I thank Deputy Le Tocq for pointing out the word 'design'. If you vote this through today, if Members vote this through today – and I am not going to bother going into the make-up of the team – the important bit is whether we do it or not. The make-up of the team does not actually matter. It is *doing* it that is the problem.

By designing something we are sending a message to the world, to our finance industry that this is our intent. So we will have *two years* of designing something; and as Deputy Le Tocq said quite rightly watch the phones go on Jersey Finance and the phone calls come in. This is our hand to play: if you are going to do anything, do not do this. Really, don't do this.

2010

**The Bailiff:** Deputy Gollop.

2015 **Deputy Gollop:** Sir, I am sure we have heard today some very wise words from Deputy Trott, Deputy Inder and Deputy Moakes and I would acknowledge that maybe there are risks to this amendment, or its consequences, but I want to give a slightly different perspective. I will start with a little history lesson.

Deputy de Lisle completely was correct in saying there were probably only four of us who wanted to delay Zero-10. The then Deputy Roderick Matthews, Deputy Aidan Matthews' father, myself, Deputy Le Cheminant, who was then the father of the Assembly, and Deputy de Lisle.

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Now this was odd in a way because none of us were – well, Deputy Matthews was an accountant – but none of us were corporate financial specialists. But we saw an opportunity there for the States to have a bit of a piggy bank, a bit of a nest egg, but Deputy Trott won the day.

I have to say, like Deputy Roffey – and I am one of the survivors of that era – I did actually vote for Zero-10 a bit reluctantly.

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Deputy Trott, probably correctly, said although this debate is seen as the key debate of this term and maybe of our era, the Zero-10 debate was even bigger. I recall that Deputy Trott and Mr Stuart Falla and other distinguished politicians did a roadshow – there were more roadshows then, there was not so much Facebook and things – and boy, were they heated!

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One of the senior figures of the day said, 'This tax system is going to become more unfair but for a very good reason – to protect our business and competitiveness.' I acknowledge that and as I say, reluctantly, I listened to the advice of the financial professionals and legal professionals and went with the changes.

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Deputy Parkinson has argued extremely eloquently, as he always does, that there was not much growth coming out of this and we have seen that analysis from various economists and people including, of course, Dr Sloan who has already been mentioned. He was on a platform with Deputy Parkinson a week or two ago, but that has a slightly different message. But maybe Deputy Parkinson and various other academics and analysts are right: we did not get the Chinese rate of growth we might have done.

But what we did see was our economy continue to chug along in an efficient way –

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I will give way to Deputy Trott, he will have more insight than me.

**Deputy Trott:** I am grateful to Members for giving way because I think there was a very big lesson from that time that we should not forget, and a lot of it was good fortune.

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Zero-10 was many years in the evolution and we had committed to our international clients that we would move to Zero-10 on 1st January 2008. And Deputy Gollop is right, there was a lot of pressure from some to delay it.

We did not delay it and as a consequence the calendar year of 2008 was the largest period of annual growth in living memory, and that was even more remarkable –

2050 **Deputy Parkinson:** Point of correction, sir:

**Deputy Trott:** Hear we go. (*Laughter*)

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

2055

**Deputy Parkinson:** The growth in 2008 was 2.6% which was reversed the following year with negative 2.6%.

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**The Bailiff:** That may be right Deputy Parkinson but it does not mean that what Deputy Trott said about 2008 is wrong.

Deputy Trott to continue.

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**Deputy Trott:** Absolutely, sir. Because what one has to appreciate is that not only was our growth during 2008 incomparable, 2008 was the year of the global financial crisis which made the performance *even* more remarkable.

Now, had we delayed from 1st January 2008 to 1st January 2009, the global financial crisis was well established by then and we would have missed out on all of that business that came our way and stuck around, in most cases, for at least a decade thereafter.

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I ask Members to bear something in mind: the size of Jersey's financial services industry in 2008 was the same size as it was 10 years later in 2018. It took Jersey *10 years* to recover because they went one year later than we did. So it was an act of supreme good fortune, bearing in mind the global financial crisis, and to this day I think it is probably the best bit of luck that I have witnessed in my 23 years in this Assembly.

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**Deputy Gollop:** You could see slightly different interpretations of that, I think we got a flavour of the States of a few terms ago when Deputy Parkinson and Deputy Trott were regularly putting their points of view.

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But I actually would broadly agree that the period post-Zero-10, 2008 when actually Deputy Trott was the Chief Minister, Guernsey did remarkably well under the circumstances of the global credit crunch and what was going on in America and the UK. And I think it would be generally accepted that for the first half of the next decade, Jersey was struggling much more than Guernsey and that there were more financial catastrophes on the Isle of Man and perhaps Jersey, than Guernsey. So we had more or less the right mix and we kept a very buoyant property market and a very buoyant financial sector.

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Curiously enough, there did seem a little bit of a slowdown just before we went into the COVID era and then things perked up again, maybe. By that time Deputy Trott, of course, was President of Guernsey Finance; and Deputy Inder reminded us the other day when he repeated his 40-minute speech about how the Guernsey Finance presentation – I wish I had attended now and not just for the coffee – was a very upbeat presentation with positive views on the future and the good news that maybe six institutions are coming, or have come, to the Island because of the efforts of Guernsey Finance. I accept all of that.

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So, why do I consider supporting Deputy Parkinson? Well, he made an exceptionally good speech today, as he always does. I have heard bits of the speech before but I take on board the arguments that maybe Guernsey is increasingly out of step with tax issues. Although I would like further proof of this really that we will achieve that over the next few months.

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The Guernsey economy for some reason is not growing at the same rate as maybe competitors like Dubai, Switzerland, Luxembourg. We would have to analyse reasons for that. To be honest if

that is an issue it is not just down to Zero-10, it is down to our bureaucracy, maybe our planning, maybe our immigration policy all kinds of reasons. But that is going off the point.

2100 I do respond positively to this amendment. Not only does it commit ourselves, not to doing something cast in stone, it is not actually saying this will happen from tomorrow, it is just a design on the general rate of 10% to 15%. That is not actually specific, it is just a stake in the ground and it is to develop proposals. Where I am sympathetic to it is that we have had a hard time in the last few weeks and months, because we have engaged with the electorate and some of it has been quite  
2105 robust. One cannot deny that the message in many of the emails, and people we meet, and posters has been that the resistance to the GST, which does have some positives – it would guarantee funding of public services for a while, it would redirect income to some of the poorer members of our community and create a low rate of tax.

One of the reasons GST is so unpopular with *many* people from small businesses to all the good  
2110 people who write to us and have put forward their legitimate concerns, is they feel the burden of taxation is too high on the individual. This amendment specifically relates to that in some of its explanatory note. Although it says it is expected that exempt companies such as collective investment vehicles will remain exempt. Nevertheless, it wishes to draw more income from the public.

2115 And to quote from the amendment:

The new Corporate Income Tax system will ensure that the burden of funding the public services of the island is shared fairly among all of the participants in Guernsey's domestic economy. In doing so, some of the fiscal pressure on the population of resident individuals will be alleviated, making Guernsey a more attractive place to live and work for the young people of the island and for those contemplating taking up employment on Guernsey.

I would go further and say it has been a bit sad that we have had some, perhaps awkward  
conversations and possibly some unacceptable rudeness to Deputy Ferbrache, Policy & Resources' Members, Deputy Roffey and others; but they had come with a package too, not only to make life fair in their opinion but to fill in the fiscal deficit. This takes a different approach, because Deputy  
2120 Queripel frequently says one of the biggest challenges we face as an Assembly is communication. We know that perhaps the communication of the pros and cons of GST have not quite got across, but by the same token I think that underlines the communication.

Some of the more educated Members who are involved day to day with Commerce & Employment and Policy & Resources and Guernsey Finance, understand the letters they get from  
2125 corporate advisers – hopefully we all do. But I would like to see more engagement with all 40 of us from that sector.

I think too that that sector which does so much for us in terms of employment, money generation, knock-on consequential effects, sponsorship and so many other things needs to do one more step perhaps this year, hopefully this year, and that is communicate more with the media and  
2130 the general public so the public understands that the wrong kind of change could have a really difficult effect upon the Island; (**A Member:** Hear, hear.) and that we all need to move together to get the right tax and funding package.

At the same time there needs to be a desire, I think, from some parts of the sector, to be more open in looking at win-win situations because it is disturbing to hear, and I tell this to people when  
2135 they say, 'Why have you even contemplated supporting consumption taxation or GST?' And I say, 'Because I genuinely agree with Deputy Helyar and many other people, that there is a real risk of institutions and individuals leaving Guernsey and leaving our economy weaker.' But some people refuse to believe that.

So I would like to see more engagement between the more complicated technical language of  
2140 the professionals and the wider public. I think, if nothing else, voting for this today we would not only have a quality working party, we would have maybe Deputy St Pier in a different role, Deputy Parkinson, and somebody who was an expert. But I think we would see more in engagement from both the public and the sector in saying what could work and what could not.

2145 We are hearing different things today, we are hearing a strong message that people are worried about this. But we hear from Deputy Parkinson that actually what we are doing is the mainline route for most financial jurisdictions – even some that could be labelled tax havens or offshore – and that far from undermining our international credibility it would strengthen it because we would move away from Zero.

2150 I just still do not quite understand his 10 times Zero equals Zero, that sounds like algebra of a different kind to me, but that is the sort of thing we would like to see. I also accept entirely that economic substance is something we not only have in Guernsey but we need to strengthen, because economic substance not only gets away from wrong accusations and vexed problems, but it brings over to the Island, if they are not here already, really high-quality expertise who will work and pay significant taxes and contribute to our society. I think this is probably compatible with the Go for Growth Strategy as well, despite the warning voices.

2155 The one other element of the amendment that nobody has spoken about so far is there is a proposal within it under B): to direct the Policy & Resources Committee to include no real growth in revenue expenditure excepting Health & Social Care and to reprioritise initiatives. Now, I might not be very keen on cuts and reductions but for anybody who wants to see that – and we have heard many voices around the Island and the States – they can vote for this amendment and achieve that as well.

2160 So, I am supportive of the amendment. I think that it is perhaps less radical than the last amendment in many ways and it is more focused and does not cause perhaps some of the constitutional issues of the last amendment, but I think that this will actually work with the public because I have had a lot of letters, not from the professional community I will admit that, but from people who are perhaps in other professions and they have wanted to see a reconsideration of some elements of Zero-10 for some time. And indeed we have made changes, we made changes in Deputy St Pier's era and other eras.

2165 I believe one of the reasons Deputy Parkinson is very popular is because of his brilliance as a politician and as a speaker. And another reason is that he has always questioned the desirability of Zero-10 and I think there have been many people in the community – Deputy de Lisle knows many of them – who have never been happy that they have ended up paying more tax in terms of less allowances, or higher rateable values, or charges for this, or charges for planning, and they see others paying less tax. We know there are reasons for that but we need to reconsider and reboot that. And that is another reason.

2170 So if you want to get the public on your side at least take a serious look at this and move forward rather than just saying it will all change at the end of the year, or we are doing something else of a lesser value. This could raise £20 million, it could raise £40 million and it could actually change our identity a bit so we can repackage ourselves. It is no longer a place of Zero taxation, that we actually have a more normal taxation and an extremely competitive business environment in many other respects.

**The Bailiff:** Deputy Blin.

2185 **Deputy Blin:** Thank you, sir.

I would like to start off by saying a bit like the opposition to GST, with a lot of people attending whatever protest marches, the same thing happened when Deputy Parkinson presented his territorial tax, there were 150-200 people attended. There was a very strong feeling of this is what we need.

2190 So that is where I will start off. I also appreciate that Deputy Parkinson is very knowledgeable in the tax world, in the tax industry and I have known him for *many* years through practices in the previous company. But, however, when it comes to this first of all the voice of the people say that we need to get more from corporate taxes, and this is what Deputy Parkinson is laying in front of us.

2195 However, we heard the speech by Deputy Le Tocq – who is not currently here – but he made it very clear that there are aspects of timing, aspects of unilateral, aspects of going this alone.

First of all before I jump on to a question I would like to ask Deputy Parkinson when he sums up, one of the things I find a little bit strange is the fact that I know there was various talk by speakers from P&R earlier about lack of attendance by certain Deputies at certain presentations. I can understand the reason why that would be the case if there is a superior knowledge of tax or accountancy and other areas here.

2200 However, within the amendment of Deputy Parkinson and Deputy McKenna there is the point of creating in effect another committee. Yet P&R have already stated what they are going to do within their policy letter for that study so having another committee joining, to me, is ... Well, I am going to use the term 'unnecessary' or 'reinventing the wheel'. However, the knowledge of Deputy Parkinson could be absorbed by P&R and discussed.

2205 So basically I would like to ask a question of Deputy Parkinson when he sums up but I am also hoping the same question could be responded to by Deputy Trott – and I would be willing to give way – and that question is as follows. This is the most critical question which I have asked when Dr Sloan gave his presentation supporting the concept of territorial tax and it is as follows – and I would just like to get almost from industry feelings the fact that if Guernsey were to go it alone, let's say, to actually adopt territorial tax without the other jurisdictions there: what is the risk? What is the true risk? Because it is fine saying, 'Not too sure.' And Dr Sloan's answer was, 'We don't know, we would have to see.' But that is something too high of a risk.

2210 Just to expand on that a little bit. Earlier on, Deputy Parkinson mentioned that we have no growth from corporate tax and I can see that aspect of it; but do not forget that actually we take our income or revenues from the Income Tax from the employees working in there and there is a very strong growth there.

2215 I will give way.

2220

**Deputy Parkinson:** Sorry, can I respond to that?

I did not say there is no growth in corporate tax. What I was talking about is economic growth; there is half a percent per annum.

2225 **Deputy Blin:** Thank you, Deputy Parkinson.

I appreciate that, but it was just the fact that it is the other side; it is the workers who are here who are generating the Income Tax going through. I feel there is this risk of that.

2230 Now, before I get asked to give way, this is something I just had recently. I am just going to share a little message which was sent to me by the CEO of one of the larger insurance firms on the Island. They did not want to be named or the company named. So I am just going to extract the part here and this has got the two aspects, which will be interesting, of that:

So if the Crown Dependencies moved in a lockstep together towards tax harmonisation the risk would be much less but this is not reasonably foreseeable. Taxing licensed insurance is likely to reduce the size of our business sector in Guernsey. However I would go further and pose that if Guernsey moves forward with an across the board corporate tax rate while Jersey and the Isle of Man retain Zero-10 in those circumstances it is likely that insurance management firms would open Jersey operations to retain clients by providing a Zero-10 option to them. The Isle of Man is a viable alternative but Jersey is arguably a closer proxy to Guernsey and must be considered a real competitive alternative and a real threat if Guernsey moves out of step with the other crown dependencies.

So this, as I say, is written by currently a CEO of a very large insurance firm here and this is live. So at this point I would appreciate to give way to Deputy Trott to clarify those points.

2235 **Deputy Trott:** I am very grateful for Deputy Blin posing that question because for me it goes to the heart of the evolutionary changes that the industry has seen since Deputy Parkinson, myself and others first started debating this matter 16 years or 17 years ago. And that is the change to the way the industry is owned.

2240 There has been increasing consolidation within the industry and increasing pan-Channel Island competition. So, for instance, some of the businesses that I am involved in have pan-Channel Island presence. It does not really matter to the shareholders of those businesses, which are very often not resident here, where the business is booked. All that matters to them is the bottom line. So if they can maximise their corporate profits by having the business in Jersey they will do so.

