

Summary of Allowances Year of Charge 2007

The standard rate of income tax is 20p in the £

Single Person	£ 8,250
Single Person aged 64 or over at the commencement of the year of charge	£ 9,750
Married Person	£16,500
Married Person either husband or wife aged 64 or over at the commencement of the year of charge	£18,000
Married Person both husband and wife aged 64 or over at the commencement of the year of charge	£19,500
NOTE: The Married Person's Allowance is reduced by the amount of any Wife's Earned Income Allowance given.	
Wife's Earned Income: Tax on a sum equal to the amount of the claimant's wife's net qualifying income. The maximum allowance is tax on £8,250 if under the age of 64 or £9,750 if age 64 or over.	
The Married Person's Allowance is reduced by the amount of any Wife's Earned Income Allowance given.	
Dependent Relative	£ 2,640
NOTE 1: If the relative's income exceeds £5,615 the allowance is reduced by £1 for every £1 by which the relative's income exceeds £5,615 .	
NOTE 2: If the relative is a child over the age of 19 years who is receiving full-time higher education, the allowance is reduced by £220 for every month for which a family allowance is payable from 1 January 2007.	
Charge of Children Generally available only to lone parents	£ 5,615
Life Assurance Tax on a sum equal to one half of the allowance premiums or payments.	
Retirement Annuity	
1. Individual <u>not</u> in receipt of relevant earnings: Maximum contribution £6,800 – no tax relief.	
2. Individual in receipt of relevant earnings, under 40 or, if over 40, a member of an occupational pension scheme: Maximum contribution £13,600 – relief up to 15% of relevant earnings.	
3. Individual in receipt of relevant earnings, over 40 <u>and not</u> a member of an occupational pension scheme: Maximum contribution £20,000 – relief up to 25% of relevant earnings.	
4. Tax-free element of lump sums from all pension schemes: £145,000.	
Infirm Person	£ 2,640
Housekeeper	£ 2,640



BILLET D'ÉTAT

XXII
2005

WEDNESDAY, 14th DECEMBER, 2005

BUDGET OF THE STATES
FOR 2006

IN THE STATES OF THE ISLAND OF GUERNSEY

ON THE 14th DAY OF DECEMBER 2005

The States resolved as follows concerning Billet d'État No XXII
dated 25th November, 2005

TREASURY AND RESOURCES DEPARTMENT

BUDGET OF THE STATES FOR 2006

I.- After consideration of the Budget Report dated the 1st November, 2005, of the Treasury and Resources Department: -

1. To note that no transfers will be made to the Capital and Contingency Reserves at the beginning of the financial year 2006.
2. To approve a transfer of £12.75m from the Capital Reserve to the Education Department's capital allocation with effect from 1 January 2006 for the purpose of funding the construction of a new Secondary School and new Special Education Needs Secondary School at Les Nicolles.
3. To approve the cash limits for ordinary expenditure for 2006 for individual Departments totalling £297,225,000 as set out in paragraph 4.5 of this Report.
4. To approve the additional capital allocations for individual Departments totalling £12,900,000 as set out in paragraph 4.7 of this Report.
5. To approve an increase of £500,000 in the revenue expenditure budget for 2005 of the Education Department - Higher & Advanced Education.
6. That the rates of excise duty in Guernsey and Alderney on the under mentioned goods be increased as follows:

Cigars and Cigarettes	£147.22 per kilogram
Hand rolling tobacco	£137.10 per kilogram
Other manufactured tobacco	£118.92 per kilogram
Tobacco leaf - unstemmed	£132.00 per kilogram
Tobacco leaf - stemmed	£133.33 per kilogram
Beer brewed by an independent small brewery	25p per litre
Other beer	39p per litre
Spirits not exceeding 5.5 per cent volume	29p per litre
Spirits exceeding 5.5 per cent volume but not exceeding 25.0 per cent volume	£4.16 per litre

Spirits exceeding 25.0 per cent volume but not exceeding 50.0 per cent volume	£5.53 per litre
Spirits exceeding 50.0 per cent volume	In the extra proportion to 50.0 per cent volume
Cider	39p per litre
Light wines not exceeding 5.5 per cent volume	29p per litre
Light wines exceeding 5.5 per cent volume but not exceeding 15 per cent volume (including sparkling wines)	£1.18 per litre
Other wines	£1.88 per litre

