PLANNING A SUSTAINABLE FUTURE

The Personal Tax, Pensions and Benefits Review

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STATES OF GUERNSEY

What is the Personal Tax, Pensions and Benefits Review (PTR)?

The Personal Tax, Pensions and Benefits Review is the first comprehensive review of personal taxes, allowances and benefits that has been undertaken. It is a joint report by the Treasury and Resources and Social Security Departments. It aims to meet the challenge of controlling States income and expenditure levels while enabling our community to maintain the standards of living and public services that it enjoys, expects and needs. The review's recommendations will be debated by the States in late March 2015. **This is a brief outline of what the recommendations might mean for you.**

Details of the public consultation process that has been undertaken so far and other supporting material that explains it in more detail can be found on our website **www.gov.gg/ptr** or you can e-mail us at **ptr@gov.gg**

So what is the Review trying achieve?

The review aims to identify the key risks to the future of Guernsey's public finances and find ways to mitigate these risks. It aims to achieve a balanced and fair personal tax, pensions and benefits system which is sustainable and efficient in the long-term and ensures that decisions to meet short-term demands do not undermine long-term planning.

What is meant by 'sustainable, efficient and fair?'

By 'sustainable' we mean that the amount the States takes from the community in taxes (including social security contributions) will be sufficient in the long run to provide the community with the public services it expects.

This needs to be achieved in a way which is, where possible, resilient to changes in our economy and our population, but also does not undermine our competitive position as a low tax jurisdiction.

It should also provide stability and continuity in the long-term, so that people know how much tax they can expect to pay and what services they can expect in return.

All taxes affect people's behaviour. An economically 'efficient' system is one which encourages people to work and contribute to our economy.

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The 'fairness' of a tax system is subjective and people's opinion of what is fair can differ widely. For example, some people believe it is fair that those who earn more should pay a higher rate of tax, while others feel this is unfair.

What are the key challenges we face in the long-term?

The make-up of our population is changing

The proportion of our population who are over 65 is increasing and the proportion of people of working age is decreasing.

The good news is we're living longer, which reflects improvements in social conditions and standards of health and social care over the last fifty years. However, as people get older they tend to use more public services, like old-age pensions, health and social care. More older people means a greater number of people using these services.

Fewer people of working ages means that the money collected via income tax and social security contributions to pay for services would decline. If we are to provide support to a greater number of people but have fewer people working to pay for those services we need to adapt the way in which we provide and finance that support.

We are too dependant on income tax and social security contributions

The issues presented by our changing population are compounded by the fact that Guernsey receives an unusually high proportion of its revenues from taxes charged on people's income. 74% of Guernsey current public income is received in the form of either personal income tax or social security contributions, the vast majority (90%) of which is paid by the working age population.

This makes the amount of income received by the States even more vulnerable to the expected changes in the population.

The States has an opportunity to reduce the risk of income falling as our population ages if we consider other types of tax. This could mean reducing the amount of money the States collects from Income tax and Social Security contributions and increasing the amount we get from indirect taxes like TRP or a broad-based consumption tax, like GST.

We need to make some choices and explore options to ensure the long-term future of our island. The Review presents a set of proposals that work together to give us a solution:

1. Establish how big our government should be by placing a limit on the amount of money the States can take from you.
2. Manage the amount we spend on things like old-age pensions by planning effectively.
3. Look at the benefits we pay to everyone regardless of their income and to target these more effectively.
4. Taking less money from income tax and social security contributions and instead, collecting more money from other types of taxes.

What do these proposals mean for you?

To make this easier to understand we have created the following grid that highlights the key proposals and the impact that those proposals have on us as a community.

These changes will not happen all at once.

Some things, like a potential consumption tax need more work to be done before the States can make a final decision. The States is being asked to look at the work done so far, and to decide if further work should be done to look at the pros and cons more closely.

Other changes need to be introduced gradually over a ten year period and all the changes need to be co-ordinated so that the whole process is balanced.

HOW THE REVIEW AFFECTS YOU

If you're already retired

The review recommends that the reliance on direct personal income taxes and Social Security contributions be reduced.

