

2026 Tax Reform Package

Monday 15th June

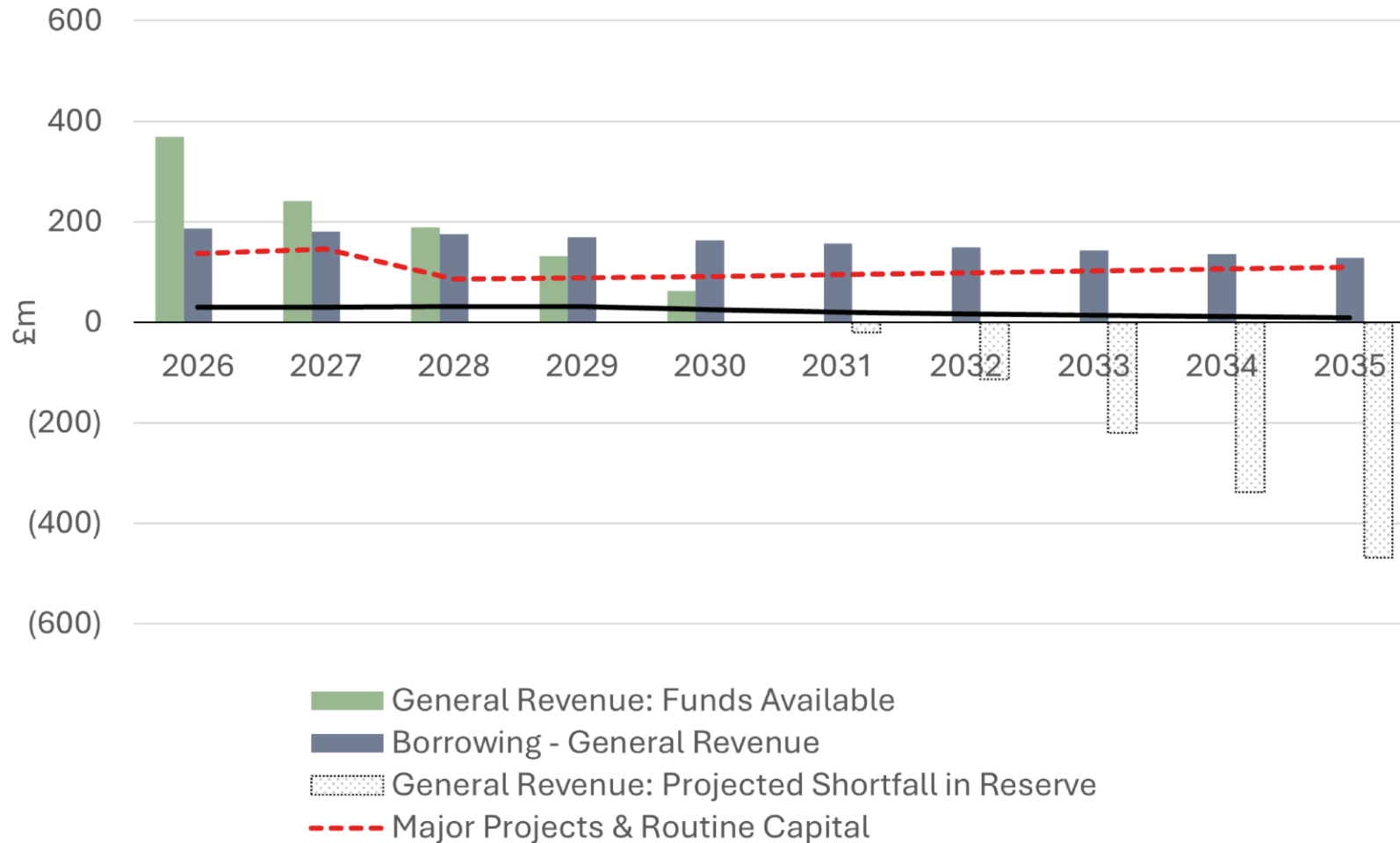


States of
Guernsey



The funding gap

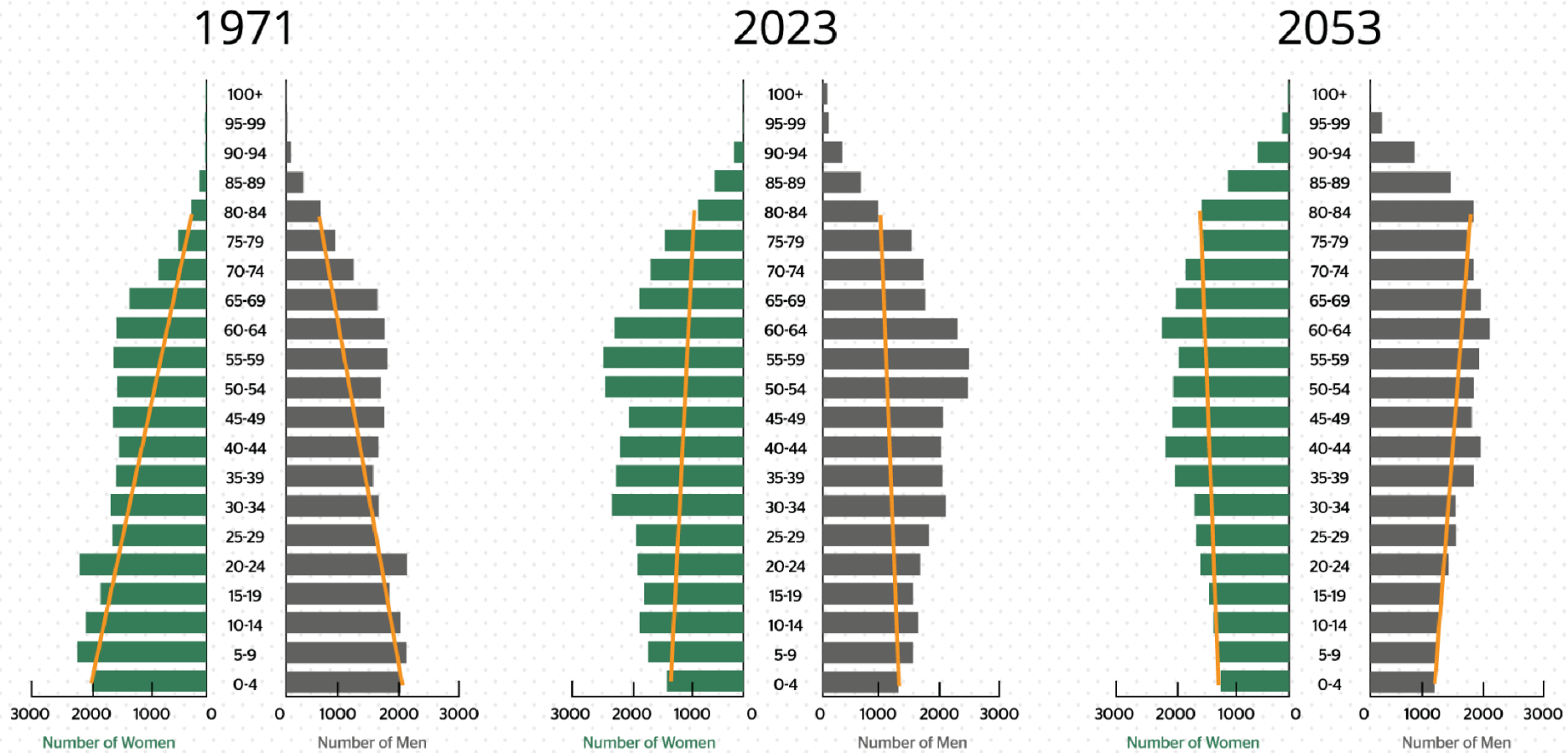