2245 Now, it is not quite as simple as that because there are resourcing issues and various other things, there is the cost of moving the client from one sector to the other. But the reason why so many people within the industry are cautious about unilateral behaviours is because it was bad as an issue, 15 years ago, but now it is even *more* of a problem because of the change in ownership model and that agnosticism that exists.

2250 It really is as simple as that. It is not good to look different if you look different in a way that your competitors can take advantage of. It only makes sense to look good when you are an outlier in a positive way.

2255 Whenever I respond to these questions I understand Deputy Parkinson's arguments and I have to agree with him that I think eventually the model will look more like that which he envisages. But the caution is *absolutely* do not behave in a unilateral manner because this business is extremely mobile and the decision-makers do not really care.

That is the important thing: it is all about getting the maximum possible returns, as corporate service providers, for their investors which are by and large not resident in the Channel Islands.

**Deputy Blin:** Thank you, Deputy Trott, for that.

2260 That is a point that I really wanted to understand. I will also be asking in the summing-up if Deputy Parkinson could clarify that point because that is the real key that concerns me. Guernsey is very well known as an international, mature financial services jurisdiction therefore will always have good people.

2265 So let's say that in eventuality there is some change. We have some good teams and companies here. But as I say the biggest risk for, let's call it the golden goose, is we do not want to lose that part. But I, like Deputy Trott, also fully agree with the structure of territorial tax but not now, but I am sure this will come to the point where we would have that.

2270 So, for this amendment I am unable to support it, and especially because I am unsure. There is no certainly for myself to feel that we would not make ourselves uncompetitive and damage the income, and damage the opportunity for businesses to be here.

Thank you, sir.

**The Bailiff:** Deputy Helyar.

2275 **Deputy Helyar:** Thank you, sir.

I will be brief. Can I first say that I agree with *everything* that Deputy Trott has said. He is an excellent corporate player, never talks Guernsey's prospects down, and I know that the finance industry very much appreciates that.

2280 Deputy Inder referred to this amendment in terms of the *Four Horsemen of the Apocalypse*, but I would rather compare it to *Dante's Inferno* (*Laughter*) which Catholics amongst us – I am not sure how many Catholics there are in here, I know Deputy McKenna is very devout, I am more probably hedging my bets. (*Laughter*) The first circle of hell is Limbo and that is exactly where this amendment will put us.

2285 I have been working in law firms for 27 years now, and as Deputy Trott rightly says have become and developed over that time my practice particularly into captive insurance and reinsurance. I am still very active in that sector.

But my understanding – and I do not wish to mislead the Assembly – in terms of the ownership of that sector, roughly 30% of it is *not* owned by UK companies. Or, in terms of their parentage, they do not have parentage which is in a double tax jurisdiction.

2290 I know quite a lot about double tax arrangements because I set up my firm's operation when we were operative in seven jurisdictions and of course we chose our jurisdictions in accordance with how they operated their tax requirements for clients. I set up our office in Mauritius, somewhere which Deputy Blin is very familiar with, in fact we had lots of discussions about it at the time and Deputy Blin introduced me to many people out there who are still close friends.

2295 Now, the reason people use Mauritius is because it has 32 – or at that time it did, it has got more now – double tax arrangements, particularly with African countries. So if you want to place a client doing African business you get certainty out of their arrangements into African countries by placing the company that is doing the business in Mauritius because the can be *certain*, in the same way as our industry relies on, that those companies are not going to pay tax twice on the same profits in  
2300 different places. That is really just what offshore is all about, it is just about certainty not paying tax twice.

In my career I have sat on *many* captives and I was just doing a rough line-up in my head of jurisdictions where they are owned. Many of them obviously in the UK, some UK Government-owned but they include Japan, Switzerland, Finland, France, USA and several others, none of which  
2305 are in are in DTA jurisdictions. Them being here, almost a condition of them being here, is knowing that they will not have to pay tax twice on the same money in different places.

Like Deputy Trott, I agree with the direction of travel which international taxation is headed and I do think eventually we will end up going in this direction. But as Deputy Le Tocq said earlier, those discussions that we are having with the industry will be done quietly, they will be done not behind  
2310 the scenes in closed doors, but in order to take everybody with us; and there has been a lot of discussion about taking people with us, and certainly taking our predominant industry with us at the same time is incredibly important. We have heard from the industry and they have said they do not want this.

The problem with territorial arrangements is that they are incredibly complex. So I will give you an example, this is another area where I have a lot expertise, it is protected cell companies and incorporated cell companies. So I drafted the legislation which applies in Bahrain; I drafted the ICC legislation in Malta; I have drafted in another jurisdiction but I cannot tell you because I had to sign their Official Secrets Act. The problem with these types of structures – and Guernsey was the forerunner in protected cell companies, it is one of our greatest financial product exports, because  
2315 it is now copied *everywhere* in the world, everybody uses them – and the way this thing works is that you can ring-fence cells in a company owned by different people, from insolvency. So if one cell goes bust the others are not affected by it.

Now, all those cells are owned by different people in different places and so when they do their accounts, which is a bizarre provision for them, they have to consolidate them. So you end up with  
2320 these accounts which are completely meaningless because they have lots of liabilities and assets all mixed up together at the end. The total result at the end of it is almost pointless in a way.

But the point is: how would you apply this kind of taxation to that kind of structure? I am a Director of, and I advise several that have *hundreds* of cells, with *hundreds* of clients in different jurisdictions.

2330 It does not take there to be much undermining of their position for these structures to fall apart, literally overnight, because there is a lack of understanding. What happens if I am in a cell next to a cell where somebody is suddenly going to have to pay tax somewhere else, because these rules do not work properly?

There is no detail unfortunately in these proposals and this amendment, and that is a real shame.  
2335 For example, there is a lot of talk about Guernsey-source income and non-Guernsey-source income. We went through this with E&Y and we said would it be possible to exclude insurance premiums on non-Guernsey risk and they said, 'Mmm, I doubt it.' But we are not really sure the Code of Conduct Group is really going to want to have a good look at this because we do not think it really works.

2340 So we have got a problem there straight away and it is a huge problem. This is a major limb of the finance sector and we are just talking about throwing it under the bus because somebody wants

to reinforce a defeat. Because that is what it is. We have already had this argument several times and industry has said every time it has happened, 'We don't want it, thanks very much.' So why are we having the discussion again?

2345 So I say, no, this is a parachute amendment. We are looking at imposing a tax structure on an industry that does not want it, with no detail. I am not saying we are going to do this but actually we do not know how it is going to work we are just going to backfill it with stuff, and eventually we will reach a conclusion.

2350 Now, I called it a parachute, if I am going to jump out of a plane I want to know who has packed it (*Laughter*) and I want to know they are properly trained and I want to know it is not full of bricks. But that is what this is, it is a parachute packed by somebody that clearly has not thought through the consequences of imposing such things on an industry that does not want it. It will create an unsettling level of insecurity – I am not giving way thank you, I am nearly finished – potentially a significant loss of business and a lack of investment in Guernsey when it most needs it.

2355 Members, please throw this amendment out. Thank you.

**The Bailiff:** Deputy Matthews.

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

2360 Sir, I find myself in agreement with Deputy de Lisle. Now *is* the time to look at our corporate taxation. Zero-10 represented the beginning of our revenue deficit and this debate mostly represents the consequence of that decision. So, I have a sense of *déjà vu*. A couple of business groups have sounded the alarm with dire consequences threatened if we so much as begin to look at our corporate taxes.

2365 But this sounds a bit like the boy who cried wolf. The warnings are exactly the same as they were during the Zero-10 debate, but one of the key arguments in the Zero-10 debate was that the alternative was not known to be code compliant and we had no time to ensure it would be code compliant before an external deadline and certain blacklisting by the Code of Conduct Group. But this time the deadline is our own self-imposed deadline due to our declining revenue and potentially widening deficit.

2370 But, sir, I think I heard Deputy Parkinson say that this time we would not move to any implementation to the regime if it was not known to be compliant. I am getting a nod so I think that seems broadly correct. And so I see there is little reason not to begin the work and to look at moving towards a territorial taxation movement.

2375 Some of the arguments that have been put against this by Deputies Le Tocq and Trott are really around perception; or even from Deputy Inder about *intent* might in itself be damaging. So, if that is the case that even indicating your intent might have a damaging perception then how is a democracy to indicate what it was that we wanted to do? Perhaps we should have taken up – I think it was the accidental suggestion of Deputy Vermeulen to meet *in camera* and have a secret meeting where we decided what we were going to do.

2380 But I think it seems reasonable to me to simply move towards a working party that would bottom out some of these options, and I hope that would answer some of the questions that Deputy Helyar had raised about how you would handle the accounts from PCC and ICC companies, and I hope that would all be worked out as part of the proposals that were brought back.

2385 So with that in mind I am entirely happy to support this amendment.  
Thank you, sir.

**The Bailiff:** Deputy Queripel.

2390 **Deputy Queripel:** Thank you, sir.

I will start by saying that my knowledge of financial matters such as this is extremely limited. I look to the experts to come up with ideas and solutions, but of course even experts have different



views and that is when the confusion arises because experts on both sides will say they are right and the other person is wrong.

2395 The same thing is happening in this Chamber right now. We have people speaking in favour of this amendment and people speaking against this amendment, sure that they are right, they are absolutely sure that they are right and the other person is wrong. So the lay person like me is left totally confused. Somehow we have to listen to both sides of the argument and make a judgement call come the time to vote.

2400 Part of the process, of course, to enlighten oneself is to ask questions. I like to look at things holistically. I like to look at the practicalities and I am the first person to admit that when you start to do that you tend to over-think. The real risk of asking all sorts of questions that do not really relate to the issue. They do *relate* but they are a little bit too far. So, as I say, over-think. Simple questions that spring to my mind. That in response to any one who says, 'Businesses will leave!' The question that springs to my mind is: where are they going to go?

2405 I presume the answer to that, in this case, is Jersey or the Isle of Man or perhaps further afield. But I would like a response from Deputy Parkinson when he responds to the debate, about where he thinks those jurisdictions are, please.

2410 Another question I would like answered, but I do not suppose anyone can answer it really, is if they do relocate how do they know they are going to be able to get the staff they need, and how do they know they are going to get the buildings they need to operate from? I suppose the answer to that is that they do not really know unless they set up a massive programme, of course, of investigating a potential jurisdiction.

2415 Now, another question that springs to my mind is: have any businesses actually come out and said they will leave Guernsey if they are told they have to pay tax, or more tax? If so, which ones? Which ones have said that and where is it they have said they are going to go? I have not *heard* any businesses say that but like I said before I am not –

Deputy Trott wants me to give way sir, so I will give way.

2420 **Deputy Trott:** Well, only to say that I think Deputy Queripel is asking the right questions but the answers are quite complex. For instance the insurance sector may choose the jurisdiction of Bermuda over Guernsey; but the fund management sector, the fund administration sector may choose Luxembourg or Jersey over Guernsey; and so on. But it is not simply about businesses upping sticks and moving just like that, what happens is the clients that they serve the business gets booked elsewhere so there is a slow deterioration in the size of the book of business that is being undertaken as clients change, or they die, or the structures change.

2425 If the recruitment of new business is not at least equivalent, you go backwards. So it is complex, a whole load of different places and for a whole load of different reasons. That is why business hates uncertainty because any excuse that we give our competitors to allow them to enhance their offering over ours, once that decline starts it becomes quite rapid, because you simply do not get the growth that Deputy Parkinson always talks about in order to compensate for those behavioural changes.

2435 **Deputy Queripel:** I am grateful to Deputy Trott for that, sir, because I really am in dilemma here and I need to be enlightened. I need to be told a lot more.

I think Deputy Taylor wants me to give way, sir, so I will give way.

2440 **Deputy Taylor:** I am very grateful to Deputy Queripel for giving way. Because, much like him, I am finding this quite confusing and the point that Deputy Trott has just made which was talking about how over a period of time different companies might move – I do not know whether he is a bit pre-occupied, or if he can hear what I am saying. Deputy Trott ...?

Sorry, as I was saying a point that was made by Deputy Trott is that if taxation agreements are changed, then over a period of time businesses will start to move their [???](#)15:31:56. What I am struggling to get my head around is – and I think that my colleague Deputy Queripel is the same –

2445 are there any examples of this happening where countries have changed their tax agreements, or tax arrangements and tax levels such as is being proposed here to actually see this played out in practice? Or is it quite a theoretical stand point to say that they will move?

2450 Again, from a *very* lay person's stand point, be it almost entrenched positions, there are countries and jurisdictions that charge their tax and there are those that have different tax agreements. But what examples can be given of this kind of thing happening, if that is possible, as I put to Deputy Queripel or Deputy Trott?

**Deputy Queripel:** I look forward to hearing the answer to those questions myself.

2455 I have heard Deputy Trott's response to a couple of my questions so far, but I would still like to hear Deputy Parkinson's response please when he comes to sum up.

Have businesses said they will leave? If they have, where did they say they are going to go?

Now, I have spoken to some people working in finance, not just recently, in fact over the years who have said they would gladly play their part in contributing to the community. They would gladly pay more tax. So is this the issue that some colleagues are making in the Assembly today?

2460 On the issue of relocating, I cannot help but think that the whole damn world is in a mess; and is that likely all to be resolved in every jurisdiction sometime soon? There is always a war on somewhere, no one knows where the next one is going to be and who it is going to affect. We think we are quite safe here but time will tell, because the ramifications of wars in other parts of the world is food shortages and all other kinds of shortages.

2465 Who would have thought 14- or 15-months ago Russia would declare war against its neighbour? Who would have thought three years ago COVID was going to decimate society and rule our lives to the point where so many countries have had to go into lockdown for long periods? Some countries are still in lockdown. We do not know how long that is going to go on for.

2470 We keep getting told we need to learn to live with COVID. Okay, learning to live with COVID means we might have to go into lockdown from time to time. So surely there is nowhere in the world that is as safe and secure as Guernsey right now – but of course I might be completely off beam with that one. Jersey is just as safe as we are I suppose, if we consider ourselves to be safe of course.

2475 Deputy Trott told us a few moments ago, and I think he said this and correct me if I am wrong. In essence, I think he said, people at the top really do not *care* which jurisdiction they trade in or who is even working for them, all they care about is how much money they make. That is a pretty harsh way to treat people. I am glad I am not working in finance if that is the approach people at the top take.

And Deputy Trott has not got up to correct me, sir, so I will gladly give way.

2480 **Deputy Trott:** I apologise to the Assembly for the amount of times I am either asking to intervene or being asked to intervene but let me just explain to Deputy Queripel, a model. A fiduciary business in the high street, for instance, somebody that looks after private clients, the chances are they are owned by an investment fund – a collection of investors, a private equity model, if you like. They will have investors all over the world, some may be in Guernsey but if they are they will often be minor in the sense that they do not have a control. So control is elsewhere. And this agnosticism comes from the fact that they do not know Deputy Queripel or Deputy Trott or anyone else, we are just people in a big organisation.

2490 So when the decision is taken – and decisions are driven by the clients' needs – if the clients' needs are X and jurisdiction Y offers a better solution, then jurisdiction Y is where the clients' business will be booked.

2495 So you must not think of it as being in any way inhuman or anything of that nature, it is just a response by those who are providing the service to the clients' needs. If the jurisdiction and the clients' needs do not match, for whatever reason, then the agnosticism comes from the fact that the service provider does not really care where the business goes as long as the clients' needs are met and as long as the profits for participating in these businesses are maintained or grown.