The Personal tax allowance could be increased to up to £17,500 per person.	This could reduce your annual income tax bill by more than £1,200 a year, giving you more money to spend. If you are a low income household this may mean you no longer have to pay income tax at all.
An allowance (like that on income tax) could be applied to social security contributions.	You already receive an allowance of this type so you will be unaffected.

To achieve this the States will need to collect revenues in another way.

This could be a GST, a tax on the goods and services that we buy. **The report does not recommend this now but is asking for the States approval to investigate this option further so we can understand the impact from all angles before the States is asked to make a final decision.**	Your old-age pension (and your supplementary benefit if you receive it) would be increased to reflect the impact of a GST on inflation. If you are a lower to middle income household a GST combined with an increase in tax allowances could mean that you would pay less tax overall, particularly if you are in rented accommodation. If you have a large income you may pay slightly more particularly if you own your own home outright. A consumption tax like GST would also mean that people from outside Guernsey like tourists and business visitors would also make a contribution to our tax revenues, as you do when you buy goods and services when you are on holiday in other places. There could also be a bigger contribution to our tax revenues from the financial services industry.
This could include an increase in domestic TRP, the tax you (or your landlord) pay on your property. The review proposes increases in TRP of up to 7.5% (above inflation) per year over a period of ten years. This would help reduce our over reliance on income taxes but it is not enough on it's own to solve the problem without other measures to accompany it.	Domestic TRP rates in Guernsey are currently low by international standards (averaging £173 a year) and it will require a very significant percentage increase to make a substantial difference in the distribution of Guernsey tax base. The proposals would allow this to double over ten years but it needs to be done slowly. The proposal is a structure that allows a limited increase each year. How much this will affect you will depend on how big your house is. Increases in TRP will affect you more if you have a large house but a small income. If you have a small property or a large income this will have less impact on you.

If you're already retired

The review also recommends that the income tax system be simplified so that everyone is treated equally by:

Phasing out tax allowances given to individuals and households in specific circumstances, regardless of their income, including the extended allowance offered to those over 65 and the tax relief granted on mortgage interest payments. The additional revenue generated by this would be used to increase the universal tax allowance available to everybody.

Since those above pension age are unlikely to have a mortgage, the phasing out of relief on mortgage interest will be unlikely to affect you. The phasing out of the extended allowance offered to those over 65 will reduce your tax allowance in real terms, although this will be partially offset by the increase in the allowance which everyone will receive and if other recommendations are accepted you could still get an increase in your total tax allowance. This would be achieved by freezing the tax allowance for pensioners until the universal tax allowance increases to the same level.

Phasing out the facility for married couples to transfer unused tax allowances between spouses to ensure that all households are treated equally regardless of their marital status, sexual orientation or other circumstances.

At present, if only one spouse has an income as a married couple you are still entitled to use the tax allowance of both spouses. However, unmarried couples are not entitled to do this (unless they have children) regardless of how long they have been co-habiting. This discriminates against couples who choose, or are not able, to get married.

This is a facility that a lot of pensioner couples make use of and it could have a significant impact on some households. If the States choose to move in this direction the transition will need to be managed so that couples who have planned their long-term finances around this are not disadvantaged.

The review also looks at how to try to manage long term expenditure pressures resulting from the ageing population by:

Setting a guideline for the amount the States should increase the old-age pension by each year. For the time being this will be set at 1/3rd of the difference between RPIX and the increase in the amount people are earning. Alongside this there needs to be more work done to encourage people to save more money for themselves for their retirement. Once this work has been done the guideline will need to be reviewed.

This proposal is part of a package of measures designed to make the current old-age pension system sustainable without needing to increase social security contributions. If we do nothing it is estimated that Social Security contributions will need to rise from 0.6% to 1.9% to help make the current old-age pension system sustainable.

This means that you will receive an increase in your old age pension slightly above the increase in RPIX for the next few years, unless there is a justifiable reason to break from the guideline.

