

'Twin-track' work continues on tax reform ahead of summer debate

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The Policy & Resources Committee is progressing two pieces of work on tax reform, which will ultimately result in a final decision by the States this summer.

Workstream 1 involves continuing the necessary work to enable the timely implementation of the tax package that the previous States agreed if, and only if, the States ultimately decide to proceed with this package.

Workstream 2 involves the Tax Review Sub-committee considering alternatives, focused largely on corporate tax.

Making a decision on this and delivering tax reform is one of five super priorities agreed by the States for this political term.

The next steps will see:

- The Tax Review Sub-committee provide the Policy & Resources Committee with its findings around mid-April, which will then be published.
- The Sub-committee, which includes independent international tax policy experts, will hold events for industry and members of the public to discuss the findings.
- The Policy & Resources Committee will publish its final proposals in a policy letter in time for a States debate in July.
- Deputies de Sausmarez and St. Pier will host another Facebook livestream to answer questions from the community - to be held in between the Committee publishing its proposals and the States debate.

The States recently agreed that, should they decide in the summer to include a GST as part of the final package, it would be applied to food and it must be paired with measures to ensure that the low and middle income households are protected, through a reduction in the standard rate of income tax to 15%, increased personal tax allowances, the introduction of an annual social security contributions allowance, the existing benefit systems and through a new Essential Costs Relief payment.

The States of Deliberation rejected an amendment that would have prevented further consideration of a territorial tax regime by the Tax Review Sub-committee's before it had completed its work. The Sub-committee met last week, as scheduled, to progress its recommendations to P&R. It concluded that territorial tax could not form part of its recommendations, not least having listened to the views of the independent experts and having carefully undertaken a risk-reward analysis and considered feedback from the public consultation.

However, the Policy & Resources Committee recognises that the island will need to continue to monitor and evolve the corporate tax system in line with international developments, as they materialise in the years ahead. The Sub-committee's terms of reference specifically include a direction as part of its work to prepare the terms of reference for reflection of what the tax system might look like in the longer term. This is necessary to take account not only of the evolving international corporate tax environment but also other evolutions such as AI and ongoing changing demographic trends. The Sub-committee will shortly start to consider this task.

Deputy Gavin St. Pier, Vice-President of the Policy & Resources Committee, who leads on resources and is a member of the Tax Review Sub-committee, said:



'At the start of this term we committed to reviewing other tax options, but we were also clear that work to prepare for the implementation of the tax package of measures agreed by the last States should continue as planned, to avoid any delay in its introduction if the States ultimately decide to include it as part of the solution to our financial challenges.

'In carrying out this "twin-track" approach on tax reform, P&R has not pre-judged either our final recommendations to the States of Deliberation, or its decision, and we are making good progress towards that final debate in the summer. Our focus continues to be on ensuring the States can make a fully informed set of decisions to ensure fair tax reform. We are also committed to expenditure restraint and, where possible, reduction too. Our Committee is considering options so that no stone is left unturned.'

Deputy Charles Parkinson, Member of the Policy & Resources Committee leading the Tax Review Sub-committee, said:

'I continue to believe that corporate tax reform can play a significant role in what we ultimately recommend to the States in the summer. There is an expectation from the public that businesses pay their fair share of tax, but this must be in a way that doesn't affect our attractiveness as a good place to do business.

'To that end, the Sub-committee has agreed that territorial tax will not form part of our recommendations to the rest of P&R. While on a personal level I continue to believe in its merits, I accept the need for the Sub-committee to narrow the options it's considering and now is not the right time. However, we must continue to monitor and evolve the corporate tax system in line with international developments in the years ahead.

'Once we've shared our findings with the rest of P&R in mid-April, it's important that we will have the opportunity to share them with industry and the public. Transparency of this work is something that I have championed from the start, and this will be the right time to show our working.'

