



STATES OF GUERNSEY

Personal Tax, Pensions and Benefits Review

FAQ sheet

Who is conducting this review?

This review is being conducted jointly by the Treasury and Resources and Social Security Departments. This review deliberately looks at public spending in totality. That is, looking at revenue and social security spending today as both areas of expenditure are funded by the same taxpayers.

What is the consultation for?

The purpose of the review is to ensure that we have sustainable public services and revenues in the long term and to ensure that we have the right balance of fairness, efficiency and sustainability in our personal tax, benefits and old-age pensions systems. There are various options as to how and what we might do to achieve this. This consultation is to obtain the public's view on some of the issues and principles at stake and some feedback on the potential approaches we could consider. The responses will help the Treasury and Resources and Social Security Departments make recommendations about the best way forward.

Is this about filling the black hole (the States revenue deficit)?

This review is about planning for the future and, in particular, coping with the challenges presented by the ageing population. We all know the demographic issues – there are likely to be around twice as many pensioners in 30 years' time than there are today. As previous reports have shown, this will put upwards demand on spending areas such as pensions, health and long term care. This consultation is about asking questions on how we cope with that future, what and how much people might be willing to pay, whether the States should cut back in those or other areas, and what would be the fairest and most efficient method to fund public services in future.

Various measures have already been introduced to reduce the size of the deficit since the introduction of zero/10. These include increasing Tax on Real Property, reducing the revenue grant to Social Security, the extension of the ten per cent corporate tax rate and the States Financial Transformation Program, which is scheduled for completion by the end of 2014.

Is this part of the FTP?

No. The FTP was commissioned to help close the short term deficit position by improving efficiency. The purpose the review is to ensure that we have sustainable public services and revenues in the long term and to ensure that we have the right balance of fairness, efficiency and sustainability in our personal tax, benefits and old-age pensions systems.

Is this a review of zero/10?

No. Zero/10 was reviewed as part of the Corporate Tax Review, which was closed in December 2012. The ten per cent rate was extended; the corporate tax regime is under no immediate further review. This review focuses on personal tax and benefit systems.

Will this mean I will be paying more tax?

As the consultation document illustrates, any changes to the system would result in losers as well as winners. One of the objectives of the consultation is to gain public views on the possible changes that could be made to achieve the objective of fairness and efficiency. The consultation presents a range of options illustrated by examples which show how the proposals could impact households of different incomes. In some of the options presented you might pay less tax; in others you might pay more. These are only presented to give an illustration of the impact of various options available. No decisions have been made yet and the final proposals may not reflect any one of the examples used in isolation.

Will this reduce the number of people claiming benefits?

One of the purposes of the review is to assess how best to ensure we have sustainable public finances as the population ages, and more people in retirement claim pensions. We are not proposing to change any other benefit qualification criteria so we don't expect to see any immediate material changes in numbers eligible for other benefits.

How soon will changes be made?

The review is being conducted in two phases. Initial small scale revisions could well be included in the 2014 budget processes of the departments in the autumn. Major significant changes, if any, would be subject to a further consultation exercise in 2014.

When will I lose my benefit/tax relief?

The review is being conducted in two phases. Initial small scale revisions could well be included in the 2014 budget processes of the departments in the autumn.

Isn't this just about squeezing middle Guernsey even harder to subsidise bankers at one end and people on benefits at the other?

One of the key objectives of the review is to ensure that Guernsey's tax and benefits system is fair. Fairness of a tax system is notoriously subjective but the consultation document outlines some of the principles incorporated in tax regimes that are generally regarded as 'fair' by conventional wisdom. As set out, despite our low and flat rates of tax, the workings of allowances and social security contributions mean that our system is indeed proportionate and has become more so since the upper earnings limit on social security contributions was raised.

How much money will this save?

The purpose of the review is to ensure that we have sustainable public services and revenues in the long term and to ensure that we have the right balance of fairness, efficiency and sustainability in our personal tax, benefits and old-age pensions systems. There are various options as to how and what we might do to achieve this. This consultation is about asking questions on how we cope with that future, what and how much people might be willing to pay, whether the States should cut back in those or other areas, and what would be the fairest and most efficient method to fund public services in future. This consultation is to obtain the public's view on some of the issues and principles at stake and some feedback on the potential approaches we could consider.

How many civil servant roles can be reduced when the changes are in place - e.g. benefits staff?

This review isn't about that, it's about ensuring that we have sustainable public services and revenues in the long term and to ensure that we have the right balance of fairness, efficiency and sustainability in our personal tax, benefits and old age pensions systems. That said, we do ask for ideas about how we could make administrative efficiencies.

Is this the start of a move to a GST?

GST is included as a potential option. Politically it is not popular and in many ways its absence is totemic in Guernsey. However, ruling such options out would be foolish at this stage. To reiterate, no decisions have been made. This is about obtaining genuine feedback from the public on the pros and cons of the options we might have.

Why is CGT and IHT ruled out?

The absence of these taxes is fundamental to our economic competitiveness. This issue has already been reviewed by the T&R Board which has ruled out any movement to consider introduction of these taxes.

What happens next?

The consultation is open for eight weeks (closing 31 May 2013). Whilst the consultation is open there will be two public information evenings to provide you with more information regarding the consultation and the review process.

Once the consultation has been closed, responses will be analysed and used to inform the review process. There will also be a public report summarising the response to the consultation in the early summer prior to any proposal that results in being incorporated in the 2014 budget processes of both departments early autumn.

Will all the submissions be published in the public domain?

There will be a public report summarising the responses received which will be published in early summer.