HOW THE REVIEW AFFECTS YOU

If you're already retired

The review also looks at how to try to manage long term expenditure pressures resulting from the ageing population by:

The guideline will be reviewed in the future to reflect the sustainability of the Guernsey Insurance Fund and the progress made in enhancing the amount of private pension provision people make for themselves. The latest this guideline will be reviewed is 2020.

Increasing the pension age to 70 by 2049 and supporting older people in the work place.

You will be unaffected by this proposal, although if you do still work you may benefit from the proposal to support older people in the workplace.

Looking at the way we provide care and support services to older people.

A separate piece of work is currently underway to look at how we should provide care and support services to people as they get older and how we can help people stay independent for longer. This work is also looking at how much it might cost in the future to provide care services to an increasing number of older people and how this can be funded in a sustainable way.

The Review also looks at how the States could reduce spending on Universal Benefits in order to better target this spending toward those who need it by:

Phasing out the payment of a universal family allowance.

This is unlikely to affect you directly but may effect your children and grandchildren.

Restructuring prescription charges in Guernsey.

At the moment you become eligible for free prescriptions as soon as you turn 65. However, being over 65 does not mean you are necessarily any less able to afford prescription charges than someone younger. Withdrawing this automatic exemption would mean that the prescription system would no longer discriminate by age. It is not proposed that this will be introduced immediately but it could mean that by 2020, you may have to pay for your prescriptions.

If you're already retired

The Review also looks at how the States could reduce spending on Universal Benefits in order to better target this spending toward those who need it by:

You could still be eligible for exempt prescriptions if you are on some benefits or qualify for severe disability benefit however the report does propose that "exempt" prescriptions should be subject to a nominal fee of £1 to ensure that the prescription service is valued by all who receive it and that it is acknowledged that there is a cost of providing subsidised prescriptions.

The Review does suggest that the Social Security Department could investigate ways to limit the maximum amount people can pay in prescription charges in a year by investigating systems like the prescription "season ticket" used in Ireland.

Phasing out the subsidy on Primary care appointments.

The States introduced a subsidy on primary care appointments as part of a package of measure to limit healthcare costs for Guernsey residents. However, the States have never been able to establish a mechanism by which the total costs of primary healthcare appointments can be controlled. The value of the subsidy has been eroded by increases in the cost of GP appointments and there is no evidence that it has been successful in keeping the cost of primary care down for patients.

Given that there is no evidence that this subsidy is effective in achieving its intended purpose the Review recommends that it is phased out over a period of ten years, reducing States' expenditure by £3.5m a year. This may mean an increase in the cost of GP appointments over a period of time but it also provides the States with an opportunity to find a better way to manage the cost of you visiting the doctor.

HOW THE REVIEW AFFECTS YOU

If you're currently working aged 30+

The review recommends that the reliance on direct personal income taxes and social security contributions be reduced.

The Personal tax allowance could be increased to up to £17,500 per person.

This could reduce your annual income tax bill by more than £1,500 a year giving you more money to spend, although you would no longer receive a further increase in your tax allowance when you retire. If you are a low income household this may mean you no longer have to pay income tax at all.

An allowance (like that on income tax) could be applied to social security contributions.

This could reduce your annual social insurance contributions by more than £400 a year if you are employed, and more than £700 a year if you are self-employed. This will not affect your entitlement to benefits.

To achieve this the States will need to collect revenues in another way.

This could be a GST, a tax on the goods and services that we buy.

The report does not recommend this now but is asking for the States approval to investigate this option further so we can understand the impact from all angles before the States is asked to make a final decision.

If you are a lower to middle income household, a GST combined with an increase in tax allowances could mean that you would pay less tax overall, particularly if you have a mortgage or are in rented accommodation. If you have a large income you may pay slightly more, particularly if you own your house outright. Your supplementary benefit, if you receive it, and some other benefits, would be increased to reflect the impact of a GST on inflation.

A consumption tax like GST would also mean that people from outside Guernsey like tourists and business visitors would also make a contribution to our tax revenues, as you do when you buy goods and services when you are on holiday in other places. There could also be a bigger contribution to our tax revenues from the financial services industry.

