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14 November 2023

Dear Mr Field,

Consultation on proposal to introduce a Government Levy

The Committee *for* Economic Development would like to undertake a high-level consultation on Amendment 18 to the States of Guernsey Budget 2024. The amendment is appended to this letter and seeks to raise additional revenue, above that agreed in the Funding & Investment Plan debate in October, for the purposes of helping members make the decision to progress the funding for the Transforming Education Programme.

The revenue raising agreed by the States in October assumed an additional £5m from the corporate sector, largely from the introduction of a corporate levy. The proposal in the amendment is to increase the revenue raising to be achieved through a corporate levy by a further £5m. The Policy & Resources Committee is leading on this work through its Tax Sub Committee which is preparing a detailed consultation document on the matter which is expected to be released early in the new year.

At the present time, the fees collected through the Guernsey Registry through Annual Validation (AV) fees are effectively a hybrid between cost recovery and a contribution to the cost of delivering services. The consultation will look at disaggregating this so that there is a clear fee structure for Registry services alongside a separate government levy which would be collected at the same time. This is akin to the system in place in Jersey.

Based on the information provided by Deputy Kazantseva-Miller, proposer of the amendment, the levy could in-principle mirror the Annual Validation fee process in terms of the type of corporate entities targeted as well as the flat-fee bands.

Raising £5m through this process would imply a new levy equivalent to about 50% of the current AV fee for the different company categories. Raising a larger amount - £10m – would be the equivalent of levying a similar amount to the current level of the AV fee.

Table 1 shows that the majority of companies in Guernsey (80%) pay between £250 and £500 in AV fees each year. Local trading businesses such as plumbers, electricians and retailers pay £250. Raising £5m in additional revenue would see £125 being levied on businesses in that category.

Table 1. Guernsey Annual Validation fee bands and possible levels of an additional government levy to raise £5m or £10m in revenue.

				Column A	Column B
	Annual Validation fee (£)	Approx. number of companies	% of total number	Government levy if raising £5m (£)	Government levy if raising £10m (£)
Local trading businesses	250	4,500	22%	125	250
Companies administered by fiduciary	500	11,000	54%	250	500
GFSC Licensed, authorised, or registered	1000	850	4%	500	1000
Licensed insurers, open/closed ended funds, GFSC secondary companies	500	800	4%	250	500
GCRA regulated companies	1000	6	0.03%	500	1000
LP's	500	2,800	14%	250	500
LLPs	500	130	0.6%	250	500
Non-Profit Organisations	100	84	0.4%	0	0
Foundations	500	100	0.5%	250	500

Amendment 18 directs that proposals for the levy should be brought back to the States as part of the 2025 budget. This will allow for the proposals to be fully thought through and the detailed consultation to be completed. The development of the proposals would consider the levy amount for the different company categories; whether some categories should be excluded from the levy (such as non-profit organisations and charities); the scope and impact of the revenue raising; the phasing of the levy and the process of collection.

In the meantime, the Committee would like to seek your organisation's high-level feedback on this amendment and, **in particular, on the Government levy concept and proposals as set out in columns A and B of Table 1.** The Committee is interested in your organisation's views on the levy proposal in general but also in relation to any risks it might raise, such as in relation to the Bailiwick's competitive position and/or the risk to the Bailiwick of losing business to competitor jurisdictions.

This amendment was laid in the context of the Assembly's lack of decision to fund the Transforming Education Programme in October. Deputies have received various representations from industry about the importance of investing in education, especially in relation to progressing the build of The Guernsey Institute. The Committee also shares responsibility with the Committee *for* Education, Sport & Culture over the development of a skills strategy, which we are expecting to be funded through the Government Work Plan.

The Committee would like to receive responses **by close of business on Monday 20th November at the latest.** We appreciate that this is a short deadline, but the Committee would value receiving your organisation's feedback on the proposal set out in Amendment 18 in time to inform the debate, which has been adjourned to Wednesday 22nd November 2023. Please e-mail your organisation's response to economicdevelopment@gov.gg

Yours sincerely,



Deputy Neil Inder
President

Encs

THE STATES OF DELIBERATION
of the
ISLAND OF GUERNSEY

7th November, 2023

Proposition No. P.2023/114

Policy & Resources Committee

The States of Guernsey Annual Budget for 2024

MOTION UNDER ARTICLE 7(1) OF THE REFORM (GUERNSEY) LAW, 1948

Proposed by: Deputy S Kazantseva-Miller

Seconded by: Deputy R C Murray

To suspend Rule 24(2) of the Rules of Procedure of the States of Deliberation and their Committees to the extent necessary to permit the amendment below to be debated.

AMENDMENT

Proposed by: Deputy S Kazantseva-Miller

Seconded by: Deputy R C Murray

To insert a new Proposition as follows:-

“25. To agree:

- a) that the scope for increasing revenue from the corporate sector through a levy or other measures should be increased from £5m per annum as approved by the States through the Funding & Investment Plan in October 2023 to £10m; bringing the total Core revenue raising and savings package to £40m and to direct the Policy & Resources Committee to include the development of such proposals as part of the 2025 Budget;
- b) that completion of the Transforming Education Programme (Post-16 Campus at Les Ozouets, secondary school transformation and TGI Digital) at an estimated cost of £111m shall be added to the agreed capital investment portfolio for the remainder of this term, and the level of contingency reduced to £20m, taking the total portfolio value to £441m;
- c) to reaffirm the authority granted to the Policy & Resource Committee in Resolution 16 on item 1, entitled “Government Work Plan 2021-2025, 2021/71” of Billet d’Etat No. XV dated 21st June 2021, to take out new borrowing to a maximum of £200m.

Rule 4(1) Information

- (a) The propositions contribute to the States' objectives and policy plans by enabling the progress of the Government Work Plan priorities in relation to Education and State's financial position.
- b) In preparing the proposition consultation has taken place with the Policy and Resources Committee, the Committee for Education, Sport and Culture and the President of the Committee for Economic Development.
- c) The proposition has been submitted to His Majesty's Procureur for advice on any legal or constitutional implications.
- d) The financial implications to the States of carrying the proposal into effect would be to improve the revenue position of the States by circa £5m per annum and increase the size of the capital portfolio in this term funded through borrowing as set out in the Funding & Investment Plan policy letter (Billet d'État XVII 2023).

Explanatory note

This amendment seeks to secure the funding decision to progress the Transforming Education Program this political term by improving the financial position of the States to help members make the decision to enable the required borrowing by increasing revenue raising scope from the corporate sector by £5m. This will increase the total core revenue raising and savings package approved at the Funding & Investment Plan debate in October 2023 from £35m to £40m.

This increase will be delivered through a further increase in the scope of revenue raising measures from the corporate sector such as a levy and other measures from £5m to £10m in total.

The E&Y report commissioned by the Policy and Resources Committee as part of the research on tax options scoped the ability of a levy mechanism to raise up to £20m in revenue per year without negative behavioural effects that other changes to the corporate tax system may present.

Investment into education and skills is critical for the success of any economy and business. The increase in revenue raising from the corporate sector will be an enabler to progress this critical investment into Education as part of the States' plans for Transforming Education Program and the wider investment and policy development into the Skills and Human Capital Development Plan and improving workforce participation included in the Government Work Plan.