So, I hope that helps. It is nothing *personal* it is just the way of the world.

2500 **Deputy Queripel:** It does help. I thank Deputy Trott for further elaborating on that point, sir, because it sounded pretty harsh to me.

Sir, moving towards a close, I have heard convincing arguments, convincing enough from both sides that I am thinking of abstaining actually – that is unless Deputy Parkinson or another colleague can convince me that I need to go one way or another on this.

2505 In closing, sir, I had to smile when Deputy Helyar, he is not in – I give way to Deputy Moakes, sir.

**Deputy Moakes:** Thank you.

I will be really quick here, but you have asked if anybody can stand up and convince you one way or another. Well let me try and convince you.

2510 We have one Deputy proposing a Proposition here; you have had five, six, seven Deputies standing up all opposing that. You have also got numerous letters that you will have seen, various pieces in the press that you will have received pushing back on this and giving you *plenty* of good reasons why it is *not* a good idea. Added to that you have within the policy letter that P&R has just presented, a commitment to look at this and report back to the Assembly in November on this very matter.

2515 So, you can vote against this and I would recommend that you do vote against this amendment, but be assured that you will have some of the answers to your questions as and when P&R have looked at this, which they are currently doing at the moment. It is in black and white, it is not me making it up, it is currently under progress. That would be my recommendation to yourself.

2520 Thank you.

**Deputy Queripel:** I am really grateful to Deputy Moakes for that interjection, sir.

2525 But in closing, as I was saying when Deputy Helyar spoke – he is not in the Chamber at the moment but maybe he is listening on the radio – I had to smile because he said, 'Industry don't want this!' But the people of Guernsey said they do not want GST, but P&R are determined to pursue it all the way down the line. (*Interjection*)

Indeed, as Deputy Vermeulen says, the irony and the contradiction, of course. We all do it when it suits.

2530 Thank you, sir.

**The Bailiff:** I need to remind Members of rule 17(1) which is that when speaking in the States a Member should always address the Presiding Officer and must not address another Member.

Deputy Dyke.

2535 **Deputy Dyke:** Thank you, sir.

I am going to be very brief here. I think most of the subjects have been discussed. I might just add that I myself started my working life as a tax lawyer at Freshfields in London, but I quickly decided that there were easier areas of law to practise in. (*Laughter*) So I am not terribly up-to-date on this.

2540 I understand the points of issue and our main discussion now, I think, is on how industry is going to react to it, what the effect will be of scaring the horses. We are not talking about the technicalities at the moment, although I have got one point to ask that probably Deputy Trott or Deputy Parkinson can help me with. So that is where we are and it is a matter of working out, I think, where we are, the best way of handling this in terms of Deputy Parkinson's proposal – I thought everything he said sounded extremely convincing to me – or whether we handle similar points under the P&R proposal.

2545 I am beginning to think *that* does not make much difference, but what does make the difference is the judgement we take on how we converse with all the different sectors of industry, which I think

2550 are probably going to be saying slightly different things, so I am not quite sure how I am going to vote on this.

But I have got one point I want to make. A couple of emails I *think* have been circulated. One came in to me possibly – and it was a follow-up email – with one insurance management company, a manager of captives, saying in respect of their captives owned from the UK they did not mind paying the 15% tax because there is the double tax treaty (**A Member:** Hear, hear.) so that was okay; and they had another captive that positively *wanted* to be taxed because of fears about ESG rules and that sort of thing. And if it was not, it might move.

I thought that was a most peculiar thing to say, but on those points in the context of captives owned through the UK, with which we do have double tax arrangements and the rest of the world which we do not ... I do not know whether Deputy Parkinson would like to intervene?

2560 Excellent, thank you.

**Deputy Parkinson:** Yes, I think we are in danger of getting led down a strange rabbit hole and I am afraid the origins of this stems from remarks made by Deputy Trott. The UK-parent companies get relief for Guernsey tax paid, not so much under the Guernsey-UK Double Tax Treaty – although it is a full double tax treaty quite limited in its effect – actually most of them get relief from the UK for Guernsey tax paid under something called the Taxation (International and Other Provisions) Act 2010, section 18. What that does is it gives UK unilateral relief for foreign tax paid. So they are getting credit, not because there is a double tax treaty but because of UK unilateral relief.

I just think several speakers have referred to this would all be fine if we had double tax treaties, but actually double tax treaties are not what gives them the relief. Deputy Helyar talked about parent companies in Japan and Switzerland – he is not in the room now, so I cannot ask him for further clarification.

Yes, of course, 30% of the captives in Guernsey are owned by companies all around the world, but in many of those countries there are similar provisions to the UK unilateral relief and therefore Guernsey tax paid would be creditable against parent company tax liabilities, even in the absence of a tax treaty. I just thought I would make that clear.

**Deputy Dyke:** I thank Deputy Parkinson for his helpful intervention. I will defer to Deputy Trott.

**Deputy Trott:** Only to say that I have, like others, sought not to over complicate it. The principles are similar.

There was an awful lot of work done a few years ago on what the captive industry could tolerate and you are right in *some* cases a positive rate of interest – not in excess of 3%, if my memory serves me correctly – would help certain issues around substance and ESG and other parent concerns. But certainly not a tax rate of 15% or more. So a *tiny* amount of tax is advantageous to their domicile, but not significant rates of tax.

This is where it really does get *extremely* complex and it is disappointing, well it is a shame that Deputy Helyar is not here because as I said earlier this is, as he confirmed, his area of expertise.

But every sector of Guernsey's financial services industry has different issues and that is why talking in this way makes it very difficult. Deputy Parkinson is well aware of that which is why he tries to keep things very simple but often over simplifies things to the extent that it requires a response from people like me.

**Deputy Dyke:** Another helpful intervention, thank you, Deputy Trott.

So I think what is now clear is that before we head off down this road, a huge amount of discussion must be taken on board with every sector and sub-sector and sub-sub-sector of our finance industry; and in addition it would seem research into the unilateral double tax relief that the various jurisdictions have, which obviously probably most of us do not off the top of our heads know. So there is a lot of work to be done before we do anything.

So then the question simply is: is the best way to go on to Deputy Parkinson's route or to leave it tagged on to the main policy paper? I guess that is the decision we are going to make.

2605 But one thing is absolutely clear, we are competing head-to-head with Jersey, obviously the Isle of Man and also with other jurisdictions like the Cayman Islands – which has no tax at all, no Income Tax on corporations or individuals. So there is quite a competitive environment out there that we have to worry about and every one of these jurisdictions is doing everything possible to eat our lunch all the time. That is the environment in which we are working.

That is all I have got to say. Thank you, sir.

2610 **The Bailiff:** Deputy Mahoney.

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

I apologise to the Assembly for being a minute late back from lunch. I just have a question.

2615 We did not go into Committee did we in that minute, because it seems to be lots of debate and discussion going backwards and forwards. But I rise really just to counter a couple of points or questions really that were raised by Deputy Queripel and Deputy Dyke. I suppose I could deal with Deputy Dyke first.

2620 He is absolutely right, there is a special category that is being looked at at the moment especially around the ESG area where there are companies that are saying we want to pay tax, we currently do not have that. But that category of company is being looked at by Deputy Helyar and others. So just to put his mind at rest there we are looking at that actively at the moment.

2625 Deputy Queripel had a couple of concerns, quite rightly, not everyone is an expert in everything, and when you are not then you look to those who are experts as quite rightly we should. Of course the danger of that is you pick the wrong expert and you listen to them instead of the right one. So in that instance surely the best thing is to perhaps listen to an industry body that probably will not get it wrong, because it is made up of lots of experts all putting their positions into one place.

2630 In this example GIBA really are the people that we should be looking to for that and they have made their position pretty clear on this matter, very clear on this matter. So I think in this instance it would be safe to be led by them and their *very* clear steer on which way Members should vote on this one.

Also of course E&Y, in their report, it is in the pack, they have made a note of this as well and they clearly do not recommend this option to anybody.

2635 Corporations, it was covered actually by Deputy Trott, but I am going to say it anyway. They are dispassionate in these things, however disappointing that may be, they do not have a conscience in terms of poor Guernsey. If it is best to do business in Guernsey, Jersey or the Isle of Man that is where it will be. It is just as simple as that.

2640 He also asked for a couple of examples, or any examples, I beg your pardon, of any business locally, any funds or anyone locally who has vocalised their position and that they may seek to go elsewhere. And of course you do not do that as a company; you do not show your cards to anyone.

Of course we had the absolute perfect example of that just a couple of weeks ago with the recent closure of RBC. RBC were not out there saying, 'We're about to do this.' We just had a press release saying, 'We've done it; and we're off.' I hope that helps, it may not ...

I am not going to give way because I have just criticised others for doing it and I am about to finish anyway. So I hope that helps and I urge Members *not* to vote for this.

2645 Thank you, sir.

**The Bailiff:** Deputy Taylor.

2650 **Deputy Taylor:** Sir, I am sorry to keep this debate going. (*Interjection*) But I am listening to people, everyone seems to think they are an expert, there are lots of people who are experts but as Deputy Queripel pointed out, they do have different views. I *have* tried, as Deputy Mahoney has

said to go back to the industry that has contacted us and I have read through multiple times on the GIBA, and I am not reaching the same conclusion, I will not lie, as other Members.

I will read one and a half paragraphs that seem most relevant:

A territorial tax results in a similar fiscal outcome to the effect of Zero 10 in that many local trading businesses are taxable while the international client structures do not pay Guernsey tax. Hence, this change would most likely not deliver any technical advantages, such as a network of double tax treaties, but would certainly come with a number of damaging disadvantages.

2655 Now, it does not really go into explaining what those disadvantages are, some of them have been put forward today but it is the next two lines that really jumped out at me:

The EY report also confirmed that a territorial tax is unlikely to generate more than £20m and hence could never be a solution to the structural deficit.

2660 It strikes me it is having your cake and eating it. This territorial tax is going to *destroy* the finance industry and cause all kinds of problems because everyone will be losing their profits. I have not even got a clue who these people are that eventually get these profits, but it says here that GIBA is saying it will not generate more than £20 million.

I see Deputy Moakes, hopefully he can answer, it might be a silly question.

2665 **Deputy Moakes:** Sir, if I can just answer and maybe help out a little bit. He just read out a paragraph from a particular letter there, if you actually read a couple of paragraphs down it starts to go into some of the detail. But obviously I guess this is a letter written to all Deputies and it is not designed to go into all the ifs, buts and maybes, it is designed to give you an overview of the probable risks of doing this.

2670 **Deputy Taylor:** I am grateful for Deputy Moakes bringing that forward but, as I often do, I am going to push back because I do not believe it *does* outline those risks. If anything it just reminds me of parenting and the difference between my parenting and my mum's parenting.

2675 Because if Ted goes and stands on the sofa my mum just says, 'Careful' – he is not even two years old, he does not know what the word careful means – really it needs to go into an explanation of *what* you need to do, you are on a ledge, try not to fall off because it will hurt. That is how you learn.

But here, all we have as a justification is that it would make us uncompetitive.

I can see Deputy Blin, I will give way to see what he says.

2680 **Deputy Blin:** I thank Deputy Taylor for giving way.

I can understand and hear where Deputy Taylor is coming from and he is admitting that it is not his background field. I will declare an interest, I am a director of a trust company so I am involved in this on a more – not a daily basis, but a professional basis. What I would like to do is not only to give some clarity to yourself, Deputy Taylor, but also to Deputy Queripel and Deputy Dyke. One of the things when I was listening to Deputy Queripel, it was: what can help?

2685 Well, here is something that may help him consider this. I mentioned in my short speech that Guernsey is a very mature environment in the financial services, and we have a lot of good people working here. So for the benefit of Deputy Queripel, through you, sir, if this is correct, that the risk is that there are some businesses like I read out the message directly from the CEO of an insurance company. If this is correct, how would one feel if on the basis of that there are people becoming unemployed or literally seeking work, when we are already struggling to raise enough from tax revenues and everything else there?

2690 So just that in itself, there is a risk that by some firms moving, like RBC did, for different reasons; but if this were to happen through adopting a different tax system not in conformity, and some of the firms move away, that would lead to unemployment and that in itself is one that you have to take a very cautioned approach to. Do you wish to take that risk? Thank you.

**Deputy Taylor:** I am very grateful for the slightly more detailed explanation and I should put on record that I am very grateful to Deputy Trott and Deputy Parkinson and Deputy Helyar – although he is not in the room – for giving these detailed explanations.

2700 But really I suppose for me what it hinges on is that GIBA is saying that territorial tax is unlikely to generate more than £20 million and hence could not be their solution. If it is not even going to generate £20 million, I really cannot get my head around how it will cause it.

2705 So that is where I have reached on the debate, it does not really offer a huge amount. Perhaps if Deputy Parkinson can pick up on something on that and give a little bit of his take on it, that would be appreciated. But otherwise from a moral stand point, accepting the points just made by Deputy Blin, I feel morally I am inclined to support a territorial tax as proposed.

Thank you.

**The Bailiff:** I do not see anyone else rising so I will turn to the President to speak to this amendment please.

2710 Deputy Ferbrache.

**Deputy Ferbrache:** It has obviously been an important debate over the end of this morning and this afternoon, and I am grateful really to everybody for their contributions, but it has not been the most exciting debate. (*Laughter*) But it is important. (**A Member:** Hear, hear.) Watching paper dry or whatever, it does not matter, we are here.

2715 I really would endorse, and I mean it most sincerely, the comments very ably made during the course of the afternoon on several occasions by Deputy Trott, and also Deputy Helyar's speech. They have summed it up absolutely and accurately.

2720 Now Deputy Parkinson, I know, genuinely feels passionately about this, he has held this view for a long time, he has expressed it very well. I attended the presentation at St Pierre Park which was attended by lots of people and he explained his position over 40 minutes, or whatever it was, extremely well, and he spoke very well earlier today.

2725 But I caution people holding the view that Deputy Taylor holds. The finance industry depends on stability, it depends on certainty and as Deputy Mahoney said all of a sudden you find that 89 people have lost their jobs, or are going to lose their jobs over a period of time, not because of this but because a decision was made corporately to move somewhere else. They do not have to give a reason and corporate entities, as Deputy Mahoney has said, they are not loyal to particular jurisdictions, they do not think we love Guernsey, we love St Peter Port, we are very grateful that we can go to Maison Carré and get our cakes, or we used to be able to do that.

2730 They do not do that, they sign. It is purely a commercial thing what they think is in the best interests of their business, which often is in lots and lots of jurisdictions. Really, I do not pretend to be an expert in this field and we have all had different views, I appreciate, from different organisations. But the Guernsey International Business Association is clear and unequivocal – and normally professional bodies are not clear and unequivocal – on this hand this, and on the other hand that. They are clear and unequivocal.

2735 I will just quote certain paragraphs from their letter where they say:

The States of Guernsey engaged the international accountancy firm, Ernst & Young (EY) to undertake an extensive review of corporate tax options for consideration ahead of the development of the Tax Review. That report explicitly considered the introduction of a new corporate income tax on a territorial basis when other competitor jurisdictions maintain their existing regime and concluded that to do so will lead to a reduction in new business and could also cause existing businesses to relocate. GIBA members endorse this view.

And a couple of paragraphs down, remember this, I cannot speak directly to my colleagues but I can say this so these words echo, not only in this room, but beyond:

Guernsey's finance industry is the primary direct contributor to GDP, accounting for 36% of the total which doesn't include other aligned sectors, which are almost entirely focused on financial services, such as accountancy and law, which contribute significantly to the island's GDP.