This could include an increase in domestic TRP, the tax you (or your landlord) pay on your property. The review proposes increases in TRP of up to 7.5% (above inflation) per year over a period of ten years. This would help reduce our over reliance on income taxes but it is not enough on its own to solve the problem without other measures to accompany it.

Domestic TRP rates in Guernsey are currently low by international standards (averaging £173 a year) and it will require a very significant percentage increase to make a substantial difference in the distribution of Guernsey tax base.

How much this will affect you will depend on how big your house is. Increases in TRP will affect you more if you have a large house but a small income. If you have a small property or a large income this will have less impact on you. If you rent your property, the impact of this will depend on whether or not your landlord chooses to absorb the cost or pass it on to you as their tenant by way of an increase in your rent.

If you're currently working aged 30+

The review also recommends that the income tax system be simplified so that everyone is treated equally by:

Phasing out tax allowances given to individuals and households in specific circumstances, regardless of their income, including the extended allowance offered to those over 65 and the tax relief granted on mortgage interest payments. The additional revenue generated by this would be used to increase the universal tax allowance available to everybody.

The tax relief granted on mortgage interest is a subsidy on housing costs which is available only to those able to afford a mortgage. This subsidy is not available to those who might be renting and is therefore unfair. It is also counter productive in achieving its perceived purpose of helping people buy property since in the long term it has increased the price of houses in Guernsey.

Withdrawing the allowance is to be carefully phased out over ten years to reduce the impact on households and property prices.

Phasing out the facility for married couples to transfer unused tax allowances between spouses to ensure that all households are treated equally regardless of their marital status, sexual orientation or other circumstances.

At present if only one spouse has an income as a married couple you are still entitled to use the tax allowance of both spouses. However, unmarried couples are not entitled to do this (unless they have children) regardless of how long they have been co-habiting. This discriminates against couples who choose or are not able to get married and does not reflect modern society. This issue becomes more significant if there are large increases in the personal tax allowance.

The aim is to treat everyone as individuals. However, this could have a very significant impact for some couples and an extended transition is proposed (probably significantly longer than ten years). The report is seeking approval in principle that in the long-term this is the right thing to do. Working out how to transition from our current system to one of independent taxation will take further work.

HOW THE REVIEW AFFECTS YOU

If you're currently working aged 30+

The review also looks at how to try and manage long term expenditure resulting from the ageing population by:

Setting a guideline for the amount the States should increase the old-age pension by each year. For the time being this will be set at 1/3rd of the difference between RPIX and the increase in the amount people are earning. Alongside this there needs to be more work done to encouraging people to save more money for themselves for their retirement. Once this work has been done the guideline will need to be reviewed.

This proposal is part of a package of measures designed to make the current old-age pension system sustainable without needing to increase social security contributions. If we do nothing it is estimated that social security contributions will need to rise from 0.6% to 1.9% to help make the current old-age pension system sustainable.

In the short to medium term the pension will be increased at slightly more than inflation (assuming that earnings increase) each year. Beyond that (no later than 2020), if the States is successful in enhancing the amount people save for their own retirement, the guideline will be reviewed and may be reduced to RPIX only.

This will increase the real value of the old-age pension in the medium term, but it means that the increase in the pension might not keep pace with any increase in the amount working people are earning, if we assume that the long-term wages will rise by more than inflation. This will significantly slow the rate at which the funds held by social security for the payment of pensions are depleted and will help ensure that there is money available to continue paying pensions to older people in the long-term.

Increasing the pension age to 70 by 2049 and supporting older people in the work place.

There is already a States resolution in place to increase the pension age to 67 by 2031. This is an extension of that proposal. If you are already over 50, you will be largely unaffected by this. If you are under 50, your pension age will increase. The proposals will increase the pension age at 2 months a year between 2031 and 2049. Only those born in 1979 or later (currently 35 or younger) will see a full increase in their pension age to 70.

