

THE STATES OF DELIBERATION
of the
ISLAND OF GUERNSEY

6th November, 2018

Proposition No. P.2018/108

Policy & Resources Committee

The States of Guernsey Annual Budget for 2019

AMENDMENT

Proposed by: Deputy J. S. Merrett

Seconded by: Deputy E. A. Yerby

1. In Proposition 26, in the First Schedule:
 - (a) in section 1 of the table ("Personal Allowance") for "£11,000" substitute "£11,500";
 - (b) in section 2 of the table ("Age-related Allowance") for "450" substitute "£0".
2. In Proposition 16:
 - (a) for "£100,000" substitute "£90,000"; and
 - (b) for "decelerating the withdrawal ratio to £1 for every £5" substitute "with a withdrawal ratio of £1 for every £3".
3. In Proposition 26, in paragraph (iii) of the First Schedule, for "a ratio of £1 of allowances and withdrawable deductions for every £5" substitute "a ratio of £1 of allowances and withdrawable deductions for every £3".
4. In Proposition 17:
 - (a) for "£130,000" substitute "£145,000"; and
 - (b) for "£260,000" substitute "£290,000".
5. In Proposition 7, for "£12.9 million" substitute "£11.05 million".

Explanatory Note

The purpose of this amendment is to raise the Personal Allowance to £11,500 rather than the £11,000 currently proposed. At this rate, the Personal Allowance will exceed the Age-Related

Allowance, and so there is no additional uplift for age. Officers at the Policy & Resources Committee estimate that this change would cost £4.5m in 2019.

In order to fund this change, this amendment proposes that the threshold for withdrawing personal allowances is reduced to £90,000 (rather than £100,000) and the withdrawal rate remains £1 in every £3. P&R officers estimate that this would generate £2.2m additional income in 2019 (reducing the net cost of the change to £2.3m).

The amendment also proposes to increase the tax cap to £145,000 (rather than £130,000). P&R officers estimate that this would generate £0.45m in additional income in 2019 (reducing the net cost to £1.85m in conjunction with the other measures above).

Finally, the amendment proposes to reduce the amount allocated to the Core Investment Reserve from the 2017 Surplus from £12.9m to £11.05m in order to fund the remaining additional cost in respect of this change.

The amendment will enable islanders on lower incomes, who haven't seen the same kind of growth in their incomes that we've seen reflected in Guernsey's GDP, to enjoy a little more of the benefit of the island's financial position. Guernsey's personal allowance remains lower than those of Jersey, the Isle of Man and the UK, but these changes would at least make us a little more attractive to working people (e.g. in health, hospitality etc) who don't enjoy high wages but who are essential to the flourishing of the island.

This amendment is one of a pair: this one proposes to raise the personal allowance to £11,500 with compensating measures, while the other (which is our preference) would raise it to £12,000 with compensating measures.