

STATES OF DELIBERATION

24th March, 2015

Billet d'État No. IV

Article 1

AMENDMENT

Proposed by: Deputy G A St Pier

Seconded by: Deputy A H Langlois

Treasury & Resources Department & Social Security Department – Planning a Sustainable Future – The Personal Tax, Pensions and Benefits Review

1. In Proposition 1, to delete “, as put forward in that Report”.
2. To delete Propositions 19 to 24 and replace them with the following:

“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.

Explanatory Note

Feedback from various quarters has raised concerns that the Module 3 proposals are recommending the replacement of universal benefits by more targeted provision within defined timescales, without the compensatory actions through the transitional arrangements having been fully specified or their timescales for implementation as explicitly defined.

While the two departments draw attention to the commitment set out in Proposition 3 of the Report, they are now of the opinion that it would be appropriate to establish the views of the States on the matters covered by the Module 3 propositions before any firm decisions are made.

This amendment will also require the Treasury and Resources and Social Security Departments to outline any mitigating actions deemed necessary as part of subsequent proposals laid before the States, regarding the matters covered by the Module 3 propositions.

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Proposed by: Deputy R Conder
Seconded by: Deputy M H Dorey

**Treasury & Resources Department & Social Security Department –
Planning a Sustainable Future – The Personal Tax, Pensions and Benefits Review**

To delete Propositions 38 and 26 and substitute therefor:

- "38. To agree that the States shall not introduce a broad-based consumption tax as described in that Report."
- "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'."

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Proposed by: Deputy C J Green
Seconded by: Deputy BL Brehaut

**Treasury & Resources Department & Social Security Department –
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To add a Proposition as follows:

"42. To direct that the further work to be undertaken in relation to the personal tax, pensions and benefits review shall include an examination of the merits of introducing a 'luxury goods tax' on the purchase of inessential goods and services; and to direct the Treasury and Resources Department to report its findings to the States by no later than the end of 2016."

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Proposed by: Deputy M H Dorey
Seconded by: Deputy Laurie B Queripel

Treasury & Resources Department & Social Security Department – Planning a Sustainable Future – The Personal Tax, Pensions and Benefits Review

To replace Proposition 4 as follows:

“4. To agree that:

- a) at their May 2015 meeting and in accordance with Rule 18 of the Rules relating to the Constitution and Operation of States Departments and Committees the States shall form the Population Policy Investigation Committee as a Special States Committee;
- b) the membership of that Committee shall comprise seven members of the States as follows:
 - i) A Chairman elected by the States who shall not be a member of the Commerce and Employment, Social Security, Environment or Housing Departments;
 - ii) 1 member of the Commerce and Employment Department determined by that Department;
 - iii) 1 member of the Social Security Department determined by that Department;
 - iv) 1 member of the Environment Department determined by that Department;
 - v) 1 member of the Housing Department determined by that Department;
 - vi) 2 other members elected by the States who shall not be a member of the Commerce and Employment, Social Security, Environment or Housing Departments;
- c) the mandate of that Committee shall be to review current population policy and a range of possible replacement population policies against the States Strategic Plan Statement of Aims; and to report to the States with recommendations to either continue the current policy or with any changes which they consider necessary by no later than July 2018.
- d) during the course of its deliberations that Committee shall consult with all relevant States' Committees, States' members and the general public.

Explanatory Note

The Statement of Aims in the current States Strategic Plan reads:

“The government of Guernsey aims to protect and improve:

- The quality of life of Islanders.
- The Island's economic future.
- The Island's environment, unique cultural identity and rich heritage.”

The current population policy which was agreed by the States in March 2007 is:

‘States policies should be consistent with maintaining Guernsey's population at approximately its current level.’

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Proposed by: Deputy Heidi JR Soulsby

Seconded by: Deputy Al H Brouard

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To add to the end of proposition 5:

“and ability to pay”.

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Proposed by: Deputy M J Fallaize

Seconded by: Deputy C J Green

**Treasury & Resources Department & Social Security Department –
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To delete Propositions 6, 18 and 25 and substitute therefor:

- "6. To agree not to incorporate in a States' Resolution an upper or lower limit on aggregate States' income or expenditure in relation to Gross Domestic Product."
- "18. To direct the committee or committees of the States preparing the Supported Living and Ageing Well Strategy to ensure that any proposals made in connection with the Strategy have due regard to the fiscal and social policies and responsibilities of the States."
- "25. To note that the mandate of the Social Welfare Benefits Investigation Committee already requires it "to develop a single, comprehensive social welfare benefits model...which single, comprehensive model shall be capable of fulfilling and balancing the social and fiscal objectives of the States."

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Proposed by: Deputy M H Dorey
Seconded by: Deputy A R Le Lievre

**Treasury & Resources Department & Social Security Department –
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To delete Proposition 10, 11 and 12 and substitute therefor:

- "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."