The Review acknowledges that for some people, working to an older retirement age will be difficult. The report recommends the States initiate a project to encourage greater flexibility in working practices to adapt to the needs of an older workforce. This may mean a more flexible approach to working hours and responsibilities for older people which reflects not only their levels of health and fitness but maximises their experience.

If you're currently working aged 30+

The review also looks at how to try and manage long term expenditure resulting from the ageing population by:

Looking at the way we provide care and support services to older people.

There is a separate piece of work underway to look at how we should provide care and support services to people as they get older and how we can help people stay independent for longer. This should ensure that you get the most appropriate care to support you as you get older.

This work is also looking at how much it might cost in the future to provide care services to an increasing number of older people and how this can be funded in a sustainable way.

The Review also looks at how the States could reduce spending on 'universal benefits' (paid without regard to need) in order to better target this spending toward those who need it by:

Phasing out the payment of a universal family allowance.

Family allowance is currently paid at a rate of £15.90 a week for every child in Guernsey below school age or still in full time education. It cost about £10m a year and a lot of the people who receive this benefit have no financial need for it. Withdrawing family allowance would allow this money to be better targeted elsewhere.

Some of the money (an estimated £2m) would need to be diverted into the benefit system to compensate low income families for the loss of their family allowance. For middle and higher income families, the withdrawal of family allowance would be phased over ten years to reduce the impact. The money released by doing this (up to £8m) could be used to support other social priorities from which you may benefit.

Restructuring prescription charges in Guernsey.

At the moment you become eligible for free prescriptions as soon as you turn 65. However, being over 65 does not mean you are necessarily any less able to afford prescription charges than someone younger. Withdrawing this automatic exemption would mean that the prescription system would no longer discriminate by age.

HOW THE REVIEW AFFECTS YOU

If you're currently working aged 30+

The Review also looks at how the States could reduce spending on 'universal benefits' (paid without regard to need) in order to better target this spending toward those who need it by:

It is proposed that the automatic exemption from prescriptions for over 65s would be closed to new claimants from 2016. You could still be eligible for exempt prescriptions if you are on some benefits or qualify for severe disability benefit. However the report does propose that "exempt" prescriptions should be subject to a nominal fee of £1 to ensure that the prescription service is valued by all who receive it and that it is acknowledged that there is a cost of providing subsidised prescriptions.

The Report does suggest that the Social Security Department could investigate ways to limit the maximum amount people can pay in prescription charges in a year by investigating systems like the prescription "season ticket" used in Ireland.

Phasing out the subsidy on primary care appointments

The States introduced a subsidy on primary care appointments as part of a package of measure to limit healthcare costs for Guernsey residents. However, the States have never been able to establish a mechanism by which the total costs of primary healthcare appointments can be controlled. The value of the subsidy has been eroded by increases in the cost of GP appointments and there is no evidence that it has been successful in keeping the cost of primary care down for patients.

Given that there is no evidence that this subsidy is effective in achieving its intended purpose, the Review recommends that it is phased out over a period of ten years, reducing States' expenditure by £3.5m a year. This may mean an increase in the cost of GP appointments over a period of time, but it also provides the States with an opportunity to find a better way to manage the cost of you visiting the doctor.

If you're working and under 30

The review recommends that the reliance on direct personal income taxes and Social Security contributions be reduced.

The Personal tax allowance could be increased to up to £17,500 per person.

An allowance (like that on income tax) could be applied to social security contributions.

This could reduce your annual income tax bill by more than £1,500 a year giving you more money to spend. If you are a low income household this may mean you no longer have to pay income tax at all.

This could reduce your social security contributions by more than £400 a year if you are employed and more than £700 a year if you are self-employed. This will not affect your entitlement to benefits.

To achieve this the States will need to collect revenues in another way.

This could be a GST, a tax on the goods and services that we buy.

The report does not recommend this now but is asking for the States approval to investigate this in more detail so we can understand the impact from all angles before the States is asked to make a final decision.

Reducing income tax by increasing allowances and off-setting this with a GST could be fairer as it distributes the tax burden more evenly across the age demographic. This could reduce the potential tax burden which could be carried by those currently early in their working lives if we continue to rely heavily on income tax and social insurance contributions, by spreading the burden more evenly.