7. To approve the draft Ordinance entitled “The Excise Duties (Budget) Ordinance, 2005” and to direct that the same shall have effect as an Ordinance of the States.
8. To endorse the Treasury and Resources Department’s intention to conduct a review of the system of motor vehicle licences and motor spirit excise duties and to report back to the States with proposals as soon as practicable.
9. To authorise the Housing Department, with the approval of the Treasury and Resources Department, to transfer amounts, included those obtained by third party borrowings, between the various constituent parts of the Corporate Housing Programme and, specifically, to modify the use of the Housing Development and Loan Fund to permit this.
10. To establish a Restructuring and Reorganisation Fund by transferring £5m from the Contingency Reserve Fund with effect from 1 January 2006, and to give the Treasury and Resources Department delegated authority to approve expenditure from that Fund.
11.
 - (1) That, for the Year of Charge 2007 income tax shall be charged at the standard rate of 20p in the £.
 - (2)
 - (a) That, subject to the provisions of the Income Tax (Guernsey) Law, 1975 and to the provisions of this Proposition, the allowances claimable for the Year of Charge 2007 by an individual solely or principally resident in Guernsey by way of relief from income tax at the standard rate, shall be the allowances specified in the First Schedule to this Proposition.
 - (b) That the allowances specified in the First Schedule to this Proposition shall only be granted to an individual who has made a claim in accordance with the provisions of the Income Tax (Guernsey) Law, 1975, and who has proved that the conditions applicable to such allowances and prescribed in the Second Schedule to this Proposition have been fulfilled.

(c) That:

“Family Allowances” means Family Allowances payable under the Family Allowances (Guernsey) Laws, 1950 to 1976;

“the Income Tax (Guernsey) Law, 1975” means that Law as amended, extended or applied by or under any other enactment.

FIRST SCHEDULE

Year of Charge 2007

Allowances claimable by an individual solely or principally resident in Guernsey by way of relief from income tax at the standard rate.

<u>Nature of Allowance</u>	<u>Amount of Allowance</u>
1. Personal Allowance.	
(i) for married persons.	Tax at the standard rate on £16,500. Provided that the allowance shall be reduced by the sum of £1 for every pound of wife's earned income allowance granted.
(ii) for married persons where, at the commencement of the year of charge either he, or his wife living with him, was of the age of 64 years or over.	Tax at the standard rate on £18,000. Provided that the allowance shall be reduced by the sum of £1 for every pound of wife's earned income allowance granted.
(iii) for married persons where, at the commencement of the year of charge both he, and his wife living with him, were of the age of 64 years or over.	Tax at the standard rate on £19,500. Provided that the allowance shall be reduced by the sum of £1 for every pound of wife's earned income allowance granted.
(iv) for single persons.	Tax at the standard rate on £8,250.
(v) for single persons aged 64 years or over at the commencement of the year of charge.	Tax at the standard rate on £9,750.
2. Dependent Relative Allowance.	In respect of each dependent relative – tax at the standard rate on £2,640 or on the amount of the contributions whichever is less:

Provided that if the income of the dependent relative (exclusive of any contribution) exceeds £5,615 the allowance shall be reduced to tax at the standard rate on such sum as remains after subtracting from £2,640 the sum of £1 for every pound by which the dependent relative's income exceeds £5,615.

Provided further that if any Family Allowances are payable in respect of the dependent relative, the allowance shall be further reduced to tax at the standard rate on such sum as remains after subtracting from £2,640, or such lesser sum as remains after deducting from £2,640 the sum of £1 for every pound by which the dependent relative's income exceeds £5,615, the sum of £220 for every month in the year of charge for which such Family Allowances are payable.

3. **Infirm Person's Allowance.** Tax at the standard rate on £2,640.
4. **Housekeeper Allowance.** Tax at the standard rate on £2,640.
5. **Wife's Earned Income Allowance.** Tax at the standard rate on a sum equal to the amount of the claimant's wife's net qualifying income but not exceeding tax at the standard rate on £8,250.
6. **Life Assurance Allowance.** Tax at the standard rate on a sum equal to one-half of the allowable premiums or payments or deductions.
7. **Charge of Children Allowance.** Tax at the standard rate on £5,615.
8. **Retirement Annuity Allowance.** Tax at the standard rate on a sum equal to the qualifying premiums or contributions.