General Revenue Reserve Baseline Projection





Demographic changes

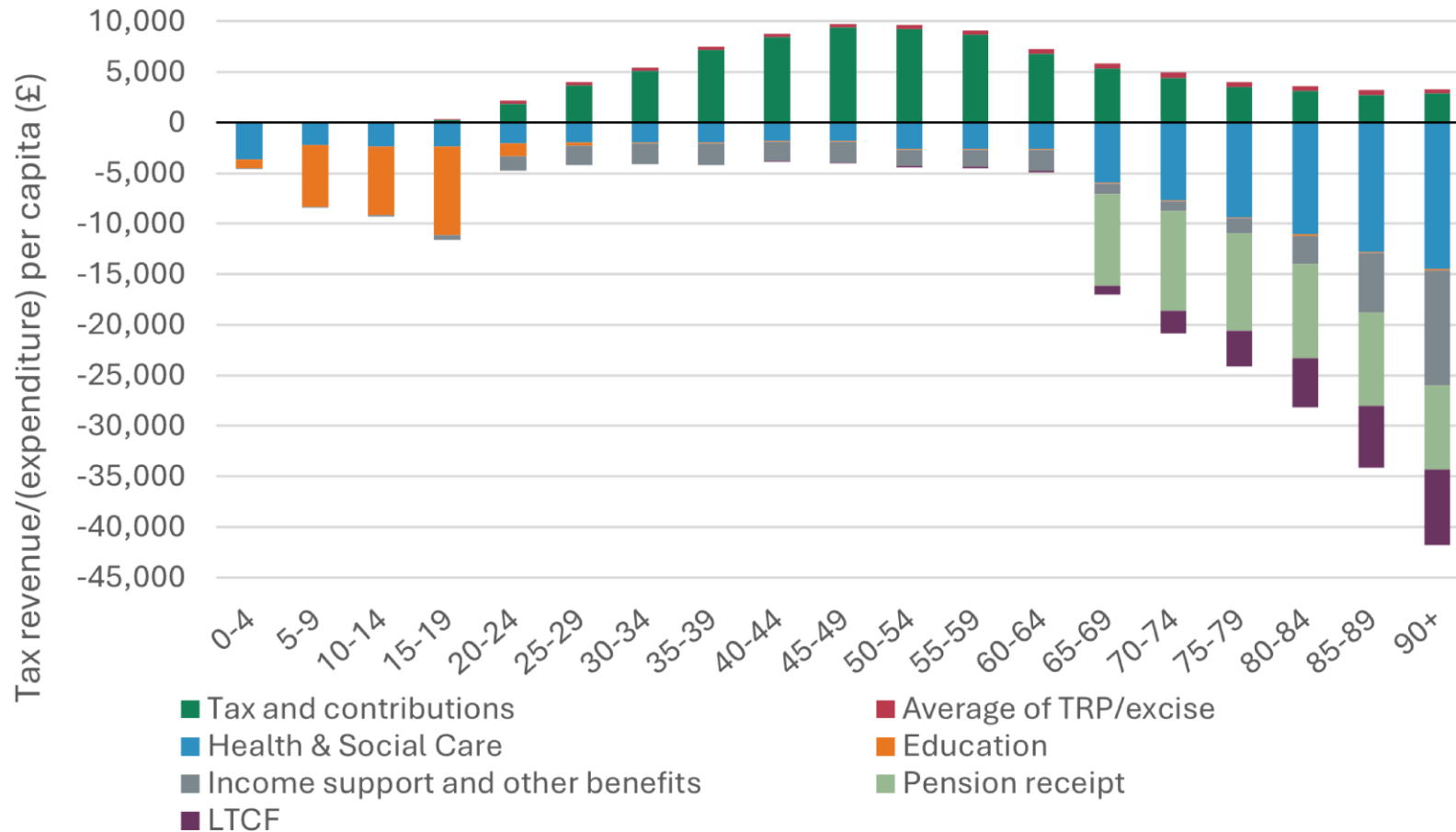
A changing population means an increasing 'dependency ratio'