If you are a lower to middle income household, a GST combined with an increase in tax allowances could well mean that you would pay less tax overall, particularly if your housing costs are large.

If you have a large income you may pay slightly more, particularly if you own you house outright. Your supplementary benefit, if you receive it and some other benefits, would be increased to reflect the impact of a GST on inflation.

A consumption tax like GST would also mean that people from outside Guernsey like tourists and business visitors would also make a contribution to our tax revenues, as you do when you buy goods and services when you are on holiday in other places. There could also be a bigger contribution to our tax revenues from the financial services industry.

HOW THE REVIEW AFFECTS YOU

If you're working and under 30

To achieve this the States will need to collect revenues in another way.

This could include an increase in domestic TRP, the tax you (or your landlord) pay on your property.

The review proposes increases in TRP of up to 7.5% (above inflation) per year over a period of ten years. This would help reduce our over reliance on income taxes but it is not enough on its own to solve the problem without other measures to accompany it.

Domestic TRP rates in Guernsey are currently low by international standards (averaging £173 a year) and it will require a very significant percentage increase to make a substantial difference in the distribution of Guernsey's tax base.

Like consumption taxes this would be balanced by an increase in your tax allowance. How much this will affect you will depend on how big your house is. Increases in TRP will affect you more if you have a large house but a small income. If you have a small property or a large income this will have less impact on you. If you rent your property, the impact of this will depend on whether or not your landlord chooses to absorb the cost or pass it onto you as their tenant by way of an increase in your rent.

The review also recommends that the income tax system be simplified so that everyone is treated equally by:

Phasing out tax allowances given to individuals and households in specific circumstances, regardless of their income, including the extended allowance offered to those over 65 and the tax relief granted on mortgage interest payments.

The additional revenue generated by this would be used to increase the universal tax allowance available to everybody.

The tax relief granted on mortgage interest is a subsidy on housing costs which is available only to those able to afford a mortgage. This subsidy is not available to those who might be renting and is therefore unfair. It is also counter productive in achieving its perceived purpose of helping people buy property since in the long-term it has increased the price of houses in Guernsey, making it harder for people to buy their first home.

Withdrawing the allowance would be carefully phased over ten years to reduce the impact on households and property prices. For those with large mortgages this should allow sufficient time to adapt to the changes. For those without a mortgage the increase in the tax allowance to reflect this should give you more money to spend or save to buy a property.

If you're working and under 30

The review also recommends that the income tax system be simplified so that everyone is treated equally by:

Phasing out the facility for married couples to transfer unused tax allowances between spouses to ensure that all households are treated equally regardless of their marital status, sexual orientation or other circumstances.

At present if only one spouse has an income as a married couple you are still entitled to use the tax allowance of both spouses. However, unmarried couples are not entitled to do this (unless they have children) regardless of how long they have been co-habiting.

The current legislation is out dated and discriminates against couples who choose not to marry or who are not able to get married, for example if they are in a same sex relationship.

The aim of withdrawing this is to treat everyone as individuals.

However, this could have a very significant impact for some couples and an extended transition will be needed (probably significantly longer than ten years). The report is seeking approval in principle that in the long-term this is the right thing to do. Working out how to transition from our current system to one of independent taxation will take further work.

The review also looks at how to try and manage long term expenditure resulting from the ageing population by:

Setting a guideline for the amount the States should increase the old-age pension by each year. For the time being this will be set at 1/3rd of the difference between RPIX and the increase in the amount people are earning. Alongside this there needs to be more work done to encourage people to save more money for themselves for their retirement. Once this work has been done the guideline will need to be reviewed.

This proposal is part of a package of measures designed to make the current old-age pension system sustainable without needing to increase social security contributions. Without these measures the States would need to increase social security contributions to pay for old-age pensions, or the funds that social security hold to pay pensions will be exhausted before you reach retirement age.

If we do nothing it is estimated that Social Security contributions will need to rise from 0.6% to 1.9% to help make the current old-age pension system sustainable.