SECOND SCHEDULE

Conditions for the Year of Charge 2007 applicable to the allowances specified in the First Schedule

1. Personal Allowance

(1) The conditions to be fulfilled to entitle the claimant to the personal allowance are:-

(a) for married persons -

(i) that in the year of charge his wife is living with him or is wholly maintained by him; and

(ii) that in computing his assessable income for that year he is not entitled to make any reduction on account of any payment made for his wife's maintenance.

Provided that if any question arises as to whether a wife is or is not wholly maintained by her husband, the question shall be determined by reference to the financial circumstances of the wife.

(b) in other cases, that the conditions in paragraph (a) of this provision are not fulfilled.

2. Dependent Relative Allowance

A. (1) The conditions to be fulfilled to entitle a claimant to a dependent relative allowance in the case of a child receiving higher education are:-

(a) that the child in respect of whom an allowance is claimed -

(i) is the child of the claimant, or

(ii) is the illegitimate child of the claimant and in the year of charge is maintained by the claimant;

(b) that on the first day of August in the year of charge, the child is over the age of nineteen years and is, in that year of charge, receiving full-time instruction at any university, college, school or other educational establishment.

(2) The expression "child" shall include a stepchild, and a child who has been lawfully adopted shall be treated as the child of the individual by whom he has been so adopted and not as the child of the natural parent.

- (3) Where a man and a woman are cohabiting as husband and wife and either has a child in respect of whom a dependent relative allowance is claimable the man or woman as the case may be, and by a notice in writing addressed to the Administrator, may elect that, for the purposes of the said allowance, the child shall be treated as if it were the child of the cohabitee.
 - (4) In computing the amount of a child's income in his own right, no account shall be taken of any sum to which the child is entitled as the holder of a scholarship, bursary or other similar educational endowment.
 - (5) Where two or more persons jointly maintain or contribute towards the maintenance of any such person as aforesaid, the allowance shall be apportioned between them in proportion to the amount or value of their respective contributions towards the maintenance of that person.
- B. (1) The conditions to be fulfilled to entitle a claimant to a dependent relative allowance in any other case are:-
- (a) that the claimant at his own expense maintains or contributes towards the maintenance of a person being a relative of the claimant or of the claimant's spouse; and
 - (b) that the person so maintained is prevented by incapacity due to old age or infirmity from maintaining himself.
- (2) Where two or more persons jointly maintain or contribute towards the maintenance of any such person as aforesaid, the allowance shall be apportioned between them in proportion to the amount or value of their respective contributions towards the maintenance of that person.

3. Infirm Person's Allowance

- (1) The conditions to be fulfilled to entitle a claimant to an infirm person's allowance are:-
- (a) that the claimant is by reason of old age or infirmity or by reason of the old age or infirmity of the claimant's spouse compelled to maintain or employ an individual solely for the purpose of having care of the claimant or the claimant's spouse;
- Provided that the allowance shall not be granted by reason of infirmity unless throughout the year the claimant or the claimant's spouse was permanently incapacitated by physical or mental infirmity.*
- (b) if such an individual is a relative of the claimant or of the claimant's spouse and if the claimant is entitled to any other

allowance in the First Schedule in respect of that individual, that the claim has been relinquished.

- (2) Not more than one allowance shall be allowed to any claimant for any year.

4. Housekeeper Allowance

- (1) The conditions to be fulfilled to entitle the claimant to a housekeeper allowance are:-
 - (a) that the claimant is a widow or widower;
 - (b) that in the year of charge a person is employed or maintained by the claimant solely for the purpose of acting in the capacity of a housekeeper for the claimant;
 - (c) if such person is a relative of the claimant or of the claimant's deceased spouse and if the claimant is entitled to any other allowance in the First Schedule in respect of that person, that the claim has been relinquished.
- (2) A housekeeper allowance shall not be granted to any individual for any year in respect of more than one person.
- (3) A housekeeper allowance shall not be granted to any individual for any year if such individual is entitled for that year to a personal allowance for married persons, or to an infirm person's allowance.
- (4) "Housekeeper" means a person who is responsible by delegation for the management of the household, including arrangements for food, housekeeping expenditure and the care of linen and laundry.