Businesses and clients typically have a choice as to where they base themselves. Aside from the tax regime, other key factors they will consider are stability, simplicity and certainty. Ongoing uncertainty over the tax regime could damage the island's attractiveness and have a negative impact on growth in the island's key revenue-generating industry.

2740 So, just pausing there before I come up with one final quote from this letter. Are we going to risk, we in this Assembly, damaging the Island's key financial contributor, giving any risk at all? If we are, we are being reckless and we should not do so.

And they conclude materially in relation to this part of their advice or the opinion that they gave:

In short, the unilateral adoption by Guernsey of a territorial tax regime brings significant risk without substantive reward.

Now, are we going to take a significant, or any risk at all without substantive reward because I do not know what the reward is?

2745 I now turn to the explanatory note and again I never question the integrity and I know that Deputy Parkinson will have read and reread the Ernst & Young report and other material. I know he would have done that and conscientiously done so. So I do not have any doubt at all about that. He is not doing this flippantly or glibly.

But what he does say in the explanatory note, Deputy McKenna:

The new Corporate Income Tax system will [*not might*]:

a) Raise a sum of not less than £20m a year for the States of Guernsey

2750 Well, bear in mind what Ernst & Young says:

b) Restore equity between participants in the Guernsey domestic economy

c) Be compliant with the principles of fair tax competition as articulated by the OECD and EU

d) Improve Guernsey's international reputation by eliminating the zero-rate of income tax which currently applies to most Guernsey companies

e) Be highly competitive among offshore finance centres

Some of those statements are undoubtedly correct, 'Be compliant,' etc. but it is just not worth the risk, it is not that cut and dried. I believe someone as fair and open-minded as Deputy Parkinson must accept that it is not as clear-cut as he has initially pointed out.

2755 So, it is up to Members of the Assembly: if we want to take a risk, if we want to frighten the pigeons, if we want to potentially cause damage to our industry – which pays lots of the bills, pays for the nurses, pays for the doctors, pays for everything else and helps contribute towards those – vote for Deputy Parkinson.

2760 Because do not forget, then, I know they may all be amended. Who knows how many more amendments are going to float in on the wind over the next day or two? But at the moment Proposition 4, as proposed in the policy letter, says there is going to be discussion with our competitors and they are going report back by November. (**A Member:** Hear, hear.)

2765 November is not that long away. Let us leave the Proposition as it is. With considerable respect to Deputy Parkinson and Deputy McKenna – and I appreciate them putting this forward with good intent, and with an idea and a solution which is what we have asked people to do and they are trying to do it, so they cannot criticise them – but on this occasion they fall on the wrong side of the line. Please reject the amendment.

**The Bailiff:** Can I turn back to Deputy Parkinson to reply to the debate.

2770 **Deputy Parkinson:** Thank you, sir.

I think it is very clear that Members have made their minds up on this and so it is probably not worth dwelling very extensively on the comments that have been made in the debate. There is a group of Deputies who accept the advice of GIBA, as Deputy Ferbrache has just put it, that moving



2775 towards or committing to move towards a territorial Corporate Income Tax system would entail risks, they claim, without any rewards. I do not think they have thought this through properly because there are very obvious rewards for getting this right. And then there are groups of Deputies who are more persuaded by my view that getting the foundations of our tax system right is part of the vital infrastructure for a healthy growing economy, and that if we do not get that healthy growing economy we will never meet the fiscal challenges which are yet to come.

2780 So I will briefly skim through the comments, the matters that have come up in debate to respond where I think it would be helpful. I am not seeking to or expecting to persuade anyone at this late stage but there are one or two matters which have been raised in debate which frankly just need clarification. Because tax is a very technical field and it is unsurprising that most Members of this Assembly have not spent their professional careers in this field, and like Deputy Queripel find it all very confusing. And why wouldn't they?

2785 So, I will pick up on one or two things that just need clarification and I have already mentioned Deputy Trott's, one of his multiple speeches, claiming that the reason why the banks set up here successfully and then eventually went was to do with Guernsey's double tax treaty with the UK.

2790 I have explained that actually Guernsey's double tax treaty with the UK is fairly limited, and that in most cases companies in Guernsey where tax in Guernsey is being relieved against UK tax, that is being done under UK unilateral relief rules not under the double tax treaty. And those rules, of course, apply to other jurisdictions outside the UK with whom the UK does not have a full double tax treaty.

2795 It does give me the opportunity to mention that in the explanatory notes, or whatever, on our amendment, I do comment that Guernsey's own unilateral double tax provisions would need to be re-examined in the context of any work on a territorial corporate tax system; and also I think we would need to introduce something called a Participation Exemption. I will not go into details of why that is or even what that is, but there are a number of features of Guernsey's tax system which would need to be changed to adapt it to operating well as a territorial corporate tax system.

2800 Deputy Trott said Guernsey is not failing, that we have just won two awards for being a successful offshore finance centre. No, Guernsey is not failing, we have full employment, a very strong economy, arguably too many jobs because there are a lot of unfilled vacancies especially in the finance industry but across the economy. One could just take the view that, 'Well, if we lose a few businesses actually all the staff would be rapidly employed by other businesses, and would be working just as productively in the industry or other industries.'

2805 But, my point is, and I hope it came across in my speech, that we are not growing. The economy is growing on average by 0.5% per annum, when Government spending is growing by 2% per annum; and the finance industry, successful as it undoubtedly is, is shrinking by 0.7% per annum. It is not *failing* but it is not doing extremely well and the economy is not keeping up with the pressures on Government spending.

2810 So the point is not that we are in the gutter and we are already destitute, the point is that a GST will not assist growth, it will be a drag on growth, growth is already very sluggish, it is not keeping pace with the demand for public services in Guernsey – and therefore raising a net £50 million through GST is really just the sticking plaster to patch up the existing hole in our budgets. It will do nothing to stimulate economic growth to enable us to address the deficits which are coming down the line, inevitably, because of our demographic changes.

2815 If we do not adopt measures which will help to get our economy growing, we will not be able to cope with those pressures other than by increasing the rates of GST which will result in a downward spiral. Because the further increase in GST, will further reduce economic growth which will make it harder still to cope with the spending pressures that the States of Guernsey are experiencing and are expected to continue to experience.

2820 So, the road we are on, the road that Zero-10 has kept us on, is not a road to the sunlit uplands it is a road into a downward spiral which will basically drag Guernsey down. We have to do many things probably to get the economy growing again. Sorting out the tax system, making it competitive, fair, internationally acceptable is one of the things that we need to do.

2825

We need to address many other problems and this debate is not about housing, it is not about population management, it is not about all those other things. But those are also key issues to get the infrastructure in place, the foundations in place to create a growing economy.

2830 Deputy Haskins had a question and, oh yes, Deputy Trott responded to that and he said that more than half of the FTSE 100 companies have captives in Guernsey, which is a great feather in our cap. Those are precisely the companies which are likely to be caught by the global minimum tax. So the profits they are earning through their Guernsey captives are going to be subject to 15% tax whatever we do. The only question is: where are they going to pay that tax? It may be more than 15%; 15% is the minimum.

2835 Now, we can choose to set up arrangements such that they have to pay that tax in Guernsey, or we can carry on with Zero-10 and they will pay that tax somewhere else, probably in their case in the UK because they are UK companies.

2840 Deputy Trott also came up with this theory that most of the tax given up in 2008 was tax on bank profits and that those profits would not be the same today, and it is very true that the banking sector has shrunk over the last 15 years, or whatever it is. But it has been replaced in the Guernsey economy by growth in the fund sector, growth in insurance and so on; and the same tax principles generally apply to those other industries.

2845 Now, in the case of funds it is a very special case because funds are exempt from tax, it is a legacy of the old pre-Zero-10 regime, the only exempt companies we were allowed to keep were collective investment vehicles, and that is because most countries exempt collective investment vehicles.

2850 But the principle remains the same, many of the businesses doing business in Guernsey, through their subsidiaries in Guernsey, are subsidiaries of groups that are UK-based, or based in Japan, or Switzerland or wherever, based in other jurisdictions which operate territorial corporate taxes and which very likely have the equivalent of controlled foreign company rules. So the point is that us exempting them in Guernsey does not reduce their tax bills by one cent.

Deputy de Lisle, I thank him for his comments. He said now is the time, exactly. You know, we are in a debate about the tax structures to solve Guernsey's fiscal deficit and if we cannot discuss this here when are we going to be allowed to discuss it?

2855 Deputy Moakes comes up with the uncertainty point. I am going to group all of those comments about uncertainty and they nearly all quote GIBA into one section. The reality is – and I reiterate what I said in my opening speech – if this Assembly votes to adopt GST in this meeting, I believe that will create *more* uncertainty than anyone here could possibly imagine. (**Several Members:** Hear, hear.) It would likely result in a complete turnover – well, 'complete' is a slight exaggeration – of the Members of this Assembly at the next election. Is that a stable position to leave the Island in? There is not the kind of widespread public acceptance of the path that P&R want to lead us down. We need to find some kind of fiscal policy going forward which a large majority of the public can buy into.

2865 Deputy Moakes said we should adopt a code compliance system. I totally agree and I said in my opening remarks Guernsey would have the benefit in planning any new Corporate Income Tax system of knowing what has happened with the EU Code of Conduct Group investigations into territorial systems elsewhere. But bearing in mind that this is the normal type of corporate tax system that exists in more than 30 out of 38 OECD countries, which is widespread across the world.

2870 If anyone is trying to suggest to this Assembly that adopting a territorial Corporate Income Tax system is likely to result in failure to meet Code of Conduct standards, they are just simply living on an alternative planet. The reality is no one is going to turn round to the United Kingdom, the United States of America, Germany, France, Japan, etc. and say your tax system is inherently non-code compliant. These countries *are* the OECD.

2875 So, yes, we obviously must be cognisant of the developments in the world around us, what we do has to comply with international standards and it will. We will very clearly make a commitment from the outset that we will only bring in a tax system which will meet with Code of Conduct Group

approval; and we will have the benefit in designing it, of knowing what they said about important competitor tax systems like Hong Kong.

2880 Deputy Le Tocq also spoke on territorial tax regimes being reviewed. Yes, and that is a great thing, we want them to be reviewed, we want to know what the Code of Conduct Group thinks about them; and if there are any flaws in those systems we want to be told about those flaws. We want to design a compliant system and he says we would inevitably be reviewed by the Code of Conduct Group. I think that is probably a step too far. Why would the Code of Conduct Group review a system when it is substantially similar to one they have already just approved? Why on  
2885 earth would they choose to waste their time undertaking that review?

I think if it is clear that the Guernsey system is in line with international norms, the probability is they will either say, 'Okay, fine, get on with it.' Or, if they say, 'Well we think we really ought to give that a good look over' the whole of the market will know that we have based our system very closely on another system which has just been ruled to be compliant, and there will be very little uncertainty  
2890 out there amongst our customers and potential customers as to what the outcome of the review will be.

Now, he also mentions that Ernst & Young estimate that if we introduce a territorial corporate tax system there will be a decline in gross value added of 1.2% to 1.8%. I addressed this in my opening remarks. The Ernst & Young modelling was based on, to me, some very odd assumptions  
2895 and in particular it excluded in their calculations of the behavioural response to a change in the tax system. They ignored the fact and expressly ignored the fact that much of the tax paid in Guernsey is not a real cost to the group or company involved, that that tax is relieved against tax liabilities in other jurisdictions. And not only did they ignore that, they expressly ignored the fact that there is going to be a global minimum corporate tax rate in operation from 2024.

2900 So, their estimate of the negative impact on GVA is clearly going to be an over estimate. They come up with 1.2% to 1.8% – hardly economic collapse even if there were right – and they based their estimate on really odd assumptions. Just acknowledging that there are tax changes afoot and that the tax system at the moment already relieves much of Guernsey tax against foreign tax liabilities, but they have ignored it. They expressly say, 'We weren't given information on this so we  
2905 did not take it into account.' That is what they said; it is there in black and white.

So I think if they were right our GVA would reduce by 1.2% to 1.8%. I think they are simply wrong for reasons which they themselves have admitted, they have simply ignored some of the key factors.

Deputy Le Tocq says competitors would exploit uncertainty. Well, they would certainly try to but I do not believe a properly constructed process would give them that much opportunity to achieve  
2910 success. Some businesses might leave but I honestly think we are talking about a handful, and the reality is we have super employment in Guernsey, we do not need to retain them all.

Now, he says I do not mention reform or social security contributions. I thought some other Deputies might raise similar remarks that my amendment with Deputy McKenna is quite narrowly based, it is focused on reform of the Corporate Income Tax system and it does not include the long  
2915 menu of other things that we could be looking at which were so capably detailed in Deputy Soulsby's amendment. The reason for that was we have got two years and five months of this term of Government left, taking out the time before the election when everyone who is re-standing will be electioneering. We have just over two years probably to get anything done in this States' term, and the realistic situation is we are just not going to be able to do that much. We do not have a huge track record of success in the first half of this term and if we are to use the time between now  
2920 and the next election productively we need to focus.

I would like to see a kind of Government work plan which had five items on it, (**Several Members:** Hear, hear.) maybe six at a push; and sorting out the corporate tax system should be one of them. But we can create long menus of other things we should be looking at and absolutely I agree we  
2925 should be looking at the contribution side of the Social Security system. It is a mess! It is an unfair mess and it really needs sorting out. But I did not put it in this amendment because it is within the mandate of an existing States' Committee and I think that is work we can just be getting on with.

2930 There is a bunch of other features from the Soulsby amendment, which I hope will not be lost, but they are pieces of work within the mandates of existing States' Committees; and I would say just get on with them. We are here today in effect prioritising what we are going to do for the next two years and three months or whatever it is. I am just saying one of the things we really ought to be doing is having a look at the corporate tax system. It is not the only thing we should be doing, but it is important and it has been put off for too long.

2935 He also said the amendment does not take GST off the table. Well, I have always been very realistic about this, there is nothing this States can do to prevent the next States from introducing GST. Nothing at all. There is no point in us passing Resolutions and I know there is an amendment in circulation saying that the rate of GST will not go up for 10 years. Completely pointless. **(Three Members:** Hear, hear.) Because the next States will do whatever it wants to do and I am not going to stand here and say we must rule out GST forever and a day. Why? It would be a waste of ink.

2940 So, let us just focus on some things that we can usefully do during the remainder of this term, if we are not to be known forever as the States of Procrastination and get on and achieve something. **(A Member:** Hear, hear.)

2945 There is much debate about whether the corporate tax system would produce less than £20 million as GIBA allege, or whatever figure Deputy Le Tocq was quoting. I have shown you why the Ernst & Young figures are probably wrong. I have challenged their assumptions where they look to be unrealistic or unsound. I think the evidence that they produce – and I have not had a look at the underlying data – I think their evidence suggests that it would produce something more like £40 million. But the point is the same. I accept that it probably will not fill the whole of the currently 2950 black hole. What I do think it will do is make a very substantial contribution to filling that black hole and provide the economic foundations for growth which will help to fill the rest.

2955 Deputy Inder said that I had said the economy is shrinking. I did not. The economy is growing at 0.5% per annum on average. What I am saying is that it is not growing fast enough to cope with the pressures on public expenditure, and that is a major problem that we need to get on and address.