HOW THE REVIEW AFFECTS YOU

If you're working and under 30

To achieve this the States will need to collect revenues in another way.

In the short to medium term the pension will be increased at slightly more than inflation (assuming that earnings increase) each year. Beyond that (no later than 2020), if the States is successful in enhancing the amount people save for their own retirement, the guidelines will be reviewed and may be reduced to RPIX only.

This will increase the real value of the old-age pension in the medium-term, but it means that the increase in the pension might not keep pace with any increases in the amount working people are earning. This will significantly slow the rate at which the funds held by social security for the payment of pensions are depleted, and will help ensure that there is money available to continue paying pensions to older people in the long-term.

Increasing the pension age to 70 by 2049 and supporting older people in the work place.

There is already a States resolution in place to increase the pension age to 67 by 2031. This is an extension of that proposal. If you were born after 1979 (currently 35 or younger) you could see your pension age increase to 70. This recommendation reflects international trends to increase pension ages, with several jurisdictions having already indicated (or confirmed) intentions to increase their pension ages to 70 in the long-term.

The Review acknowledges that for some people, working to an older retirement age will be difficult and that there needs to be greater flexibility in working practices to adapt to the needs of an older workforce.

By combining a modest guideline for uprating old-age pensions each year with an increase in the pension age, the States could continue to provide a universal contributory old-age pension to people who pay social insurance contributions in Guernsey, without needing to increase the amount of social insurance people are asked to pay to cover the cost of this.

If you're working and under 30

To achieve this the States will need to collect revenues in another way.

Looking at the way we provide care and support services to older people.

A separate piece of work is currently underway to look at how we should provide care and support services to people as they get older, how we can help people stay independent for longer and how this can be funded in a sustainable way.

The Review also looks at how the States could reduce spending on 'universal benefits' (paid without regard to need) in order to better target this spending toward those who need it by:

Phasing out the payment of a universal family allowance.

Family allowance is currently paid at a rate of £15.90 a week for every child in Guernsey below school age or still in full time education. It costs about £10m a year and many people who receive this benefit have no financial need for it and withdrawing family allowance would allow the money to be better targeted elsewhere.

Some of the money (an estimated £2m) would need to be diverted into the benefit system to compensate low income families for the loss of their family allowance. For middle and higher income families, the withdrawal of family allowance would be phased over ten years to reduce the impact. The money released by doing this (up to £8m) could be used to support other social priorities from which you may benefit.

HOW THE REVIEW AFFECTS YOU

If you're working and under 30

The Review also looks at how the States could reduce spending on 'universal benefits' (paid without regard to need) in order to better target this spending toward those who need it by:

Restructuring prescription charges in Guernsey.

At the moment you become eligible for free prescriptions as soon as you turn 65. However, being over 65 does not mean you are necessarily any less able to afford prescription charges than someone younger. Withdrawing this automatic exemption would mean that the prescription system would no longer discriminate by age.

You may be eligible for exempt prescriptions if you are on some benefits or qualify for severe disability benefit. The report proposes that "exempt" prescriptions should be subject to a nominal fee of £1 to ensure that the prescription service is valued by all who receive it and that it is acknowledged that there is a cost of providing subsidised prescriptions. The Report does suggest that the Social Security Department could investigate ways to limit the maximum amount people can pay in prescription charges in a year by investigating systems like the prescription "season ticket" used in Ireland.

Phasing out the subsidy on primary care appointments.

The States introduced a subsidy on primary care appointments as part of a package of measures to limit healthcare costs for Guernsey residents. However, the States have never been able to establish a mechanism by which the total costs of primary healthcare appointment can be controlled. The value of the subsidy has been eroded by increases in the cost of GP appointments and there is no evidence that it has been successful in keeping the cost of primary care down for patients.

Given that there is no evidence that this subsidy is effective in achieving its intended purpose, the Review recommends the it be phased out over a period of ten years, reducing States' expenditure by £3.5m a year. This may mean an increase in the cost of GP appointments over a period of time, but it also provides the States with an opportunity to find a better way to manage the cost of you visiting the doctor.

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