

**IN THE STATES OF THE ISLAND OF GUERNSEY
ON THE 8TH DAY OF APRIL, 2015**

(Adjourned from 24th March 2015)

**The States resolved as follows concerning Billet d'État No IV
dated 2nd February 2015**

**TREASURY AND RESOURCES DEPARTMENT &
SOCIAL SECURITY DEPARTMENT**

**PLANNING A SUSTAINABLE FUTURE –
THE PERSONAL TAX, PENSIONS AND BENEFITS REVIEW**

- I.- After consideration of the Report dated 15th January, 2015, of the Treasury and Resources Department and the Social Security Department:-
1. To agree that, in order to ensure that public services can continue to be delivered economically and sustainably in the long term, ongoing changes in the demographic make-up of the populations of Guernsey and Alderney require the adoption of a package of measures in relation to the tax and benefits systems.
 2. To agree that any changes made to the personal tax system as a result of the approval of the Propositions 4 to 41 below, including any transitional arrangements, should be completed no later than January 2025 unless otherwise agreed.
 3. To direct the Treasury and Resources Department and Social Security Department to co-ordinate their actions and report annually to the States on the transitional measures required as a result of the approval of Propositions 4 to 41 to ensure that any groups of people disadvantaged by the measures agreed are adequately protected throughout the transition period detailed in paragraphs 6.1.1 to 6.1.7 of that Report.
 4. To direct the Policy Council to review the impact of population policy on the States Strategic Plan Statement of Aims and report back to the States of Deliberation with its findings no later than July 2018.
 5. To direct the Treasury and Resources Department and Social Security Department, when making recommendations for changes in tax and benefits during the transitional period as detailed in paragraph 6.1.1 to 6.1.7 of that Report, to have regard to the numbers of people resident in Guernsey and Alderney, their demographic make-up and their level of economic activity and ability to pay.
 6. To amend the Fiscal Framework to place an upper limit on aggregate government income, incorporating General Revenue, Social Security contributions and fees and charges, such that total government income should not exceed 28% of Gross Domestic Product.

7. To direct the Social Security Department, in consultation with the Treasury and Resources Department, to present to the States of Deliberation for approval a report or reports outlining policies to ensure adequate personal or workplace pension provision in Guernsey and Alderney covering the following parameters:
 - the enhanced take up of private pension schemes;
 - the creation of a pension scheme designed to capture those not currently making personal provision (outside of the existing statutory old-age pension scheme);
 - the enhancement of incentives for contribution to a private pension scheme through the tax system;
 - the feasibility of devising a scheme whereby pensioners may, if they so wish, invest their pensions in a fund tracking the performance of the capital funds managed on behalf of the States of Guernsey.
8. To agree that any additional pension scheme adopted as a result of Proposition 7 be made available to contributors no later than January 2020.
9. To agree that long-term planning for statutory old-age pension provision be designed to maintain a buffer of at least two years of expenditure within the Guernsey Insurance Fund.
- 10–12. To direct the Social Security Department to include in the 2015 uprating report the advantages, disadvantages and financial consequences of adopting a policy of uprating pensions annually at the midway point between increases in median earnings and increases in prices.
13. To agree that the age at which an individual is entitled to claim their statutory old-age pension should be increased from 65 to 70 years, such increase to commence in 2020 at a rate of 2 months per year to reach age 70 in 2049.
14. That the States' Resolution dated 31st July 2009 (Billet d'État XXI, July 2009) stating "That pension age shall gradually be increased to 67 through increases of 2 months per year, starting in 2020" be rescinded.
15. To direct the Social Security Department, in consultation with all other relevant departments, to investigate measures aimed at supporting longer working lives and assisting older people who wish to work to remain in the workforce, and to report to the States of Deliberation with its findings no later than December 2017.
16. To direct the Social Security Department to bring into effect as soon as possible the various parental benefits as described in resolutions VI.10a to 10d of Billet d'État IV 2012, either by the levying of an additional 0.1% on employee social security contributions and an additional 0.1% on employer social security contributions, or by any other means deemed desirable and appropriate by the Department, in order to achieve the objective of implementation of the said resolutions, independent of other

pension and benefit considerations, and to report to the States on the progress that has been made towards such implementation, including timescales, in their 2015 annual uprating report.