Deputy Gollop, I thank him for his support, says the burden of taxation is too high on individuals. I agree with that and the amendment would help redress the balance. I agree with that. And that it would gain more public support.

2960 Deputy Blin also focused on public support, questioned whether we should be creating another committee, and of course this work would fall within the mandate of the Policy & Resources Committee. What I am saying is: Policy & Resources came into this debate with a very set agenda of what they wanted us to support. Personally I do not think the States is going to approve that and the result will probably be that we will end up resolving nothing, or nothing of any great substance.

2965 What I do think is we need a more collaborative, more consensus-based group with some relevant expertise to look at these issues again to try and carve out a way forward that can command widespread support. I am not trying to displace Policy & Resources; my proposal is that two Members of Policy & Resources should be on this committee, that one of those Members should be the Chairman of this committee.

2970 I debated in my own mind whether it should actually be a sub-committee of Policy & Resources or whether it should be a standalone committee of the States. I do not think there is a lot of substance in that distinction.

2975 So, he wanted to know if Guernsey went alone what is the risk? And he said that there was a CEO of an insurance company that thought that some insurance managers would open offices in Jersey. Well, they may do. The insurance industry really talks a confusing language when it comes to territorial tax and others. I have spoken to many managers in the industry who say the captives are not here for tax reasons. I expect many Members of the States have heard that from insurance managers. They are not here for tax reasons, they are here because of our expertise in managing insurance companies and all those other good things; and since most of them are suffering tax on

2980 their Guernsey profits in the UK I can fully understand that thinking. They are here because Guernsey offers an efficient and competent domicile for capital insurance companies.

But then you get other Members as soon as you start talking about any kind of tax increase, 'Oh well, they will all be off!' You cannot have it both ways, either they are not here for tax reasons or they are. (*Laughter*) I am all for having conversations with industry groups about planning any new corporate tax system but to be honest they need to sing with one voice. Are they here for tax reasons or are they not?

2985 Deputy Helyar, he says he is active in captives. He mentioned 30% of them are not owned by UK companies and he mentioned domiciles like Japan and Switzerland, I think, etc. I am also a Director of a captive in Guernsey; I have a 'toe-hold' in that industry. I do understand a bit about it. All I am saying to him and others is that other countries, not just the UK, have controlled foreign company rules. These are very common in the tax systems of developed countries. Certainly in the United States they have what is called Subpart F income. I have a little bit of knowledge of that, I am certainly not an expert on it. Many other countries had rules similar to the UK's Controlled Foreign Company regimes.

2990 He asked how territorial tax rules would apply to protected cell companies. This would need to be worked out, it is a technical issue. But he also, more generally, says that he doubts that the insurance on non-Guernsey risks could be excluded from the tax base. I think that is more or less what he was saying. One of our competitors in this field is the Dutch jurisdiction of Curacao in the Netherlands Antilles, and they had introduced a fully territorial corporate tax system in 2019 and they adopted a rule that the income of an insurance company derives from the place where the risks are located.

3000 Now, we can debate whether that is co-compliant, but Curacao is a part of the Kingdom of the Netherlands and as such is an Associate Member of the EU. They changed their rules in 2019 and as of now, in 2023, they have not been challenged on their definition of the source of income for an insurance company. So my belief is that you could define out of the territorial rules the income of an insurance company *if you wanted to*, the precedent is there. An Associate Member of the EU does it. I am not sure that we want to do it, by the way, but I am just saying that I think it is possible.

3005 Deputy Matthews says now is the time to talk about this. Absolutely. This is a tax debate. And he says industry has 'cried wolf' before. Well, most certainly they have.

Deputy Queripel, experts have different views. Yes. He asked where would the businesses go. 3010 Deputy Trott said it would depend on the business, I guess, and then he asked would they get staff or building in other jurisdictions. I do not think anyone can answer that, Deputy Queripel.

Who will leave and where will they go? Well the answer is we do not know. I am not saying that if we changed our corporate tax system that no companies would leave Guernsey. I suspect that a small minority would. But if the system was well crafted and well designed, the losses of business 3015 would be quite small and the tax revenue collected from businesses that stayed would be quite significant. That remains to be seen as we move forward and eventually get into this kind of world.

Deputy Taylor rather similarly asked if there are examples of countries which have changed their tax system. Yes, dozens of them. If you go back to the mid-1980's there was a very small minority of countries that operated territorial tax systems, the most prominent one in Europe was the 3020 Netherlands. Today, virtually all developed countries operate territorial tax systems. So the UK went fully territorial in 2009, I think Japan went territorial in 2010, and so on and so forth. The reality is there have been heaps of countries that have changed from worldwide income bases to a territorial income basis and, no, the sky did not fall in, they did not collapse, business did not all flood out of these countries. Even the USA effectively went territorial in about 2017, from memory, and it is still 3025 there, it is still a functioning economy as far as I know.

Deputy Dyke, one manager had said that captives do not mind being taxed and another one said he had a company that *wanted* to be taxed. I think that summarises ... Well this is typical of the different voices with which that industry speaks. I think because of the Base Erosion and Profit Shifting rules which have been brought in by the OECD, companies now have to demonstrate,

3030 particularly where they have operations in what they call zero- or low-tax jurisdictions – and that is Guernsey in that box – that those operations have economic substance.

I think because in many cases the profits of those subsidiaries are actually already being taxed, but just not in Guernsey, most of those companies would be happy to pay some tax in Guernsey because (a) it does not cost them any money; and (b) because it demonstrates economic substance.  
3035 Because when they are responding to questions from the OECD about, 'What is your subsidiary in Guernsey doing? And does it have economic substance?' One of the questions on the form is: 'Does it pay tax there?' It is really not a good look to put 'no'. It does not look very substantial.

And the risk is if the OECD does not accept that the company in Guernsey has economic substance they just blow it away. They say 'Well, it is all effectively your income, and we will disregard what is obviously a shell company.' So, yes many people in industry are saying to us, 'Actually, it  
3040 would be helpful – particularly if it does not cost them anything to pay the tax.

Right, Deputy Mahoney said we are looking at a special category of company which would pay tax. Okay. I mean, as close to coming into a voluntary tax zone and the problem as I have explained with voluntary taxes is they are not creditable. If you are only paying the tax because you have  
3045 chosen to pay it you may have a very significant problem with the revenue authorities.

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

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

3050 **Deputy Helyar:** I do apologise for interrupting. Deputy Parkinson is making an excellent speech, but this will not be a voluntary tax structure. We are aware that that is not compliant. The voluntary aspect of it would be converting to a company which is subject to tax. It would be a special type of company rather than a voluntary tax.

3055 **Deputy Parkinson:** I do understand the point and take that point. My problem, from a tax technical point of view, is if you elect to convert your company into one that pays tax, and even if that tax is then compulsory, have you not actually volunteered to pay tax? I think that is an issue we are going to have to deal with.

3060 But it is a sticking plaster, it gets us half-way there. I just think we ought to reform the whole corporate tax system, not artificially create a type of company that does pay tax. I am not averse to P&R going away and looking at this from a technical point of view. It is an option, I think it is fraught with tax technical difficulty but fine, go away and look at it.

Deputy Mahoney said E&Y do not support this option. E&Y said there is nothing in here that we are uncompliant about a Guernsey Corporate Income Tax system on a territorial basis, that is what they said. And they also say if companies paid tax in Guernsey very probably some of that tax would be relieved against tax paid elsewhere. It is there in their report. What they then do not go on to do is *quantify* how much tax could be levied in Guernsey without causing the groups concerned to suffer any net increase in tax, because they say they were not given the information.

3070 Deputy Taylor referred to the fact that the E&Y report said corporate tax would not generate more than £20 million, that is repeating the words of GIBA. I think I have already covered this. E&Y assumed that all the companies which currently pay tax at 20%, like people with rental income from Guernsey properties, would be given a tax cut. We would reduce the rate of tax from 20% to 15%! I do not know anybody who is proposing that.

3075 So I think their basis, sir, is a bit suspect, but some of their research is helpful and gives us an impression of what the potential tax take is.

And finally, Deputy Ferbrache says the finance industry depends on certainty; he mentioned that the Royal Bank of Canada moved away from Guernsey. Yes, these are relatively mobile or even highly mobile businesses, and we have to take *very* careful consideration of the impact on each individual business on a quite granular basis before we do anything to change the tax rules they  
3080 operate under.

3085 But what they, the industry would understand, whatever GIBA may think, is that Guernsey is trying to change its corporate tax system in a sensitive way that is designed not to cause harm to companies operating on the Island. And in fact to continue to make the Island attractive or even more attractive for investors into the Island.

This is not about trying to raid the finance industry for more money. Indeed, most of the additional tax collected would not be collected from the finance industry which already pays tax in Guernsey, it would be collected from our domestic economy. And we just need to get industry to understand that this is not a bunch of peasants waving pitch forks.

3090 I spent my professional career in the finance industry. I know what that industry needs and I do not want to damage it. But I do want to see whether an industry could be asked to pay more tax in ways that do not significantly harm their interest and which would benefit Guernsey and make our tax system fairer. I think the more intelligent among them would understand the issues, especially given the weight of public reaction against the GST proposals (**A Member:** Hear, hear.)

3095 So, there we are. I hope that I have answered questions where I can. I am pretty sure I have not swayed a single vote; and Members all knew the way they were going to vote before this debate even started. But we have got some issues out on the table, hopefully the discussion has proved useful, and maybe some of these ideas will feed into the process going forward.

I ask Members to support the amendment.

3100

**The Bailiff:** Well, Members of the States it is now time to vote on Amendment numbered 2, proposed by Deputy Parkinson, seconded by Deputy McKenna which would leave Proposition 1 from the original Propositions but replace the rest with a couple of Propositions. Greffier, can you open the voting please.

*There was a recorded vote.*

*Amendment 2*

*Not carried – Pour 11, Contre 28, Ne vote pas 1, Did not vote 0, Absent 0*

| <b>POUR</b>        | <b>CONTRE</b>            | <b>NE VOTE PAS</b> | <b>DID NOT VOTE</b> | <b>ABSENT</b> |
|--------------------|--------------------------|--------------------|---------------------|---------------|
| Bury, Tina         | Aldwell, Sue             | Queripel, Lester   | None                | None          |
| De Lisle, David    | Blin, Chris              |                    |                     |               |
| Fairclough, Simon  | Brouard, Al              |                    |                     |               |
| Gollop, John       | Burford, Yvonne          |                    |                     |               |
| Le Tissier, Chris  | Cameron, Andy            |                    |                     |               |
| Leadbeater, Marc   | De Sausmarez, Lindsay    |                    |                     |               |
| Matthews, Aidan    | Dudley-Owen, Andrea      |                    |                     |               |
| McKenna, Liam      | Dyke, John               |                    |                     |               |
| Parkinson, Charles | Falla, Steve             |                    |                     |               |
| St Pier, Gavin     | Ferbrache, Peter         |                    |                     |               |
| Taylor, Andrew     | Gabriel, Adrian          |                    |                     |               |
|                    | Haskins, Sam             |                    |                     |               |
|                    | Helyar, Mark             |                    |                     |               |
|                    | Inder, Neil              |                    |                     |               |
|                    | Kazantseva-Miller, Sasha |                    |                     |               |
|                    | Le Tocq, Jonathan        |                    |                     |               |
|                    | Mahoney, David           |                    |                     |               |
|                    | Meerveld, Carl           |                    |                     |               |
|                    | Moakes, Nick             |                    |                     |               |
|                    | Murray, Bob              |                    |                     |               |
|                    | Oliver, Victoria         |                    |                     |               |
|                    | Prow, Robert             |                    |                     |               |
|                    | Roberts, Steve           |                    |                     |               |
|                    | Roffey, Peter            |                    |                     |               |
|                    | Snowdon, Alexander       |                    |                     |               |
|                    | Soulsby, Heidi           |                    |                     |               |
|                    | Trott, Lyndon            |                    |                     |               |
|                    | Vermeulen, Simon         |                    |                     |               |

**The Bailiff:** In respect of Amendment 2 proposed by Deputy Parkinson, seconded by Deputy McKenna there voted in favour 11 Members; against, 28 Members; 1 Member abstained; and therefore I will declare Amendment number 2 lost.

3105 **The Bailiff:** It is quarter to five. The question is what happens next?

Let me tell you what I am minded to do and that is to invite Deputy Meerveld if he is so wishes to move the motion in respect of Amendment 12 to see whether or not that carries. If it does, then Amendment 12 would be taken, the reason being that it deletes all the Propositions and replaces them with another set of Propositions.

3110 There are still Amendments 10 and 9 on behalf of the Committee to deal with; there is no point in taking those before Amendment 12. There is then Amendment 3, then we would take Amendments 7, 8 and 11 if they are to be moved and 5, 1 and 6 at the end because they are all still in place.

Deputy Le Tocq, do you have a suggestion?

3115

**Deputy Le Tocq:** Sir, yes.

Well, sir, if it helps, just to inform yourself and Members that the Committee will not be laying the two amendments that you mentioned, 10 and 9.

3120 **The Bailiff:** Deputy Meerveld, is it your wish to move the motion on Amendment 12?

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

Do I need to speak first on the motion to suspend the rules?

3125 **The Bailiff:** Yes, you do, because without the motion to suspend the rules you cannot lay the amendment.

**Deputy Meerveld:** Yes, okay.

3130 There were a couple of quips earlier about the fact my speech this morning was not as long as was predicted last night. So, what did change? This amendment.

I am not the kind of person who sees problems, as I did with the Deputy Soulsby and Deputy St Pier amendment, and then does not look at a way of solving it. So last night I was prepared to go through a long list of issues I could see, with the 19 Propositions that amendment would have inserted into the final Propositions for debate. That would have taken us some time – not as long as one of the opuses from Deputy Ferbrache, but still some substantial amount of time.

3135

But I left this Chamber remembering a challenge that Deputy Ferbrache has laid to all of us, numerous times, as we were considering these tax issues: 'What's your solution? What can you come up with?' And I must admit my greatest fear from this debate, and one that has been expressed by a number of other Members, is that all Propositions successively get thrown out.

3140

**Deputy Taylor:** Point of order, sir.

**The Bailiff:** Point of order, Deputy Taylor.

3145 **Deputy Taylor:** Apologies my brain is a bit frazzled, I cannot think. But is Deputy Meerveld not meant to be speaking to the motion to suspend the rules as opposed the amendment itself?

**The Bailiff:** Yes, I think he is rather elaborating on why it is that the amendment should be allowed to proceed. But if you could cut to the chase, bearing in mind the time, *(Laughter)* Deputy Meerveld, I am sure Members would appreciate that

3150

**A Member:** Hear, hear.



**Deputy Meerveld:** Yes, sir, okay.

3155 So as I said, I went away with that challenge to see if I could find a solution to make sure that this Assembly does not end up with a blank sheet of paper with just an acknowledgement of an issue at the top, and that issue has been expressed by a number of Members. So basically this amendment, now that the Deputy Soulsby and Deputy St Pier amendment has fallen away, we are left with the prospect of potentially having just the amendments that have GST incorporated into them laid by P&R and the original policy letter.

3160 If people are minded to vote down GST they have to take out entire Propositions, substantive Propositions that have more in them than just GST. So what I have attempted to do overnight and with the assistance of officers – and anybody who thinks our supporting colleagues do not work hard, I was exchanging emails with the Greffier's team, the Procureur and Comptroller at 10 o'clock last night – and I constructed an amendment that basically allows us to have substantive  
3165 Propositions to vote for in line with all the proposals that P&R have put forward, but extracting the element of GST. So that work can still continue even if GST is dismissed. We do not end up with that blank page.