Demographic changes

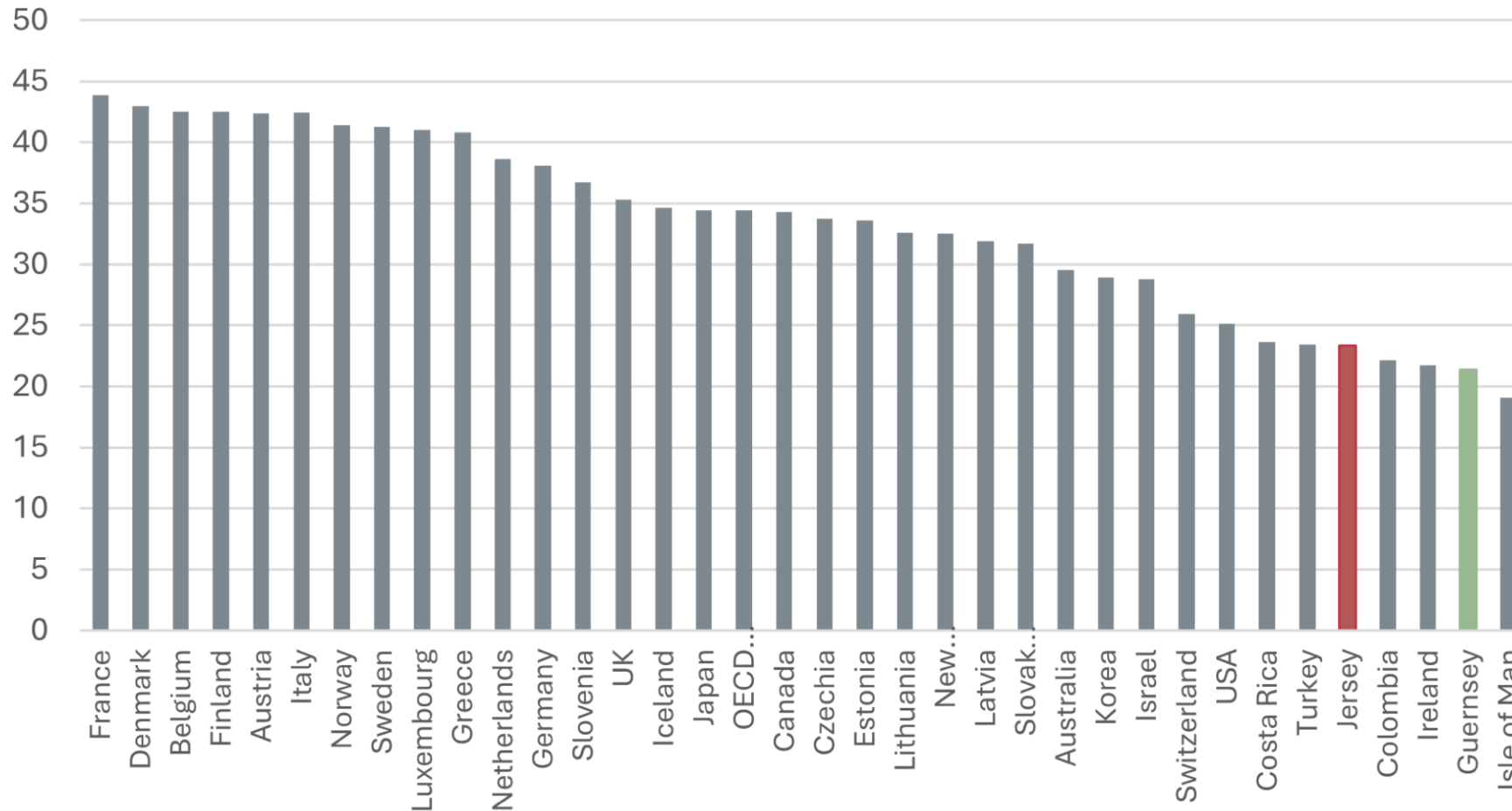
Tax revenue/(expenditure) per capita by age group