5. Wife's Earned Income Allowance

- (1) The conditions to be fulfilled to entitle a claimant to a wife's earned income allowance are that the claimant is entitled to the personal allowance for married persons and that there is included in the claimant's assessable income some earned income arising or accruing to the claimant's wife.
- (2) "Earned income" has the meaning assigned to it by section 148 of the Income Tax (Guernsey) Law, 1975.

6. Life Assurance Allowance

- (1) The conditions to be fulfilled to entitle a claimant to an allowance in respect of life assurance are:-

- (a) that the claimant has effected an assurance on his own life or on the life of his wife; or
 - (b) that the claimant has contracted for a deferred annuity on his own life or on the life of his wife; or
 - (c) that the claimant is, under the provisions of any Law or under the terms or conditions of his employment, liable to the payment of any sum or to the deduction from his emoluments of any sum, for the purpose of securing a deferred annuity to his widow or provision for his children after his death not being a sum which may be claimed as an authorised deduction under the provisions of sub-section (3) of section 8 of the Income Tax (Guernsey) Law, 1975.
- (2) Subject to the provisions of the next succeeding paragraph the allowable premiums, payments or deductions shall be the amount of any premium paid, payments made or deductions suffered by the claimant in the year of charge in respect of any such assurance, contract or liability.
- (3) Notwithstanding the provisions of the preceding paragraph:-
- (a) No allowance shall be made in respect of any premium payments or deductions to the extent to which they exceed in the aggregate one-sixth of the assessable income of the claimant;
 - (b) No allowance shall be made in respect of any premium or other payment on any policy for securing a capital sum on death (whether in conjunction with any other benefit or not) to the extent that the premium or other payment exceeds an amount equal to seven per cent of the actual capital sum assured, and in calculating any such capital sum no account shall be taken of -
 - (i) any sum which is payable on the happening of any contingency other than death; or
 - (ii) the value of any premium agreed to be returned; or
 - (iii) any benefit by way of bonus, share of profits, or otherwise which is not the sum actually assured.
 - (c) No allowance shall -
 - (i) be made in respect of policies of insurance or contracts for deferred annuities except in respect of premiums payable on policies for securing a capital sum on death, whether in conjunction with any other benefit or not; or

- (ii) be made in respect of premiums payable during the period of deferment in respect of a policy of deferred assurance:

Provided that this sub-paragraph shall not affect premiums payable on policies or contracts made in connection with any bona fide pension scheme for the benefit of the employees of any employer or of persons engaged in a particular business or for the benefit of the wife or widow of any such employee or person or of his children or other dependants.

- (4) Where a premium is paid by a wife out of her separate income in respect of an insurance on her own life or the life of her husband or a contract for any deferred annuity on her own life or the life of her husband, the same allowance shall be given as if the premium were a premium paid by her husband for an insurance on his own life or for a contract for a deferred annuity on his own life and all the conditions to be fulfilled to entitle a claimant to an allowance in respect of life assurance and for the purpose of determining the amount of the allowable premium payments or deductions shall apply accordingly.

7. Charge of Children Allowance

- (1) The conditions to be fulfilled to entitle a claimant who is also entitled to the personal allowance for married persons to a charge of children allowance are:-
 - (a) that in the year of charge the claimant, or the claimant's spouse, is in receipt of Family Allowances in respect of one or more children, and
 - (b) that the claimant proves that throughout the year either he or his wife is totally incapacitated by physical or mental infirmity and that a person is maintained or employed by him for the purpose of having the charge and care of the child, and
 - (c) that neither the claimant nor any other individual is entitled to a dependent relative allowance in respect of the person so employed or maintained, or if he or any other individual is so entitled, that the claim has been relinquished.
- (2) The conditions to be fulfilled to entitle a claimant who is entitled to the personal allowance appropriate to persons other than married persons to a charge of children allowance are that in the year of charge:

- (a) the claimant is in receipt of Family Allowances in respect of one or more children, and
- (b) the claimant is not cohabiting with another person, except where -
 - (i) the claimant proves that throughout the year either he or his cohabitee is totally incapacitated by physical or mental infirmity, and that a third person is maintained or employed by him for the purpose of having the charge and care of the child, and
 - (ii) neither the claimant nor any other individual is entitled to a dependent relative allowance in respect of the person so employed or maintained or if he or any other individual is so entitled that the claim has been relinquished.