So, what effectively we have now in this amendment is a proxy vote for GST.

3170 **Deputy St Pier:** Sir, point of order.

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

**Deputy St Pier:** Sir, Deputy Meerveld, in my opinion, is very clearly speaking to the amendment  
3175 not to the motion to suspend the rules.

**The Bailiff:** Yes, I am going to rule that this is a valid point of order. It is just a motion, why should the rules be suspended to allow the amendment to be placed?

3180 **Deputy Meerveld:** Okay. By suspending the rules and allowing this amendment to be placed it will provide this Assembly with effectively a proxy vote on whether they want GST or do not within this P&R Proposition, and the ability then to be able to vote out GST and still have a path forwards. Thanks you, sir.

3185 **The Bailiff:** Deputy Vermeulen, do you formally second the motion?

**Deputy Vermeulen:** Absolutely, sir. Absolutely.

**The Bailiff:** Thank you.

3190 Does anyone wish to speak on the motion? I am simply going to put the motion pursuant to Article 7 Paragraph 1 of the Reform Guernsey Law 1948 to you in respect of this amendment.

*Members voted Contre.*

**The Bailiff:** I declare that lost.

**Deputy Meerveld:** Recorded vote, sir, please. Yes, we will have a motion on that.

3195

**The Bailiff:** Let us just give people a short moment to fire up their machines with the elastic bands. Will you open the voting please, Greffier.

*There was a recorded vote.*

*Motion to suspend the Rules*

*Carried – Pour 26, Contre 10, Ne vote pas 2, Did not vote 2, Absent 0*

| <b>POUR</b>              | <b>CONTRE</b>     | <b>NE VOTE PAS</b>    | <b>DID NOT VOTE</b> | <b>ABSENT</b> |
|--------------------------|-------------------|-----------------------|---------------------|---------------|
| Aldwell, Sue             | Brouard, Al       | De Sausmarez, Lindsay | Cameron, Andy       | None          |
| Blin, Chris              | Burford, Yvonne   | Prow, Robert          | Matthews, Aidan     |               |
| De Lisle, David          | Bury, Tina        |                       |                     |               |
| Dudley-Owen, Andrea      | Fairclough, Simon |                       |                     |               |
| Dyke, John               | Falla, Steve      |                       |                     |               |
| Ferbrache, Peter         | Gabriel, Adrian   |                       |                     |               |
| Gollop, John             | Roffey, Peter     |                       |                     |               |
| Haskins, Sam             | Soulsby, Heidi    |                       |                     |               |
| Helyar, Mark             | St Pier, Gavin    |                       |                     |               |
| Inder, Neil              | Trott, Lyndon     |                       |                     |               |
| Kazantseva-Miller, Sasha |                   |                       |                     |               |
| Le Tissier, Chris        |                   |                       |                     |               |
| Le Tocq, Jonathan        |                   |                       |                     |               |
| Leadbeater, Marc         |                   |                       |                     |               |
| Mahoney, David           |                   |                       |                     |               |
| McKenna, Liam            |                   |                       |                     |               |
| Meerveld, Carl           |                   |                       |                     |               |
| Moakes, Nick             |                   |                       |                     |               |
| Murray, Bob              |                   |                       |                     |               |
| Oliver, Victoria         |                   |                       |                     |               |
| Parkinson, Charles       |                   |                       |                     |               |
| Queripel, Lester         |                   |                       |                     |               |
| Roberts, Steve           |                   |                       |                     |               |
| Snowdon, Alexander       |                   |                       |                     |               |
| Taylor, Andrew           |                   |                       |                     |               |
| Vermeulen, Simon         |                   |                       |                     |               |

**The Bailiff:** Well, it just goes to show how loudly some people can shout. So the voting on the Motion to suspend the rules was: there voted in favour 26 Members; against, 10 Members; 2 abstentions; and 2 Members were not present at the time of the vote. So that is carried.

You can now speak to the amendment, please, Deputy Meerveld. Do you want it to be read at all?

[Amendment 12](#)

*To delete all propositions and replace with:*

“

*1) To agree that the projected financial position of the States of Guernsey is unsustainable and that measures must be implemented before the end of this political term to address the issue.*

*2) To direct the Policy & Resources Committee to:*

*(a) Prepare the States of Guernsey Annual Budgets for 2024 to include no real-terms growth in revenue expenditure, excepting the budget of the Committee for Health & Social Care.*

*(b) Through engagement with Principal Committees and wider States Members, to identify and review essential community services to consider where structural change, cessation, outsourcing or commissioning of those services could deliver significant savings, and to incorporate these into a medium-term plan for delivering overall cost reductions of at least £10m over five years to be considered by the States no later than July 2024.*

*(c) Review the Capital Portfolio in light of the outcome of the debate on the Tax Review and report back to the States with recommendations for any changes to scope or funding by September 2023.*

*(d) Include proposals with the Government Work Plan 2023 to reprioritise initiatives for which funding has not yet been released to the extent necessary to limit the additional expenditure to deliver these initiatives over the remainder of this term to a maximum of £5.7m, being 1% of the 2023 General Revenue budget.”*

3) To direct the Policy & Resources Committee to engage with industry and the other Crown Dependencies in order to develop proposals for raising further revenues from the corporate sector, including consideration of a 'Community and Infrastructure Contribution' and an alternative corporate vehicle or other appropriate form of entity or taxing structure which will be subject to income tax at 15% or such other rate or basis as the review may determine, without unduly negatively impacting Guernsey's competitive position or compliance with international standards; this work to be presented to the States for consideration no later than November 2023.

4) If proposition 2 is defeated or the package of measures approved in proposition 2 is not sufficient to raise at least £50-60 million per annum, to direct the Policy & Resources Committee to prepare the States of Guernsey Annual Budgets between 2024 and 2028 inclusive to reduce States' expenditure on public services by such amount necessary to put States finances in the position they would have been in if that £50-60 million had been raised.

5) To agree that, bearing in mind the islands' capacity to deliver infrastructure projects, Principle 6 of the Fiscal Policy Framework should be amended to state, "Capital expenditure over any States term should be maintained at a level which reflects the need for long and medium-term investment in infrastructure and direct that capital expenditure by the States should average no less than 1.5% of GDP per year averaged over a four-year period".

**Deputy Meerveld:** No, thank you, sir.

3205 It does not need to be read because, as I said, I should think all of us who have read the policy letter and the amendments laid by Policy & Resources will be familiar with all the words. In compiling this amendment I did not add or change anything, it is simply a compilation of the Propositions that have been put forward by Policy & Resources but with GST extracted.

3210 As I said I see this as a proxy vote on GST. Those who favour GST will obviously vote against this Proposition as they wish to vote on the original P&R Propositions containing GST. Those who do not wish to see GST implemented will hopefully support this amendment.

3215 This amendment puts back in substantive amounts of work that P&R can then proceed with, with the approval of the Assembly, going forward, as we look at alternative ways of balancing our books. And, yes, I accept everything that P&R said about the fact this will require hard discussions about cuts and other ways to raise taxes, but I am ready for those hard discussions. As I think I made clear, I would like to see a smaller Government, more constrained and less progress towards what I would refer to as a nanny state that is expected to do everything for everybody but nobody wants to pay for.

3220 So I encourage Members to listen to the public opinion who do not want GST, to vote this through and let us proceed and have a positive outcome from this meeting where we can carry on working together; and a lot of the very good work that P&R has initiated or proposed, can continue towards a Resolution. And, yes, there will be difficult discussions to have along the way but that is what we are here for.

Thank you, sir.

3225 **The Bailiff:** Deputy Vermeulen, do you formally second the amendment.

**Deputy Vermeulen:** I do, sir. I will speak a bit later on the matter.

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

3230

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

3235 I think Deputy Meerveld was slightly misleading the Assembly in his speech about why he had to lay the motion to suspend the rules, because the truth is that he had to lay the motion to suspend the rules, because he failed to come up with a viable alternative in time for actually submitting an amendment last week. And so instead, after running his electioneering campaign two and a half years ahead of the election – *(Laughter)*

**The Bailiff:** Point of order, Deputy Ferbrache.

3240 **Deputy Ferbrache:** In essence, one could capture as much as we did, the Deputy is casting aspersions on Deputy Meerveld's integrity. Absolutely casting aspersions. If some of us did it we would be greatly criticised. She should withdraw that comment or she should be sanctioned.

3245 **The Bailiff:** The difficulty, Deputy Ferbrache, is that the point of order involves a breach of some rule of procedure, so you will now have to explain to me which particular rule of the procedure is being broken by what Deputy Kazantseva-Miller has just said.

3250 **Deputy Ferbrache:** Well, sir, there must be a rule of procedure, there must be an overriding rule of procedure that somebody should not attack the integrity of a Member of this Assembly. If there is not a rule, then the rules are deficient and somebody should do something about it. *(Laughter)*

**The Bailiff:** Members, please.

What I will say, Deputy Kazantseva-Miller, is that the motion to suspend the Rules to enable the amendment to be moved was successful. As soon as that happens then the amendment is in play. All it does is it is a pick-and-mix of Propositions that would otherwise have been voted on.

3255 Deputy Meerveld has explained why he has done this, so it is to remove the GST elements but to leave everything else, plus some things that have not yet been moved as amendments. But Deputy Le Tocq has indicated that the Committee would not move those matters because this will replace it, effectively.

3260 It is fair to say, as Deputy Ferbrache has said, that one should not seek to overlay the motivation behind something. Deputy Meerveld has explained that. Let's get to, 'Is this a good amendment to carry or not?' – rather than anything else, because otherwise we are going to be here until March just dealing with all of these matters. *(Laughter)* So can we concentrate on what we have got in play please?

3265 **Deputy Kazantseva-Miller:** Exactly, that is exactly what I was getting to. So when someone does not put in weeks and weeks of work into actually finding a solution, but just picks and mixes basically Propositions that were put either by Policy and Resources or others, what happens is that things do not start adding up. I am going to take the Assembly into why this amendment completely does not add up on the surface.

3270 So, just going through the Propositions: Proposition 1, obviously nothing there, as Deputy Brouard would say, 'Well, yep.'

Then Proposition 2 is about the savings, so 2A directs the States that the Guernsey Annual Budget for 2024 is to include no real-term growth in revenue expenditure excepting the budget for the Committee of Health. So this Proposition is delivering zero savings for the States.

3275 Proposition 2B through the engagement, this was one of the Propositions that Deputy Le Tocq and Deputy Ferbrache inserted in one of the other amendments to consider a programme of savings to deliver £10 million over five years to be considered by the States in July 2024. So by the time that is considered by the States in July 2024, by that time you have just about actually missed the whole budgeting process for 2025. So the best scenario is that this programme will take into effect probably with the following budget, which is 2026, but even if that same programme did start to take into effect in 2025, this is beyond this political term. So Proposition 2B will deliver zero savings in this political term.

3280 Proposition 2C is about the capital portfolio review. Again, this will not deliver any additional savings to what is our current revenue budget, and the reason for that is that –

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

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

3290 **Deputy Meerveld:** Deputy Kazantseva-Miller is saying that Proposition 2 directs the Policy & Resources Committee to make savings. I do not think it does, it just gives them directions on functions to perform. There are no impressions in the title to direct Policy & Resources to, it does not say anything about making savings. So I think the point she is making is mute.

3295 **The Bailiff:** Well, with the greatest of respect, Deputy Meerveld, if you look at Proposition 2B there is a reference to significant savings. (*Laughter*) So Deputy Kazantseva-Miller has extracted from that that this is what the direction is seeking to do.

It is the same wording that would have been replacing Proposition 2B if Amendment 10 on behalf of the Committee had been moved. So it is extracting everything *but* what would have been Proposition 2B, but keeping it as a standalone proposition.

3300 So that is what your amendment is seeking to do. (**A Member:** Hear, hear.) Deputy Kazantseva-Miller is commenting on that.

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

3305 So Proposition 2C will review the capital portfolio, but again this will not deliver any additional revenue savings because the best it will achieve is that we will spend a bit less on the capital portfolio, and the capital portfolio is not funded out of the revenue budget it is funded out of the Funding and Investment Plan which is currently funded through our reserves. So, zero savings delivered or revenue raised.

3310 Proposition 2D is about the Government Work Plan review and again it is considering that we should restrict what we spend on the Government Work Plan in addition to our existing revenue budgets. So this is not a saving, we are going to be spending 1% more of the general revenue. So overall the measures proposed in Proposition 2 by Deputy Meerveld and Deputy Vermeulen will deliver the exact total of £0 of savings this political term.

3315 The Proposition 3 then goes to direct Policy & Resources to consider the Community Infrastructure Levy and the vehicle of the 15% tax. It is not giving any indication on the volume of revenue this could potentially raise, and is directing the proposals to be bought back in November. So, again, realistically those proposals are bought back, and we are looking to implement some measures, it is most likely that they will be implemented in probably 2025, the best case scenario, so we will be half way through the election year, we would not know how much exactly they will raise by the end of the following year.

3320 So in terms of revenue-raising potential we do not know that the volume is and the best case scenario is that this political term will have finished before we would actually know how effective this potential revenue measure would be. But even if we take, as a proxy, what has been suggested through Policy & Resources in the fair amendment, we are potentially looking at £10 million to £20 million.

3325 So then we go on to Proposition 4 which says that if Proposition 2 is defeated, or the package of measures approved in Proposition 2 is not sufficient to raise at least £50 million to £60 million per annum. So I have just gone through Proposition 2, Members. Proposition 2 has *no* revenue-raising measures and it will deliver the total sum of zero savings.

3330 So Proposition 4, Deputy Meerveld, there was *nothing* in this amendment that will close the deficit of £50 million to £60 million. And most certainly you would not know any of the savings measures that might happen post this election, or the revenue that might happen post this political term. This will be in the future.

3335 However, Proposition 4 *does* direct Policy & Resources immediately to prepare the States of Guernsey Annual Budget between 2024 – this is this *coming* budget – and 2029 inclusive, to reduce the States' expenditure on public services by the amount necessary, so up to £60 million. What this means is that the budget we are collectively going to be working on in the next six months – to be approved by Committees in July, to be debated in November – is going to be asking us if this amendment is successful, because that is the only implication of this amendment, that we collectively reduce our expenditure by £60 million.

3340

It was well illustrated that £60 million out of our current expenditure is 10%. We know well that Health cannot take that 10% right now, this will be suicidal. That means other Committees will have to take the slack which means other Committees will have to look at 15% to 20% savings on their budget with this coming budget, because this is to Deputy Vermeulen and Deputy Meerveld, the implications of suggesting this amendment.

3345

So let us look at what 15% or 20% reduction in the budget could be. I will take the Marketing and Tourism budget including the Events budget that Deputy Vermeulen is always very protective about, and I am very happy to give way to Deputy Vermeulen if he could tell me what the 20% reduction in the Marketing and Tourism and Events budget would equate to. I am very happy for him to give way. *(Interjection)*

3350

Give way to Deputy Vermeulen

**Deputy Vermeulen:** Do you know, sir, it is quite galling that Deputy Kazantseva-Miller cannot pronounce my name correctly – and you have just mispronounced it four or five times. It is not hard, it is Ver-meu-len, pronounced Vermeulen.

3355

You know exactly what our Marketing budget is and you know that we have been taking other steps to try and get a PPP, and match funding from industry, so that instead of the £2 million we are spending, if we could get £1 million from industry the States could reduce the amount of the taxpayers to, say, £1 million instead of £2 million.

