

Background

What is the background to the new property tax?

The States of Alderney currently spends around £3.6m on services for the local community.

This includes waste collection and disposal, running the harbour, services at the Court, street cleaning, maintaining green spaces, planning, tourism and government administration. The money spent on these services comes from income received in Alderney including occupier's rates, property rents, harbour fees and profits from Alderney stamps and coins.

Under the terms of the arrangements agreed between Guernsey and Alderney ('the 1948 agreement'), the States of Alderney receives a cash limited allocation from the States of Guernsey to meet any shortfall in the cost of local services. In 2020, this grant is almost £1.9m.

In addition to this, the States of Guernsey also directly funds the 'Transferred services' including Education, Health and Social Care and Police.

Following a review of the financial relationship between Guernsey and Alderney in 2016, both States agreed to some changes so that Alderney would take more control over its day to day finances by:

- Introducing a new Property Tax which would replace Occupiers Rates. TRP for Guernsey would be levied as zero; and
- Taking over the responsibility from Guernsey for setting rates of fuel duties and document duties in Alderney and retaining the income from these.

What are the benefits for Alderney?

The new property tax and retention of fuel and document duties will give the States of Alderney more direct control over income raised on the island. This will provide the States with more flexibility over day to day spending decisions. At present, the annual allocation from Guernsey is subject to budget pressures and the States of Alderney has no control over the TRP levy on Alderney properties. In future, we will have the freedom and flexibility to raise the income which we spend on local services with more independence.

In particular, it will provide us with a greater opportunity to increase or decrease duty levels or property tax levels for individual groups of properties to meet priorities and policy objectives.

Will Alderney be better off financially?

It is for the States Members at the appropriate time to agree tariffs which bring in enough income to meet the requirements set in the annual budget. In the short term, we anticipate that the impact of this will be neutral with no financial loss or gain to either Alderney or Guernsey. For example, in the first year of implementation, the changes could simply mean Alderney sending bills to owners to raise Property Tax at a level equivalent to the current Occupier's Rate plus TRP.

In time, the benefits are the longer-term freedoms and flexibilities that come with managing our own finances and the ability to vary property tax tariffs and duty levels which we are unable to do at the moment except through Occupier's Rates and fees and charges.

Will anything change regarding transferred services?

Not financially although there is a separate review to be carried out on the arrangements with Guernsey. The transferred services such as Education and Health are currently funded by the States of Guernsey from the pooled income collected from income tax and social security contributions. These services remain the responsibility of the States of Guernsey and this will not change as a result of the new arrangements.

What difference will it make to the way the States works?

It will put a greater emphasis on good financial management at every level of the organisation as we will have a bigger income stream to manage and control in Alderney. However, we will continue to work closely with the States of Guernsey to make sure that we don't spend time and money duplicating systems and arrangements for collecting income that are already in place and working well.