17. To acknowledge that the present model of provision of long-term residential and nursing care for older people is financially unsustainable and to direct that the Policy Council give consideration to the suggestions outlined in paragraphs 5.2.42 to 5.2.48 of that Report, when reporting to the States of Deliberation on a Supported Living and Ageing Well Strategy.
18. To direct the Policy Council to ensure that the outputs of the Supported Living and Ageing Well Strategy can be achieved within the financial limitation set out by the Fiscal Framework and any extension of those limitations to incorporate income from Social Security contributions agreed by the States of Deliberation's approval of proposition 6.
19. To note that, in the opinion of the Treasury & Resources Department and the Social Security Department, between 2016 and 2025 the payment of a universal Family Allowance under the Family Allowances (Guernsey) Law, 1950, should be phased out through gradual reductions in the amount paid having regard to the increases in personal tax allowances as outlined in Proposition 27 below.
20. To note that in the opinion of the Treasury & Resources Department and the Social Security Department the universal exemption from prescription charges for those over the age of 64 should be phased out by 2020.
21. To note that in the opinion of the Treasury & Resources Department and the Social Security Department from 2016 a nominal fee should be introduced for prescriptions of up to £1 per item for all those currently exempt from prescription charges, but to direct the Social Security Department to reflect on the views expressed on this matter during debate of this Report before presenting to the States a firm proposal in its annual uprating report in October 2015.
22. To note that in the opinion of the Treasury & Resources Department and the Social Security Department prescription charges should increase to £4.40 per item in 2016 and thereafter be reviewed annually, but to direct the Social Security Department to reflect on the views expressed on this matter during debate of this Report before presenting to the States a firm proposal in its annual uprating report in October 2015.
23. To note that in the opinion of the Treasury & Resources Department and the Social Security Department the provision of free TV licences for those over the age of 74 and those over the age of 64 claiming Supplementary Benefit should be phased out by closing the scheme to new members in 2016 and closing the scheme to all by 2020.
24. To note that in the opinion of the Treasury & Resources Department and the Social Security Department the Health Benefit grant for primary care appointments should be phased out by 2025.

- 24A. To direct the Treasury & Resources Department and the Social Security Department to reflect on the views expressed during debate of this Report before presenting to the States any firm proposals on the matters dealt with by Propositions 19, 20, 23 and 24, and to outline the mitigating actions to be taken in respect of any group of people disadvantaged by those proposals.
25. To direct that the Social Welfare Benefit Investigation Committee ensures that the outputs of its review of social welfare benefits complies with the Fiscal Framework and any extension of these limitations agreed by the States of Deliberation's approval of Proposition 6.
26. To acknowledge that there are risks and challenges associated with the States' considerable reliance – by international standards – on direct personal taxes and social insurance contributions; and to agree in principle that it would be advantageous to diversify sources of States' income in ways which take account of the principle of 'ability to pay'.
27. To agree between 2015 and 2025, and subject to approval and implementation of the measures set out in Propositions 28 to 39 below, to phase in increases in personal tax allowances to no more than £17,500 (at 2015 prices), the level of phasing having regard to the effect of the other measures introduced as a result of the States of Deliberation's approval of these Propositions, and direct the Treasury and Resources Department to bring forward proposals to effect this in their annual Budget Reports.
- 27A. To direct the Treasury & Resources Department, in conjunction with any decision to increase personal tax allowances along the lines set out in Proposition 27, to report to the States with detailed proposals to remove the universality of personal tax allowances and instead to introduce a scheme which provides for personal tax allowances to be withdrawn gradually as a person's income increases up to the point where a person whose income exceeds a certain amount receives no personal tax allowance.
28. To agree to phase out the relief provided on mortgage interest in respect of principal private residences by 2025, with the phased withdrawal of Mortgage Interest Relief to be achieved by reducing the cap on interest deductible and that the withdrawal should broadly follow the schedule provided in Appendix 8d, and direct the Treasury and Resources Department to bring forward proposals to effect this in its annual Budget Reports.
29. To agree to freeze the personal tax allowance provided to those over the age of 64 until such time as the personal tax allowance for those under the age of 65 reaches the same level and thereafter that the personal tax allowance for all tax payers should be the same, and direct the Treasury and Resources Department to bring forward proposals to effect this in its annual Budget Reports.

