

**IN THE STATES OF THE ISLAND OF GUERNSEY**

**ON THE 30TH DAY OF JUNE, 2006**

The States resolved as follows concerning Billet d'État No. XI  
dated 26th May, 2006

**POLICY COUNCIL**

**FUTURE ECONOMIC AND TAXATION STRATEGY**

After consideration of the Report dated 8<sup>th</sup> May, 2006, of the Policy Council:-

1. That from 1<sup>st</sup> January, 2008, the basic rate of income tax on company profits shall be 0%.
2. That only a limited amount of regulated business (ie specific banking activities) shall be subject to income tax at 10%.
3. That trading activities regulated by the Office of Utility Regulation shall be subject to income tax at 20%.
4. That resident individuals shall continue to pay income tax at 20% on assessable income.
5. That Guernsey resident shareholders shall be taxed at 20% on their distributed profits and on all rental and investment income but with effective anti-avoidance measures including deemed distribution in certain circumstances.
6. That individual taxpayers shall be liable to the standard rate on their investment and non-Guernsey trading income up to a defined income ceiling with a maximum tax payable of £250,000 on any individual's income from such sources.
7. That "wealth taxes" such as inheritance and capital gains taxes shall not be introduced.
8. That the rates of existing indirect taxes shall be increased, in particular duties on alcohol, tobacco and motoring, and Tax on Rateable Values, in line with the contents of that Report.
9. That the General Revenue grant to social security shall be reduced from 1<sup>st</sup> January, 2008, by increasing the rate of employers contribution by 1% and

increasing the Upper Earnings Limit for employers to the equivalent of £100,000, and for self-employed, non-employed and employees to the equivalent of £60,000.

10. That General Revenue shall continue to fully fund the non-contributory elements of the present social security system (Family Allowances, Supplementary Benefit etc).
11. That up to half of the Contingency Reserve (interest and capital) may be used to fund the shortfall in public sector expenditure during a transitional phase.
12. That income tax relief on interest payable and life assurance policies shall be revised in accordance with the proposals set out in that Report.
13. To direct the Treasury and Resources Department to investigate a system of goods and services tax, including that introduced by the States of Jersey, and to direct the preparation of the necessary enabling legislation.
14. To direct the Treasury and Resources Department to take account of the above proposals when bringing forward recommendations as part of that Department's 2007 and future Budget Reports.
15. To direct the Social Security Department to take account of the above proposals when bringing forward recommendations as part of that Department's Reports on Benefit and Contribution Rates for 2007 and future years.
16. To direct the preparation of such legislation as may be necessary to give effect to their above decisions.
17. To direct the Policy Council to afford a high degree of priority to the identification of initiatives (including possible public/private sector partnerships) which are favourable to the development and/or revival of economic sectors other than the financial services sector, and to bring before the States practical proposals which, to some degree, will redress the current imbalance in the Island's economic base.

S. M. D. ROSS

HER MAJESTY'S DEPUTY GREFFIER