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Proposed by: Deputy Y Burford

Seconded by: Deputy C J Green

Treasury and Resources Department & Social Security Department**Planning a Sustainable Future – The Personal Tax, Pensions and Benefits Review**

To delete proposition 16 and substitute the following:

"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'Etat 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."

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Proposed by: Deputy Heidi JR Soulsby

Seconded by: Deputy Richard Conder

**Treasury & Resources Department & Social Security Department –
Planning a Sustainable Future – The Personal Tax, Pensions and Benefits Review**

To insert a new Proposition between propositions 27 and 28 as follows:

“27B. To direct the Treasury & Resources Department to investigate the implications of, and proposals, if appropriate, for, the introduction of a progressive system of income tax with lower tax bands being applied to lower earners and higher tax bands being applied to higher earners and to report no later than 2016.”

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Proposed by: Deputy C J Green
Seconded by: Deputy A R Le Lievre

**Planning a Sustainable Future –
The Personal Tax, Pensions and Benefits Review**

To insert a new Proposition 27A between Propositions 27 and 28 as follows:

“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.”

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Proposed by: Deputy Heidi JR Soulsby

Seconded by: Deputy Christopher J Green

**Treasury & Resources Department & Social Security Department –
Planning a Sustainable Future – The Personal Tax, Pensions and Benefits Review**

To add the following to proposition 34:

“, such investigation to have regard to the findings of the report as described in Proposition 27A in relation to high earners”.

Explanatory Note

This amendment will only be laid if the Amendment proposed by Deputy Green and seconded by Deputy Le Lievre, in relation to the phasing out of personal allowances for high earners, is passed.

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Proposed by: Deputy R Conder
Seconded by: Deputy A R Le Lievre

**Treasury & Resources Department & Social Security Department –
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In Proposition 28, to replace the year “2025” with the year “2035” and to delete the words “and that the withdrawal should broadly follow the schedule provided in Appendix 8d”.

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Proposed by: Deputy M H Dorey
Seconded by: Deputy M J Fallaize

**Treasury & Resources Department & Social Security Department –
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In Proposition 37, to delete "as part of the ongoing budgetary process" and substitute ", and to include in that review consideration of its abolition or reduction and replacement with increases to Tax on Real Property; and further to direct that Department to report to the States as expeditiously as possible with appropriate recommendations, having first analysed the likely effect of such changes on the property market".

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Proposed by: Deputy Y Burford

Seconded by: Deputy S J Ogier

Treasury and Resources Department & Social Security Department

Planning a Sustainable Future – The Personal Tax, Pensions and Benefits Review

To insert the following proposition between Propositions 38 and 39:

"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."

Explanatory note

Environmental taxes currently make up approximately 2.9% of the total tax and social contributions income. For comparison, the EU average is 6.2% with some countries at 10%. The substitution of environmental taxes for other taxes would assist the stated aim of diversifying the tax base. The mildly regressive impact of a carbon tax or similar could be compensated for by a comprehensive energy efficiency programme which would reduce energy consumption, improve the housing stock and address health issues resulting from poorly insulated and under-heated homes.

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Proposed by: Alderney Representative L. E. Jean
Seconded by: Alderney Representative G. Mc Kinley

Treasury and Resources Department & Social Security Department – Planning a Sustainable Future – The Personal Tax, Pensions and Benefits Review.

To insert a new Proposition between Propositions 39 and 40 as follows:

“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.”.

Explanatory Note

It is important to ensure that the complex inter-linked work on personal tax, pensions and benefits in Alderney takes account of the outcomes from the current review of the financial relationship between Guernsey and Alderney, which is due to be considered by the States of Deliberation early in 2016.

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Proposed by: Deputy L S Trott
Seconded by: Deputy D B Jones

Treasury & Resources Department & Social Security Department – Planning a Sustainable Future – The Personal Tax, Pensions and Benefits Review

To insert an additional proposition between Propositions 33 and 34 as follows:

“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.”.

Explanatory note

Our upper earnings limit on Social Security Contributions is exceptionally high when compared to our closest neighbours. In order to ensure that very high marginal rates and levels of taxation do not result, it is essential that Social Security contribution rates are considered conterminously.

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Proposed by: Deputy Laurie B Queripel

Seconded by: Deputy Lester C Queripel

Treasury & Resources Department & Social Security Department – Planning a Sustainable Future – Personal Tax, Pensions and Benefits Review

1. To delete Proposition 13 and substitute:

“13. To direct the Social Security Department to investigate options for securing the sustainability of the Social Insurance Fund without increasing the age at which an individual is entitled to claim statutory old-age pension beyond 67, and to report back to the States with their recommendations as soon as possible.”

2. To delete Proposition 14.