Reducing reliance on direct taxation

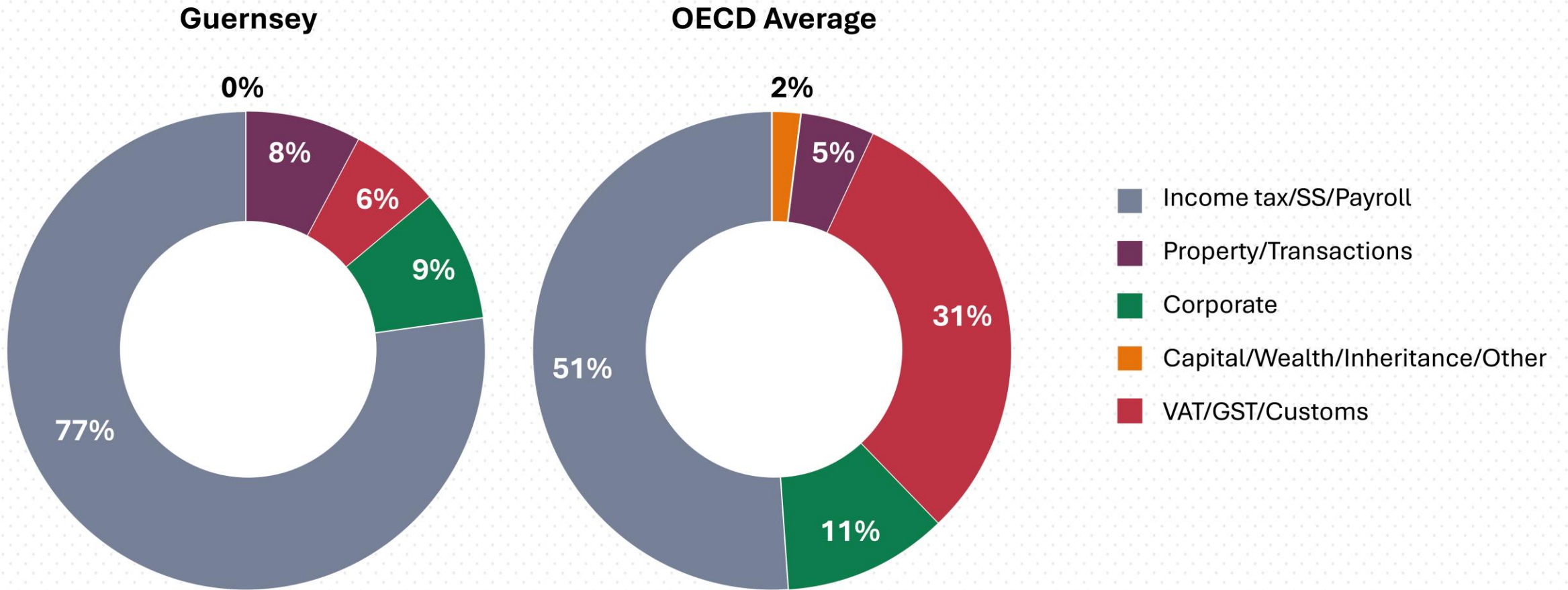
OECD sources of tax revenue in 2023-2024 as a % of GDP





Reducing reliance on direct taxation

Sources of tax revenue in 2023-2024 compared to OECD average as a % of GDP



1

Savings and public expenditure reform saves £20m a year

- 1% per annum in efficiencies in public sector expenditure for the next three years (as agreed in the GWP debate in January 2026), which will reduce expenditure by £20m per year by 2029.
- Continued roll out of the priority-based budgeting process to identify efficiencies and opportunities for expenditure reduction as part of the annual budget.



2

Personal Income Tax changes

costs £28m a year

- An increase in the personal income tax allowance by £600.
- A reduction in the basic rate of personal income tax to 15% on income up to a threshold of £28,000, with a 20% rate applied to income above this threshold. This is received by everyone.