30. TO NEGATIVE THE PROPOSITION to move towards a system of independent taxation in which all tax payers are treated as individuals, by removing the ability to transfer tax allowances between married couples or couples with children, with each tax payer being assessed on an individual basis, and direct the Treasury and Resources Department to bring forward proposals to effect this in its annual Budget Reports.

AND CONSEQUENTIALLY Propositions 31 and 32 fell.

AND THE STATES RESOLVED

33. To direct the Social Security Department to review the assessment of Social Security contributions to ensure that the treatment of contributors in different contribution classes is equitable; such review to have particular regard to the upper earnings limit on contributions, the rates charged for self-employed and non-employed contributors and the definition of income used in the assessment of contributions for non-employed contributors.
- 33A. To direct the Social Security and Treasury and Resources Departments to investigate options to make the tax and social security system as a whole more progressive, through the withdrawal of personal tax allowances (such investigation to include consideration of the interaction with the upper earnings limit on Social Security contributions in order to avoid high marginal rates of taxation) and to report to the States with their findings no later than June 2017.
34. To direct that, subject to the implementation of suitable administrative systems and suitable alternative sources of revenue, the Social Security Department further investigates a restructuring of Social Security contributions to apply an allowance for employed and self-employed individuals, such investigation to have regard to the findings of the report as described in Proposition 27A in relation to high earners.
35. To direct the Treasury and Resources Department to revise the grant paid to the Social Insurance Fund to compensate for the revenue lost to the Social Security funds if an allowance is introduced for employed and self-employed individuals.
36. To direct that, as part of the annual Budget Report, the Treasury and Resources Department increases the rates of domestic Tax on Real Property by no more than 7.5% per annum in real terms between 2016 and 2025.
37. To direct the Treasury and Resources Department to review the structure of Document Duty as part of the ongoing budgetary process.

38. To agree that the States shall not introduce a broad-based consumption tax as described in that Report.
- 38A. To direct the Treasury and Resources Department, after consultation with the Environment Department, Social Security Department, Commerce and Employment Department and Policy Council as appropriate, to lay before the States no later than March 2016 proposals to diversify the tax base by introducing or increasing environmental taxes, and to agree that a comprehensive energy efficiency programme to assist in mitigating any possible regressive effects of such taxes on low income households should form an integral part of such diversification.
39. To direct the Treasury and Resources Department, having due regard for the need to provide a stable platform, maintain business confidence, support and encourage financial services and to retain an internationally acceptable and competitive tax environment for the islands' businesses, to continue to closely monitor the appropriateness of the corporate tax regime, and to report back to the States should it consider any changes are necessary.
- 39A. To direct the Policy Council to have particular regard, as appropriate, to linking the further research and actions arising from this report to the extant review of the financial relationship between Guernsey and Alderney, and to the outcomes of that review when it is considered by the States of Deliberation.
40. To direct the Treasury and Resources Department to have regard to the resource implications arising from the approval of these Propositions when recommending annual revenue allocations for the departments charged with undertaking further investigations.
41. To direct the preparation of such legislation that may be necessary so as to give effect to the above decisions.

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