

THE STATES OF DELIBERATION

of the

ISLAND OF GUERNSEY

7th November, 2023

Proposition No. P.2023/114

Policy & Resources Committee

The States of Guernsey Budget for 2024

MOTION UNDER ARTICLE 7(1) OF THE REFORM (GUERNSEY) LAW, 1948

Proposed by: Deputy J Dyke

Seconded by: Deputy S Vermeulen

To suspend Rule 24(2) of the Rules of Procedure of the States of Deliberation and their Committees to the extent necessary to permit the amendment below to be debated.

AMENDMENT

Proposed by: Deputy J F Dyke

Seconded by: Deputy S Vermeulen

To amend Proposition 15 as follows:

“To replace £80,000 by £90,000 in (iii) of the First Schedule.”

Rule 4(1) Information

- a) This proposition contributes to the States objectives and policy plans and are in line with the Government Work Plan priorities.
- b) In preparing this proposition the Policy & Resources Committee were informed.
- c) The proposition has been submitted to His Majesty’s Procurer for advice on any legal or constitutional implications.
- d) This proposition would reduce the budgeted revenues for 2024 by £1.5m.

Explanatory note

The withdrawal of the personal tax allowance for higher earners first took effect on 1 January 2017 when the threshold was £138,684, the Upper Earnings Limit for Social Security Contributions, and the withdrawal ratio was £1 in every £3 of income.

From 1 January 2018, the threshold remained aligned to the Upper Earnings Limit so was increased to £142,896, with the withdrawal ratio remaining at £1 in every £3 of income. The withdrawal was also extended to other allowances and deductions: dependent relative allowance, infirm person's allowance, housekeeper allowance, charge of children allowance, pension contributions and mortgage interest relief.

The threshold was reduced to £100,000 from 1 January 2019, when the withdrawal ratio was amended to £1 in every £5 of income.

The threshold was reduced to £90,000 from 1 January 2023, with the withdrawal ratio remaining at £1 in every £5 of income.

Since 1 January 2018, inflation has been 26.6%, with inflation 4.8% since the threshold was reduced to £90,000. This fiscal drag means there is a gain in income when nominal monetary thresholds are not increased.

This amendment therefore seeks to keep the threshold at which allowances are withdrawn from higher earners at £90,000 rather than reducing it to £80,000 as currently proposed.