3

Social Security contributions changes raises £2m a year

- The introduction of a new social security allowance at £11,122 for employed and self-employed islanders, with a long-term aim to increase it, if and when it is affordable. This allowance represents the amount of earnings islanders receive before they have to pay social security (everyone currently pays social security on all full-time employed or self-employed earnings).
- An increase in social security employer contributions to 7.6% by 2029.
- An additional social security rate of 2.5% for employers and self-employed individuals that will be introduced between the Upper Earnings Limit and £300,000.
- An increase in social security contribution rates from 2028 as follows:

- ▲ **Employees**
Increased to 8.5%
- ▲ **Self-employed**
Increased to 14.5%
- ▼ **Non-employed under pension age**
Reduced to 8.5%
- ▼ **Non-employed over pension age**
Increased to 4%

4 Transport tax changes raises £7m a year

- A reduction in fuel duty of 25% - an estimated average reduction of £130 to £140 per private vehicle per year.
- A new annual vehicle tax – including Electric Vehicles and hybrid vehicles - based on weight and emissions (ranging from £25 to £280 with the median charge being of around £132).
- A surcharge for high-value private vehicles above the value of £50,000 (with some exemptions) which will be added to vehicle first registration duty, with charges starting at £2,500.



5

Consumption tax raises £55m a year

- Implementation of a goods and services tax at 3% from 2028.
- Increases in the States Pension, income support and other benefits to cover the increase in costs of goods and services, with those benefit increases introduced ahead of GST.
- Introduction of a new annual Essential Costs Relief Payment to support those low-income households who do not, or cannot, claim income support.
- Introduction of an International Service Entities (ISE) scheme, mirroring the arrangements in Jersey, which allows finance businesses with international clients to pay a fee in order to get an End User Relief Certificate from GST (expected to generate £10-12m per year).
- A commitment to not increasing the rate ahead of the assurance review in 2030, and only then if robust evidence shows that a funding gap in the island's finance persists.
- Legal protections against the erosion of the relative value of mitigations should the rate of GST rise in future.



