

Media Release September 2019 - Alderney Property Tax

Discussions between the States of Alderney and the States of Guernsey reached agreement that a new Property Tax will be introduced in Alderney from **1st January 2021**. This will replace the current Occupier's Rate. The States of Guernsey has also agreed that following implementation of the new tax, it will not charge Tax on Real Property (TRP) on Alderney properties.

More detail on the how this will be introduced and the implications for property owners and residents will follow over the next few months.

What is the background?

The States of Alderney currently spends around £3.6m each year on services for the local community. This includes waste collection and disposal, running the harbour, street cleaning, maintaining green spaces, planning and building control, tourism and government administration. The income to pay for these services is raised from various sources including Occupier's Rates, property rents, harbour fees and charges and profits from Alderney stamps and coins.

The States also receives a cash allocation from the States of Guernsey to meet any shortfall in the cost of local services. In 2019 this sum is almost £1.9m. In addition to this, the States of Guernsey directly funds the 'Transferred services' including Education, Health and Social Care and Police.

Following a detailed review of the financial relationship between Alderney and Guernsey in 2016, both States agreed to some changes so that Alderney can become more financially independent from Guernsey in future. A key part of this change is to merge the income from Alderney Occupier's Rate and Guernsey TRP into a single property-based tax which would be controlled and retained by Alderney and easier to administer.

How will it work?

Property owners currently pay TRP to Guernsey and occupiers pay Rates to Alderney. Both are based on property size assessed by the Cadastre Department in Guernsey and expressed as 'TRP units' (1 square metre = 1 TRP unit). The example below shows the invoice calculations using the 2019 tariffs for a domestic property of 200 TRP units which has an owner/occupier.

Current system		New system
Alderney Rates Invoice Tariff = £1.33 £266	Guernsey TRP Invoice Tariff = £1.67 £334*	Alderney Property Tax Invoice Tariff = £3.00 £600
Total paid to both States for year = £600		Total paid to Alderney for year = £600

*Currently, this income is effectively paid back to Alderney as part of the annual cash allocation.

What will be different?

The Alderney Property Tax will still be based on property measurement (TRP units) but there will be some differences that most people will notice for 2021 when compared to Occupier's Rates which will end from 2020. However, the Alderney Property Tax will have many characteristics of the current Guernsey TRP system:

	Occupier's Rate to 2020	Alderney Property Tax 2021
Who will be liable?	The property occupier at 30 th April	The property owner at 1 st January
When will the invoice be sent?	May	March

As invoices for the new Alderney Property Tax from 2021 will be sent to the owner, we acknowledge that this will have implications for landlords who are only liable for Guernsey TRP at present and therefore will receive a higher invoice. It is a private matter for landlords to agree over the next year or more how the new tax might affect the rents charged to their tenants who will no longer be liable for Occupier's Rates.

What are the benefits for Alderney?

It will provide the States with more control and flexibility over day to day spending decisions. At present, the annual allocation from the States of Guernsey is understandably subject to budget pressures and the States of Alderney exercises no control over the TRP levied on Alderney properties. In future, we will have greater freedom and flexibility to raise income and make choices on how we spend this on local services and priorities.

It also provides us with a greater opportunity to increase or decrease property tax levels for individual groups of properties should this be desired.

James Dent, Chairman of the States of Alderney Policy and Finance Committee said: 'This is an exciting development for Alderney which will give us greater control over how we raise our annual income and how we spend it. It is important that Alderney should be able to set its property taxes in a manner that reflects the particular needs of the economy. Both parties agree that this is a significant step in addressing this'.

David Earl: Chairman of the States of Alderney Finance Committee said: 'I am delighted that after agreeing the proposals with colleagues in Guernsey, we are now able to progress a single Property Tax for Alderney. It will be simpler and more efficient than two separate systems and the greater flexibility will be a real benefit in our future financial planning'.

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