



Press Release

Date: 5th August 2021

Tax Review – Alderney to draw up an island response ahead of September Guernsey States debate

Alderney is closely examining the likely effects of potential changes to the way people are taxed across the Bailiwick.

Guernsey's Policy & Resources Committee has outlined the three options which will be included in the Tax Review policy letter due to be lodged later this month.

In light of increased demand on long-term health and care services, this review will ask the States of Deliberation: 'Is it necessary to increase government revenues, and if so, what is the best way to do it?'. These options will be discussed by the States of Deliberation on September 29th.

Meanwhile, Alderney's Policy & Finance Committee is looking at each of the three options and will brief its two representatives on the States of Deliberation. The views of businesses and stakeholders will also be taken into account.

Guernsey's Tax Review Steering Group has put forward three possible options including a new 'health tax' based on income or a Goods & Services Tax (GST). The exact details of what would and would not be taxable would form part of the next stage of development if the Guernsey States provides direction to continue working on developing a GST.

Both Guernsey and Alderney have ageing populations which means that in the future there will be more people needing the long-term health and care services that the States provides.

About 60% of the money the States of Guernsey spends in the Bailiwick is in some way linked to the ageing population. At the same time, as more people reach retirement age, there is a risk of a decrease in the working population, whose income tax and social security contributions fund a significant portion of the costs to run and maintain services.

The Steering Group has compiled three options describing how the Guernsey States might raise revenues:

Option 1: A 3% income-based health tax and changes to make the social security contributions system fairer while raising more money.

Option 2: Introducing a GST that will gradually increase to up to 8% with mitigating measures to protect low-income households, increasing the personal income tax allowance and making the social security contributions system fairer.

Option 3: Introducing a GST gradually increasing up to 5% with lesser mitigating measures to protect low-income households, increasing the personal income tax allowance and changes to make the social security system fairer while raising more money.

Each of these options assumes that some additional revenue will be raised through changes to the corporate tax system.

It is not expected that any significant changes will be made before 2024 and they will likely be phased over several years. During that time plans may need to be adjusted to reflect progress in other areas. If the Bailiwick is successful in promoting economic growth, for example, the amount of revenue that is needed may be less and the measures applied can be modified to reflect this.

One aspect that worries Alderney's Policy & Finance Committee (P&F) is the GST option which the Committee believes could disproportionately impact the Island due to the existing higher costs of imported goods and services and a lower average income.

This has already been raised with Guernsey following a presentation by Deputy Mark Helyar to Guernsey Deputies and States of Alderney Members. Further clarity has been requested and P&F will brief Alderney representatives Alex Snowdon and Steve Roberts ahead of the Guernsey States of Deliberation debate at the end of September.

P&F Chairman Bill Abel said: "It is difficult to understand the possible impact of each option until the details of the Tax Review are published in the policy letter and until the Guernsey debate in September which will give us a way forward.

"We are not inclined to support the GST options as we believe these would have a potentially disproportionate effect in Alderney. The lack of detail on 'offset' allowances also makes it difficult to understand how and if the impacts of GST could be offset for low-income households. It is vital the impact on lower earnings families should be minimised.

"The option to create a health care tax would also put pressure on the pockets of Alderney residents.

"There is, however, an opportunity for Alderney and the Bailiwick as a whole to build on the economic potential of a community that has managed the pandemic so well and can now go about attracting new business, tourism, high net-worth individuals, remote workers and young families to an Island that is a great place to live and work and do business."

Full details of the proposed Tax Review can be read at gov.gg/Tax-Review-2021 and frequently asked questions at gov.gg/Tax-Review-FAQs.

Ends