6

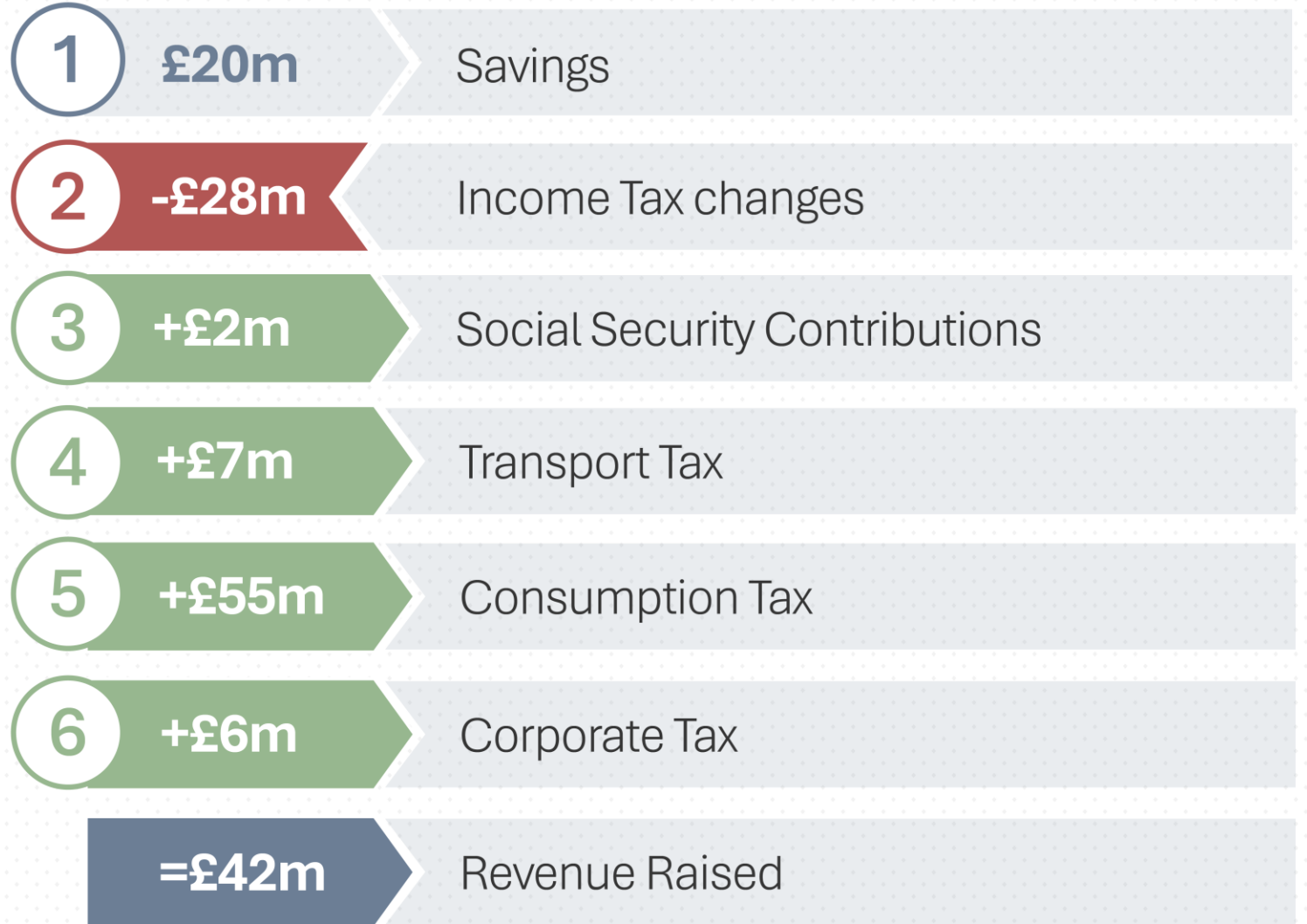
Corporate tax reform raises £6m a year

- Modest extensions to the corporate tax system, including the extension of the 10% rate to cover the entire profits of regulated businesses, slightly higher Guernsey Registry fees and applying a 10% rate to prescribed businesses.
- Future consideration of extending the 10% rate to construction and retail business, but no earlier than 2030.



The 2026 Tax Reform Package

INCLUDES



New Revenue of £39.5m after £2.5m administration costs



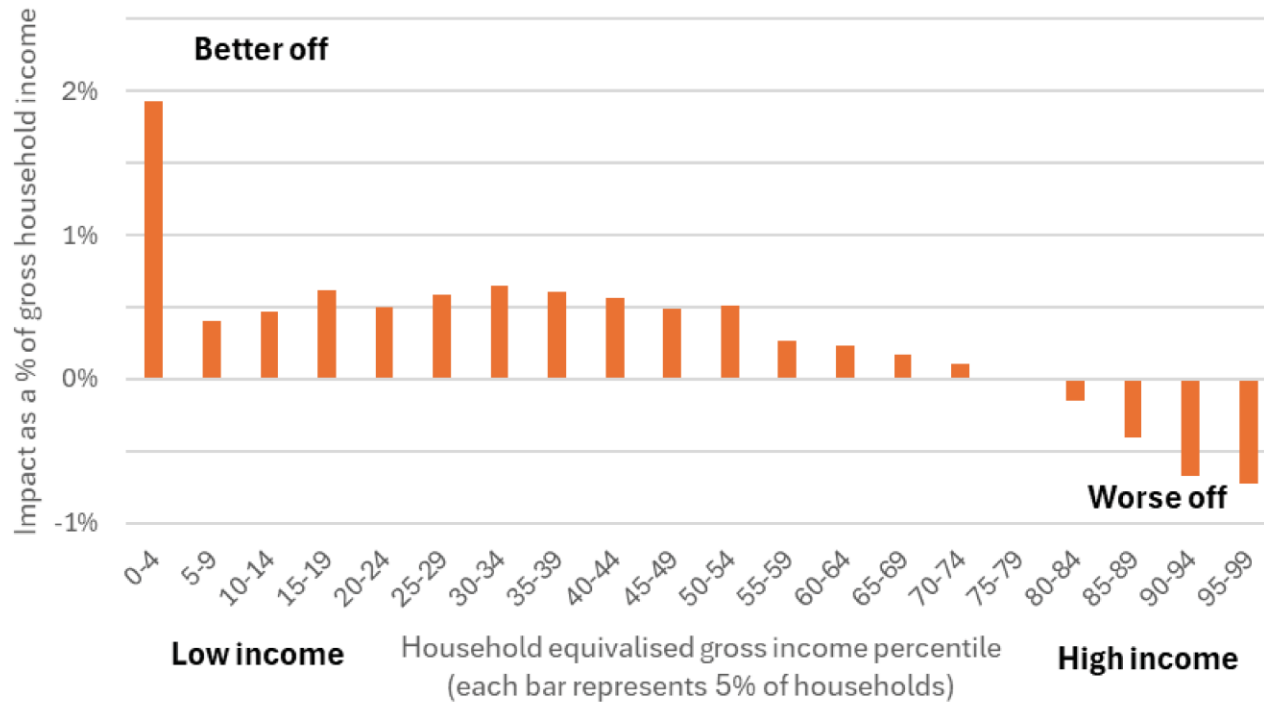
Concerns addressed by the 2026 Tax Reform Package

- ▶ **Managing inflation risk:** mitigate impact of GST by reduced GST rate from 5 to 3% to limit the immediate impact on prices and avoid a sharp inflation spike at implementation
- ▶ **Scale of change to SSC:** deferred bringing unearned income into scope for employed/self-employed people until more work can be undertaken to understand impact on the private rental market
- ▶ **Supporting business sustainability:** limited increases in employer social security contributions to ease cost pressures and reduce risks to jobs and wages
- ▶ **Balancing affordability with fiscal constraints:** scaled back allowances and thresholds to offset revenue reductions while still supporting lower and middle-income households