3360

So whether you want to believe this amendment or not, it has been dubbed by others as a lifeboat amendment and a lifeboat amendment is something that is sent out to try and rescue a situation. So if there is no GST, rather than leave this States' Chamber as a stalemate with absolutely no plans at all, there is a set of plans and initiatives and savings here in place, with a lot of work already going on in place to make other efficiencies, other savings and take other steps that might involve cuts.

3365

So, please work on your pronunciation. Please. *(Interjections)* I have, and it was not too hard.

**Deputy Kazantseva-Miller:** So clearly Deputy Vermeulen has been in post for long enough that he cannot answer a simple question. I am sorry, Deputy Dyke, I am not giving way now. Because the simple answer that a 20% budget cut to Deputy Vermeulen's beloved Marketing and Tourism and Events budget would equate to £500,000.

3370

**Deputy Inder:** Point of correction. That is incorrect. The M&T budget –

3375

**The Bailiff:** Deputy Inder, you know full well that you do not start until you have been called after raising a point of correction, however excited you might get at the point. *(Laughter)*

Deputy Inder, point of correction.

**Deputy Inder:** We agreed the M&T budget at £1.863 million. The Events budget is £150,000 so that is £30,000 of the Events budget; £360,000 ... so if you put those two together, then you have not got £500,000.

3380

**Deputy Kazantseva-Miller:** Well actually the total Marketing and Tourism budget which involves marketing, and as Deputy Inder correctly said is £1.8 million, it also includes tourism product development, information centre, passenger service, cruise liners, quality development and that in total adds up to £2.3 million. The Events budget as he correctly said adds up to £140,000-plus, so a combined budget is close to £2.5 million, so 20% of that is £500,000.

3385

So this is what this amendment, in practice, is advocating. This is the only –

3390

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

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

**Deputy Dyke:** I think there has been an inadvertent misinterpretation of Proposition 4, as I read it Proposition 4 is requiring these cuts. It says:

... to prepare the States of Guernsey Annual Budgets between 2024 and 2028 inclusive to reduce States' expenditure ... by £50 million to £60 million

3395 So as I read it, it is supposed to be *phased in* between 2024 and 2028 not *all* brought in, in 2024. So I did not draft it, it is not my amendment, but that is how I read it. Does Deputy Meerveld agree with that?

3400 **The Bailiff:** It is not your role, Deputy Dyke, to invite some other Member (*Laughter*) (**Deputy Dyke:** Oh, sorry.) to agree with your interpretation of something. If clarity is needed then I will ask the Comptroller at some stage to provide some clarity, but the words are the words and frankly the words in Proposition 4 in this amendment may well be flawed.

3405 **Deputy Dyke:** Okay, thank you, sir.

**Deputy Kazantseva-Miller:** Thank you, sir.  
So as I read it right now and as I have explained, this amendment delivers *no* savings, it has a complete lack of clarity on the potential of the volume of introducing the revenue-raising measures that would not be until 2025. But this amendment, the one thing it does completely now and the one action that it directs the States to do, is the slash-and-burn approach to public expenditure spending and I have illustrated what the potential implications would be.

3410 Sorry, Deputy Meerveld, I am not going to give way, you will have plenty of time to talk to your amendment.

3415 So, Deputies, if you think this is some kind of lifeboat, this is a lifeboat to Timbuktu, certainly for the tourism industry which will be reduced in its support to £500,000. So please do not be in any way, shape or form thinking that this amendment is achieving anything. This amendment is achieving nothing, and if anything what it is trying to do is a disguise in terms of the dramatic slash-and-burn approach to public saving, and there is nothing more to this than that.

3420 Thank you.

**Deputy St Pier:** Sir, I would like to move 26(1).

**A Member:** Hear, hear.

3425 **The Bailiff:** Can I invite those Members who wish to speak on Amendment 12 to stand in their places, please? Deputy St Pier, is it still your desire to guillotine debate on this amendment?

**Deputy St Pier:** Yes, please.

3430 **The Bailiff:** In that case I will put the motion to you, Members, that debate on Amendment 12, subject to hearing from Deputy Ferbrache and Deputy Meerveld be ended at this point. Those in favour; and those against?

*Members voted Contre.*

**The Bailiff:** Well, that is clearly lost on that basis.  
Deputy Roffey, I will call you next.

3435 **Deputy Roffey:** Thank you, sir.

I think I could explain all the to-ings and fro-ings between Deputy Kazantseva-Miller and various other people about this amendment because I think the problem, or one of the many problems

3440 with this amendment is that Deputy Meerveld was involved in his cannibalisation late last night; and maybe it was past his bedtime (*Laughter*) because he got an awful lot wrong with it.

Let's look at Proposition 4 in this amendment and it does say, as Deputy Kazantseva-Miller said, if Proposition 2 is defeated or the package of measures approved in Proposition 2 is not sufficient to raise £50 million or £60 million per annum etc. ... Now, it is a blatant nonsense in the context of this amendment because in this Proposition 2 there is no way it is ever going to raise £50 million or  
3445 £60 million.

But the explanation is quite clear: he just lifted that wording from the draft Amendment 9, which is now not going to be put by the P&R Committee – Deputies Helyar and Ferbrache – which was saying that if the original Proposition 2, which was a package of measures designed to raise  
3450 £50 million or £60 million, was not passed, then the alternative should be to cut public expenditure to that extent.

So I am afraid he has taken a clause from an amendment which relates to an entirely different Proposition 2 and it makes absolutely no sense in respect of *this* Proposition 2. And the only real revenue-raising one in this new Proposition 2 that Deputy Meerveld is seeking to introduce, is really the corporate tax – and we know from Ernst & Young that we would be uncompetitive if we went  
3455 much above £20 million per year, so it stands no chance of raising the £50 million or £60 million.

Really, what you are voting to do if you pass this, is Proposition 4. Deputy Kazantseva-Miller is absolutely *right* about that, so this is –

**Deputy Meerveld:** Point of correction, sir.  
3460

**The Bailiff:** Point of correction, Deputy Meerveld. What rule is Deputy Roffey breaking?

**Deputy Meerveld:** Well, potentially misleading the Assembly. This amendment –

**The Bailiff:** That is not a point of ... Did you say point of correction?  
3465

**Deputy Meerveld:** Yes.

**The Bailiff:** I do apologise.  
3470

**Deputy Meerveld:** This amendment simply introduces Propositions into the policy letter for general debate. Each one of those is only a subject, it does not do anything on its own. It is simply introducing Propositions that are then debated in the Assembly and may be rejected after general debate.

As I stated at the start, this is a selection of Propositions presented by P&R to be transferred into final debate to give Members a choice of a path forward, but it is certainly not doing it in its own right.  
3475

**The Bailiff:** Deputy Meerveld, that is not, in my judgement, a valid point of correction because Deputy Roffey was not misleading anyone. He was explaining why, if Members had not fully understood anyway already, Proposition 4 in this amendment has been lifted from a place that relates to other matters rather than this. The reality of Proposition 4, if this amendment were to carry and it were to be voted upon, will be dependent on whether Proposition 2 has already been approved, because that is the first part of it; and the second part of it will almost inevitably be just a direction to the Policy & Resources Committee because of the financial consequences of it.  
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3485

Deputy Roffey to continue, please.

**Deputy Roffey:** That is correct, sir, and nor is Deputy Meerveld correct in saying that all this does is insert a set of Propositions – because it *deletes* a whole load of Propositions.



3490 One of the ones that it deletes is the only option for raising the £50 million or £60 million referred to in Proposition 4 or part 4 of the amendment, so it means that it is inevitable that we will reach number 4 and we will vote on number 4, because Proposition 2 may not have been defeated; but this new Proposition 2 stands no chance of raising the £50 million or £60 million, and therefore the second part of it kicks in which says that the package of measures in Proposition 2 is not sufficient to raise £50 million or £60 million. So the only thing that will be left on the table will be £50 million or £60 million cuts in public expenditure.

Now, I know that is what some Members want. They want a massive reduction in the size of Government; they want to slash and burn our public services because you are not going to get £50 million or £60 million from efficiency savings or doing things differently, or rationalisation.

3500 Deputy Kazantseva-Miller made the example of what would happen in Tourism and what would happen in Economic Development. Well, it would not just be in *that* Department would it – think Education, think Home Affairs, think ESS – this would *massively* affect the provision that we made for the people of Guernsey.

3505 And the other thing Deputy Meerveld I think said in his introduction was, 'It leaves in all of the stuff that was there apart from GST.' No, it does *not*. It completely takes out, for instance, all of the Social Security reforms.

Now, you can take the Deputy Parkinson approach of, 'Well, we can do that anyway, it is in our mandate.' It is in our mandate but we cannot possibly afford to do it without a funding mechanism, and as nearly all the realistic funding mechanisms have been completely taken out by the Meerveld amendment it completely prevents that happening.

3510 So, what does that mean? That means for the next eight years we have to carry on putting up social security contributions, as approved by the States in 2021 in a system that really impacts on the low- and middle-income earners. So, slash-and-burn public services, 20% is probably right, because we cannot possibly do it to HSC. In fact, theirs is almost certainly going to go up, because we are not going to turn people away from the Hospital and say you cannot have that treatment. And therefore the rest of us are going to have to take massive reductions.

This is the most naive, ludicrous amendment I have seen for a very long time. I am sure it is an attempt at a lifeboat but it was dreamt up, I think, late at night and this lifeboat is just so full of holes it is going straight to Davy Jones' locker. It really is.

3520 Walking out of here having achieved nothing is one thing; walking out of here having instructed P&R to cut £60 million out of public spending, which is the inevitable outcome – or, no, we can vote against it in which case we are back to having nothing, in which case what is the point in the amendment? But the only alternative it offers is pulling out £60 million in public spending.

3525 If Members really want to do that, then I am going to organise a protest march for next time around because ... Well, maybe not next time around, it will take maybe a few months for the penny to drop about really what that is going to mean to the people of Guernsey. Just do not even go there.

3530 This is not just a flawed amendment it is so cack-handed it is really unbelievable. I am amazed that we actually allowed it to be debated. I voted against it allowing to be debated. (**A Member:** Hear, hear.) But maybe it is a good idea because at least it ventilates ... At least it will bring to the fore what some people really think, which is that the alternative to that wretched GST is actually just slashing £60 million out of our spending.

3535 I think there is a sensible group of people in this States who actually believe that maybe neither is the answer. They do recognise that there needs to be revenue-raising, because there is nothing significant here. This is the amendment that will be supported by the tiny Government lobby in this States who do not want to raise any more revenues in the face of a changing demographic; who do not want to sort out our unfair social security system; who believe the only way to put our public finances back on a level footing is slashing and burning what we spend on decent services.

I want *nothing* to do with this amendment.

3540

**Deputy Taylor:** 26(1), sir.

**The Bailiff:** Very well, once again, we have just had one of those. Let me invite those Members who still wish to speak in debate on this amendment to stand in their places.

Deputy Taylor, is it still your wish that I put a motion pursuant to Rule 26(1)?

3545

**Deputy Taylor:** It is, sir, and I request a recorded vote straight away.

**The Bailiff:** Very well, then I will put to Members a repeat motion that debate be curtailed in respect of Amendment 12 and I will invite the Greffier to open the voting on it, please.

*There was a recorded vote.*

*Rule 26(1)*

*Carried – Pour 18, Contre 17, Ne vote pas 3, Did not vote 2, Absent 0*

| <b>POUR</b>              | <b>CONTRE</b>         | <b>NE VOTE PAS</b> | <b>DID NOT VOTE</b> | <b>ABSENT</b> |
|--------------------------|-----------------------|--------------------|---------------------|---------------|
| Aldwell, Sue             | De Lisle, David       | Blin, Chris        | Bury, Tina          | None          |
| Burford, Yvonne          | De Sausmarez, Lindsay | Brouard, Al        | Moakes, Nick        |               |
| Cameron, Andy            | Dudley-Owen, Andrea   | Oliver, Victoria   |                     |               |
| Falla, Steve             | Dyke, John            |                    |                     |               |
| Helyar, Mark             | Fairclough, Simon     |                    |                     |               |
| Inder, Neil              | Ferbrache, Peter      |                    |                     |               |
| Kazantseva-Miller, Sasha | Gabriel, Adrian       |                    |                     |               |
| Le Tocq, Jonathan        | Gollop, John          |                    |                     |               |
| Mahoney, David           | Haskins, Sam          |                    |                     |               |
| McKenna, Liam            | Le Tissier, Chris     |                    |                     |               |
| Meerveld, Carl           | Leadbeater, Marc      |                    |                     |               |
| Murray, Bob              | Matthews, Aidan       |                    |                     |               |
| Parkinson, Charles       | Queripel, Lester      |                    |                     |               |
| Prow, Robert             | Roberts, Steve        |                    |                     |               |
| Soulsby, Heidi           | Roffey, Peter         |                    |                     |               |
| St Pier, Gavin           | Snowdon, Alexander    |                    |                     |               |
| Taylor, Andrew           | Vermeulen, Simon      |                    |                     |               |
| Trott, Lyndon            |                       |                    |                     |               |

3550 **The Bailiff:** To the motion pursuant to Rule 26(1) proposed by Deputy Taylor is there voted in favour 18 Members; against, 17 Members; there were 3 abstentions; and 2 Members were not present at the vote. Therefore I will declare that carried and simply invite Deputy Ferbrache to comment on Amendment 12.

3555 **Deputy Ferbrache:** I would not quite agree with the very forceful language of Deputy Roffey (*Laughter*) but it is Friday afternoon and he has had much turbulence over the last three days as we all have.

3560 P&R's view is that each Member will vote in connection with their own voice, there is not a unanimous ... I do not mean that we are poor at ranting. Because of course if this is passed it forms the main Propositions in relation to it and let's say it does, we can then vote individually against it.

I share a lot of the emotions of Deputy Roffey in relation to Proposition 4.

**The Bailiff:** And Deputy Meerveld, as the proposer of Amendment 12 to reply to the debate, please.

3565

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

3570 My colleague Deputy Vermeulen put this very well. This is a lifeboat simply to make sure we do not end up with a blank sheet of paper at the end of this debate; because, as I say, this is a proxy vote on GST. Those who want GST will vote against this amendment – or I would hope they might abstain considering the public pressure. Those who do not want GST brought in and listened to the very loud protest from the public, will hopefully vote in favour of this amendment.

3575 When it comes to general debate we can then decide whether we want to go ahead with Proposition 4. But of course the other thing is there was a lot of ranting and raving about the fact that we have to cut £60 million. No, surely as part of those budgets P&R is going to come up with other tax-raising measures. It may not raise the full £60 million but we as an Assembly, as an Island need to be looking to ways to develop our economy, raise extra money, get new direct investments into Guernsey.

3580 I personally invited a company that is worth £100 billion to come to Guernsey and look at investing locally. So this is the kind of thing we need to be doing to balance the books. Yes, I think there will be inevitable cuts if we turn down GST, but the people of Guernsey have spoken and even if we try to implement it, it will be thrown out.

I give way to Deputy Matthews.

3585 **Deputy Matthews:** I thank Deputy Meerveld and I was not going to mention this because I did see that the structure of the Proposition was that it talked about revenue raising in Proposition 2 rather than revenue raising in general. But I was just going to remind ... I think I had a couple of points during the debate, that there are other amendments to come that can raise revenue, one of which is the amendment that I intend to lay, Amendment 7, which can raise revenue.