Provided that where the recipient of a family allowance is not entitled to claim the charge of children allowance because he is cohabiting with another person, he may, in respect of the year of charge, by notice in writing addressed to the Administrator elect that the whole, or any unused part of, the personal allowance to which he would otherwise be entitled shall cease to be his and shall become an additional personal allowance of the person with whom he is cohabiting, such election, once made, to be irrevocable in respect of that year of charge.

For the purposes of this paragraph "cohabiting" means living with another person as that person's husband or wife throughout the year of charge.

- (3) The claimant shall have relinquished any claim to a housekeeper allowance or to an infirm person's allowance for that year.
- (4) Where an individual is entitled to claim a dependent relative allowance in the case of a child receiving higher education he shall, for the purposes of the preceding paragraphs numbered (1) to (3), be treated as if he were in receipt of a Family Allowance in respect of the said child.

Provided that if there are two such individuals the charge of children allowance shall be apportioned between them in proportion to the amount or value of their respective contributions towards the maintenance of that child.

- (5) Not more than one allowance shall be granted to any claimant for any year.

**(Resolutions on Billet d'Etat XXII of 2005
Corrected pages 117 and 117A issued on 11th October 2007)**

8. Retirement Annuity Allowance

- (1) The conditions to be fulfilled to entitle a claimant to a retirement annuity allowance are that the claimant or his wife pays a premium or makes a contribution to a retirement annuity scheme or to a retirement annuity trust scheme approved under the provisions of section 157A of the Income Tax (Guernsey) Law, 1975 and that the claimant or his wife as appropriate is in receipt of relevant earnings.
- (2)
 - (a) Subject to the provisions of the next succeeding paragraph the qualifying premiums or contributions, as the case may be, shall be the amount of any premium paid or contribution made by the claimant or his wife during the year of computation of the relevant earnings of the claimant or his wife assessable for the year of charge.
 - (b) The expression "relevant earnings" in relation to any individual has the meaning assigned to it by sub-section (9) of section 157A of the Income Tax (Guernsey) Law, 1975.
- (3) Notwithstanding the provisions of the preceding paragraph no allowance shall be given in respect of any qualifying premiums or contributions to the extent that, in aggregate, they exceed an amount equal to fifteen per cent of the relevant earnings of the claimant or the claimant's wife, as the case may be, or 25% of those earnings if the claimant, or the claimant's wife as the case may be, is aged 40 or over at any time during the year of computation referred to in subparagraph (a) of the preceding paragraph and is not also a member of an occupational pension scheme approved under section 150 or a scheme which is deemed to be such a scheme for the purposes of section 153 of the Income Tax (Guernsey) Law, 1975.

Provided that if an individual has contributed to a pension scheme approved under section 150 of the Income Tax (Guernsey) Law, 1975, or a States scheme or a Statutory scheme, during the year of computation referred to in subparagraph (a) of the preceding paragraph, and the aggregate of his contributions to that scheme and the aforesaid premium or contributions exceed fifteen per cent of the income of the individual from any office or employment held or exercised by him, the qualifying premium or contributions shall be reduced by the amount of that excess.
- (4) For the purposes of this allowance the relevant earnings of a wife shall be treated separately from the relevant earnings of her husband, notwithstanding that her income would otherwise be treated as his income.

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**(Resolutions on Billet d'Etat XXII of 2005
Corrected pages 117 and 117A issued on 11th October 2007)**

- II. To approve the following Revenue Expenditure Budgets and, where appropriate, Capital Expenditure Budgets, for the year 2006: -
1. Policy Council
 2. Treasury and Resources Department
 3. Commerce and Employment Department
 4. Culture and Leisure Department
 5. Education Department
 6. Environment Department
 7. Health and Social Services Department
 8. Home Department
 9. Housing Department
 10. Public Services Department
 11. Social Security Department
- III. To approve the Budgets for 2006 and Probable Outturns for 2005 for the following: -
1. Alderney Airport
 2. Beau Sejour Centre
 3. Ports
 4. States Dairy
 5. Guernsey Water
 6. States Works
- IV. To note the Budget for 2006 of the States of Alderney.

S. M. D. ROSS
HER MAJESTY'S DEPUTY GREFFIER