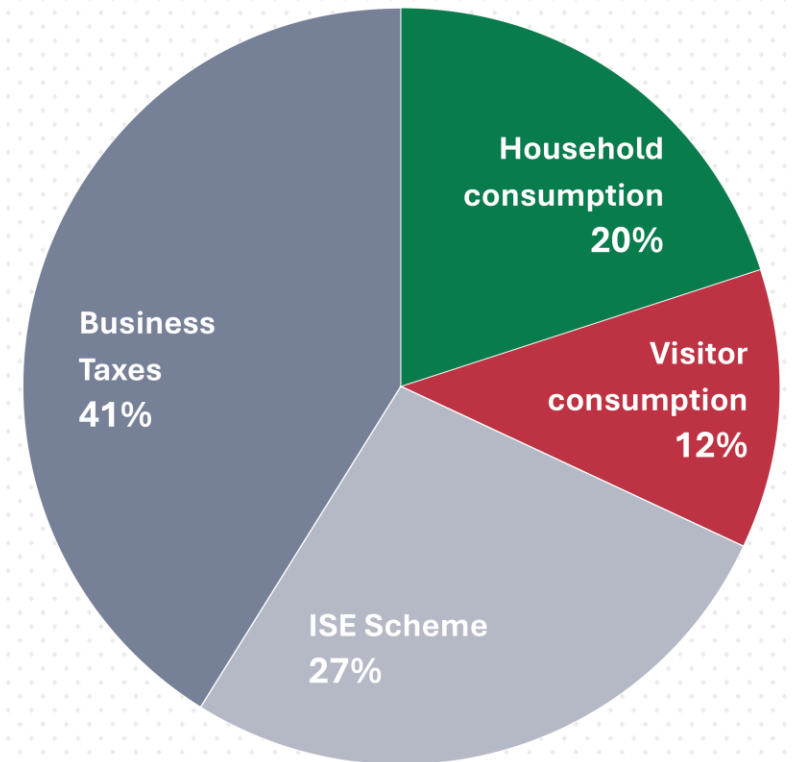


Impact of 2026 Tax reform package on islanders

Comparison of the impact on households of the 2026 Tax Reform Package (%)



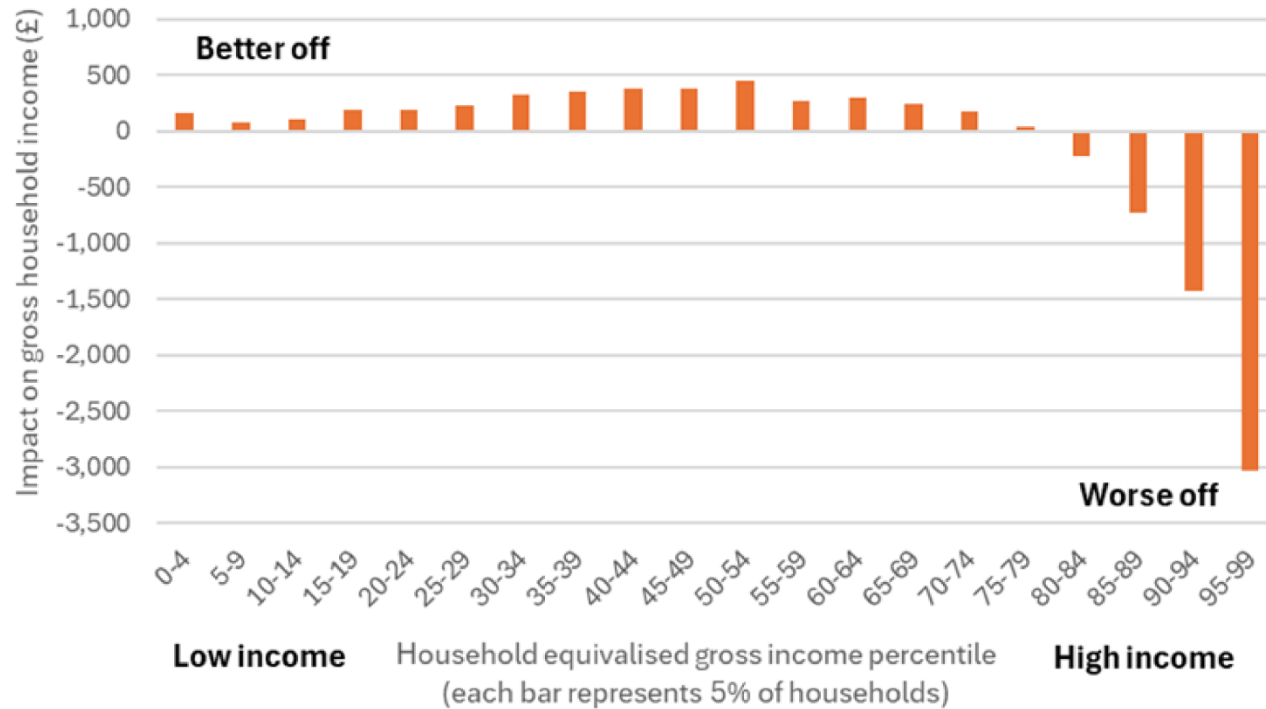
Share of additional revenue





Impact of 2026 Tax reform package on islanders

Comparison of the impact on households of the 2026 Tax Reform Package (£)