3590 So it is not entirely the case as Deputy Roffey has said that there would be no mechanism for raising revenue, there might well be some others – including we might have some wind farm or something that also manages to achieve it. I do appreciate that it did mention the Proposition.

Thank you.

**Deputy Meerveld:** Thank you, Deputy Matthews, for that interjection.

3595 Absolutely right and at the end of the day these Propositions being asserted is not the definitive message, it is not the end of this debate, it is not the end of this process. It is simply trying to ensure that there are some propositions, some directions to take. And as Deputy Matthews said there will be other amendments which will insert additional propositions which may be revenue raising that we can then talk about in the absence of GST.

3600 If we do as an Assembly reject GST, which I sincerely hope we will, it is up to all of us to work together to try and find the solutions. I will certainly volunteer to work with P&R to do exactly that.

So Members I encourage all those who do not want GST to vote for this, take GST of the table and let's start working towards a solution.

Thank you, sir.

3605

**The Bailiff:** Well, Members of the States, we now come to the vote on Amendment 12 proposed by Deputy Meerveld, seconded by Deputy Vermeulen which if supported would replace the entirety of the original Propositions with fresh Propositions.

Greffier will you please open the voting.

*There was a recorded vote.*

*Amendment 12*

*Not carried – Pour 11, Contre 26, Ne vote pas 3, Did not vote 0, Absent 0*

| <b>POUR</b>       | <b>CONTRE</b>            | <b>NE VOTE PAS</b> | <b>DID NOT VOTE</b> | <b>ABSENT</b> |
|-------------------|--------------------------|--------------------|---------------------|---------------|
| Blin, Chris       | De Sausmarez, Lindsay    | Ferbrache, Peter   | None                | None          |
| De Lisle, David   | Dudley-Owen, Andrea      | Helyar, Mark       |                     |               |
| Dyke, John        | Fairclough, Simon        | Mahoney, David     |                     |               |
| Gollop, John      | Falla, Steve             |                    |                     |               |
| Haskins, Sam      | Gabriel, Adrian          |                    |                     |               |
| Le Tissier, Chris | Inder, Neil              |                    |                     |               |
| Matthews, Aidan   | Kazantseva-Miller, Sasha |                    |                     |               |
| McKenna, Liam     | Le Tocq, Jonathan        |                    |                     |               |
| Meerveld, Carl    | Leadbeater, Marc         |                    |                     |               |

Queripel, Lester  
Vermeulen, Simon

Moakes, Nick  
Murray, Bob  
Oliver, Victoria  
Parkinson, Charles  
Prow, Robert  
Roberts, Steve  
Roffey, Peter  
Snowdon, Alexander  
Soulsby, Heidi  
St Pier, Gavin  
Taylor, Andrew  
Trott, Lyndon

**The Bailiff:** The voting on Amendment 12 proposed by Deputy Meerveld, seconded by Deputy Vermeulen is as follows: there voted in favour 11 Members; against, 26 Members; 3 Members abstained; and therefore I will declare Amendment 12 lost.

3610 The question now is what do you do next? And the reason I say that is there are still ... I do not know whether amendments 10 and 9 will come back into play at this point or whether they have been abandoned completely? They have been abandoned completely.

3615 So the next amendment that I will be taking will be Amendment 3; and then the amendment to which Deputy Matthews has just referred, Amendment 7, and then Amendment 8 and Amendment 11 all of which seek to add additional Propositions to the current six original Propositions, before finishing off with Amendment 5, Amendment 1 and Amendment 6.

3620 Now, I do not imagine for a minute that you will manage to complete that business even if we were to sit for another hour. So the default position under the Rules is that we would defer the remainder of this debate, we would defer everything else into the meeting that commences on 15th February. (**Two Members:** Pour!) So that is the default position.

3625 If we do that, we would have to deal with the Schedule for Future States' business before we rise today, so we would have to sit late to do that come what may.

3630 The alternative, as I sought to canvass a while ago, is to extend this meeting into a fourth day. Now, whether you think that a fourth day will mean that you complete all this business or not is another matter. The fourth day that is available is Tuesday. There are some Members that I know cannot attend on the Tuesday, but that is the alternative.

3635 So, if any Member wants me to put a motion that we adjourn into a fourth day, I will do so.

**Deputy Gabriel:** I would like to put a motion, sir, to adjourn for the fourth day.

3640 **The Bailiff:** Thank you very much. I think there are a number of people who are saying that.

3645 So the motion – just a minute, you all get very excited! The motion is going to be to adjourn this meeting until Tuesday, 31st January. Now, I will invite Members if they wish to briefly comment on that motion. I would start with the President of Policy & Resources Committee if he wishes to do so.

3650 **Deputy Ferbrache:** All I would say, sir, is of course we want to get on with it but there are certain Members who are away. This is such an important issue I think that unless clearly we had to – and we were on a time constraint and we had to deal with it – then I think it should be deferred until the normal February Meeting.

3655 **Two Members:** Hear, hear.

**The Bailiff:** Deputy Roffey.

3660 **Deputy Roffey:** On a similar theme I am really torn, I do not like backing up business all the way. But I can just imagine the public reaction if, for example, GST was passed or failed by one vote,

and three or four people were missing, and all the speculation was that the vote would have been a different way if they had been in this Assembly. So really, reluctantly, I think I have to oppose the motion to go for a fourth day, even though my instincts would have been to go for that.

3650

**The Bailiff:** Deputy Dyke.

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

3655

I would oppose the motion to go to the fourth day. This is such an important debate, I think we should all be here. We have got our five-year diary for these meetings that we all adhere to, and we did not really know this was going to be the tax meeting, we cannot have known it would go into next week. And if some of us cannot be here it just seems it would not be a proper debate.

So I would suggest that we stick to the usual rule.

Thank you, sir.

3660

**The Bailiff:** Deputy Oliver.

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

3665

I actually agree with Deputy Ferbrache and Deputy Roffey but I would just like to see if, and who, or if they can *all* actually turn up for the fourth day – maybe just to see if anyone cannot.

**The Bailiff:** Deputy Inder.

3670

**Deputy Inder:** Sir, I am going to be my normal self in here. The first job of this Assembly is to turn up at the Assembly (**Several Members:** Hear, hear!) and everyone has known that there was a likelihood this would go into a third or fourth day. Tuesday is the appropriate day and I will vote ...

Deputy Vermeulen can shake his head all he wants, but we get so many of these debates when people are on holiday, gone skiing, all that kind of nonsense, disappearing for half a day ... The job as a parliamentarian is to be in the parliament on the most significant piece of work that we are going to do. So Tuesday should be the day and that is where I am landing.

3675

**The Bailiff:** Well, Members of the States, do you really want to all contribute to this or do you just want to vote on it?

3680

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

We have a calendar and we need to work through with our calendar. People have got lives, people have got work to do and we have also changed the rules so that we have this rolling three-week programme. We are only two and a half weeks away from the next meeting, it will also give us a little bit of time to reflect on what has happened over the last three days and maybe come up with a better plan than we have got in front of us now (**A Member:** Hear, hear.)

3685

I think it is unacceptable to keep messing about with these dates. (**A Member:** Hear, hear.) I agree with Deputy Inder. If it was something that was absolutely urgent I would fly back from Timbuktu to be here. This is important, but it is not necessarily urgent. But two weeks of reflection is not going to help us.

3690

**The Bailiff:** Deputy de Sausmarez.

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

3695

I would just like Members to take into consideration the possibility that we might not even be able to conclude business in one further day. That is all.

**The Bailiff:** Deputy Vermeulen.

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

3700 Sir, it is a very important debate and I do not think one day is long enough either. I was a bit surprised to see two guillotine motions not to debate the last amendment fully. But I would also like to add that not everybody is away skiing, some people do have medical procedures booked and I am sure that all Members are committed. I would recommend we go into February, sir.

3705 **The Bailiff:** Well, Members, I am going to put the motion to you because it has been requested that we adjourn this meeting to Tuesday, 31st January. Those in favour; those against.

*Members voted Contre.*

**The Bailiff:** I will declare that lost.

## POLICY & RESOURCES COMMITTEE

### 7. Schedule for Future States' business – Proposition 1 carried

*Article 7:*

*The States are asked to decide:-*

*Whether, after consideration of the attached Schedule for Future States' Business, which sets out items for consideration at the Ordinary States Meeting on 15th February, 2023, they are of the opinion:*

*1) To amend Schedule 1 to the Rules of Procedure of the States of Deliberation and their Committees by inserting a date for a Special Meeting of the States to debate the Government Work Plan on 18th July 2023 (thus removing it from the Special Meeting on 20th June 2023) and approve the Schedule subject to that change of date*

*OR*

*2) To approve the Schedule*

**The Bailiff:** Schedule for Future States' business, then, as the last Item today.

3710 **The States' Greffier:** Article 7, Policy & Resources Committee, Schedule for Future States' business –

**The Bailiff:** Deputy Ferbrache, do you not want to explain about Proposition 1 in the Schedule?

3715 **Deputy Ferbrache:** Thank you very much, sir.

I am very grateful for you reminding me of something I had completely forgotten.

Proposition 1 says:

Whether, after consideration of the attached Schedule for Future States' Business, which sets out items for consideration at the Ordinary States Meeting on 15th February, 2023, they are of the opinion:

1) To amend Schedule 1 ... by inserting a ... Special Meeting of the States to debate the Government Work Plan on 18th July 2023 (thus removing it from the Special Meeting on 20th June 2023) and approve the Schedule subject to that change of date.

The alternative is to approve the Schedule ...

3720 So I am quite happy to propose that, 18th July. I doubt if we will finish it on that day and 19th July is my birthday so people will have the opportunity to bring me cakes. *(Interjection)*

3725

**The Bailiff:** Is there any debate on the Schedule, because it is unusual in that there is a date change in Proposition 1? If you are minded to approve that then obviously we do not have to approve the Schedule discretely. I do not see anyone rising to speak on that, so we will have a vote please on Proposition 1 – not Proposition 2 which has appeared on your screen – which is to just change some dates by a few weeks.

I will invite the Greffier to open the voting on Proposition 1, please.

*There was a recorded vote.*

*Carried – Pour 36, Contre 1, Ne vote pas 1, Did not vote 2, Absent 0*

| <b>POUR</b>              | <b>CONTRE</b> | <b>NE VOTE PAS</b> | <b>DID NOT VOTE</b> | <b>ABSENT</b> |
|--------------------------|---------------|--------------------|---------------------|---------------|
| Aldwell, Sue             | Roffey, Peter | Le Tocq, Jonathan  | Blin, Chris         | None          |
| Burford, Yvonne          |               |                    | Brouard, Al         |               |
| Bury, Tina               |               |                    |                     |               |
| Cameron, Andy            |               |                    |                     |               |
| De Lisle, David          |               |                    |                     |               |
| De Sausmarez, Lindsay    |               |                    |                     |               |
| Dudley-Owen, Andrea      |               |                    |                     |               |
| Dyke, John               |               |                    |                     |               |
| Fairclough, Simon        |               |                    |                     |               |
| Falla, Steve             |               |                    |                     |               |
| Ferbrache, Peter         |               |                    |                     |               |
| Gabriel, Adrian          |               |                    |                     |               |
| Gollop, John             |               |                    |                     |               |
| Haskins, Sam             |               |                    |                     |               |
| Helyar, Mark             |               |                    |                     |               |
| Inder, Neil              |               |                    |                     |               |
| Kazantseva-Miller, Sasha |               |                    |                     |               |
| Le Tissier, Chris        |               |                    |                     |               |
| Leadbeater, Marc         |               |                    |                     |               |
| Mahoney, David           |               |                    |                     |               |
| Matthews, Aidan          |               |                    |                     |               |
| McKenna, Liam            |               |                    |                     |               |
| Meerveld, Carl           |               |                    |                     |               |
| Moakes, Nick             |               |                    |                     |               |
| Murray, Bob              |               |                    |                     |               |
| Oliver, Victoria         |               |                    |                     |               |
| Parkinson, Charles       |               |                    |                     |               |
| Prow, Robert             |               |                    |                     |               |
| Queripel, Lester         |               |                    |                     |               |
| Roberts, Steve           |               |                    |                     |               |
| Snowdon, Alexander       |               |                    |                     |               |
| Soulsby, Heidi           |               |                    |                     |               |
| St Pier, Gavin           |               |                    |                     |               |
| Taylor, Andrew           |               |                    |                     |               |
| Trott, Lyndon            |               |                    |                     |               |
| Vermeulen, Simon         |               |                    |                     |               |

3730

**The Bailiff:** The voting on Proposition 1 was there voted in favour 36 Members; 1 Member voted against; 1 Member abstained; 2 Members did not manage to vote. Therefore, I will declare Proposition 1 duly carried.

That concludes the business for this week's meeting. I will see you all again on 15th February.

**Procedural –  
Meeting on 20th June**

**The Bailiff:** Deputy Gabriel you have leapt to your feet.

3735

**Deputy Gabriel:** I have, sir, perhaps I should have mentioned it whilst the debate was still going on about Proposition 1. Now that is successfully carried will there be a Meeting on 20th June, as that was a Special Meeting for the Government Work Plan. Perhaps the Greffier can advise later in writing if you do not have it to hand immediately.

3740

**The Bailiff:** No, there will not be a Meeting now on 20th June because it has been moved to start on 18th July.

**Deputy Gabriel:** No Meeting in the diary at all, sir? Sorry to interrupt.

3745

**The Bailiff:** No, if you get your little crayon out you can cross that one out in the schedule and there will instead be a Special Meeting starting on 18th July.

**Deputy Kazantseva-Miller:** Sorry, sir, can I just clarify because the Special Meeting on 20th June was supposed to be the Government Work Plan.

3750

**The Bailiff:** Mr Comptroller. You are busy packing up.

**Deputy Kazantseva-Miller:** Sir, I just wanted to check because we have the Accounts meeting on 20th June still. I think we have only moved the Government Work Plan, so what is happening with the Accounts meeting?

3755

**The Bailiff:** Well, Mr Comptroller, what do you think because what both Deputy Gabriel and Deputy Kazantseva-Miller might be intimating is that the Special Meeting that is currently in the diary for 20th June this year has not been moved lock, stock and barrel because the Proposition that has been carried only refers to the special States' meeting to debate the Government Work Plan.

3760

The difficulty that I have with that, which is why I gave the answer that I did, is that the definition of a Special Meeting in Rule 30 paragraph (1) is, it is any meeting of the States convened to consider the Annual Budget of the States and the policy letter of the Committee for Employment and Social Security on the uprating of non-contributory benefits or the States Accounts and the Government Work Plan. So as far as I am concerned the States' Accounts go to 18th July as well. So that is why that whole meeting has gone and the Accounts and the Government Work Plan will be tackled on Tuesday, 18th July and then the ordinary Meeting starting on 19th July will simply follow that. That is the effect of what has just been approved.

3765

3770

Mr Comptroller.

**Mr Comptroller:** Sir, I have been looking at it and it just refers to the Government Work Plan.

3775

**The Bailiff:** Yes, but a Special Meeting can only be one of two types of Special Meeting, so there would not be a Special Meeting held on 20th June to deal with the Accounts and another Special Meeting because of that. So 20th June has gone completely, you can scrap that from the Schedule, you can scrap that from your diaries. But please can you come on 18th July so that at least we are quorate for that Special Meeting?

3780

Can we close the meeting, please, Greffier.

*The Assembly adjourned at 5.42 p.m.*