Assurance review in 2030

Policy & Resources Committee proposes including a review of the impact of any measures agreed and implemented in response to this Policy Letter, including:

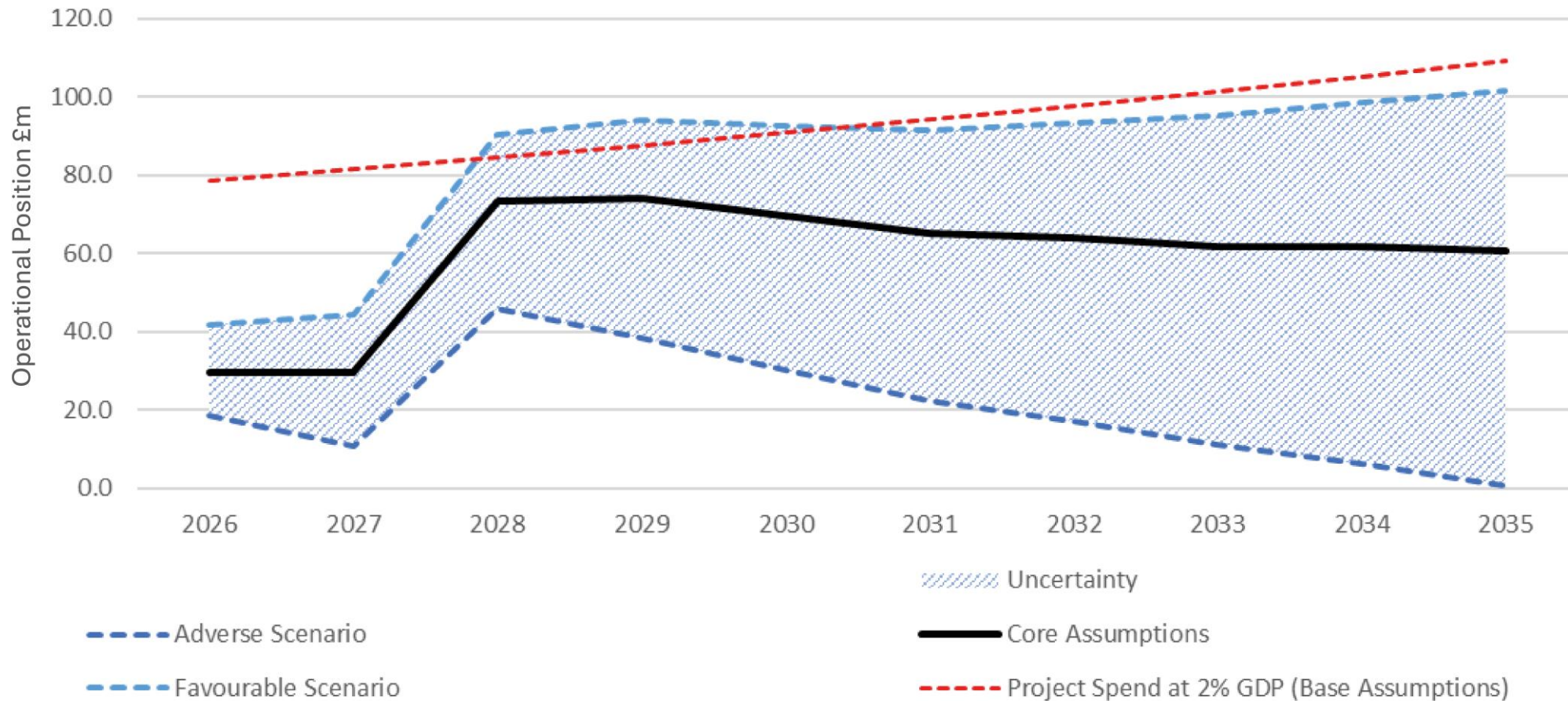
- ▶ Assessing the impact changes have had on economic factors like inflation and employment and whether these aligned with expectations;
- ▶ Reassessing the evolving income and expenditure landscape and the necessity for further measures to raise revenue or reduce expenditure; and
- ▶ Further examine the impact of those elements of the social security contributions restructure which have not been progressed at this time, with particular consideration for the impact these might have on the private rental market.

It is proposed that this review commences in 2029/2030.



2030 review

Operational Position: Range of Outcomes



Q&A?



States of
Guernsey