

JOINT STATEMENT · IOI · GIBA · GUERNSEY CHAMBER OF COMMERCE

# The time for decision: a joint business position on tax reform

*A joint statement by the Institute of Directors (Guernsey), the Guernsey International Business Association and the Guernsey Chamber of Commerce*

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Guernsey has been debating how to fund its future for the better part of two decades. The Policy & Resources Committee's tax reform policy letter, published on 8 June and due before the States in July, will bring that debate to a final decision point.

As three of the island's largest business organisations; the Institute of Directors (IoD), the Guernsey International Business Association (GIBA) and the Guernsey Chamber of Commerce, we believe that decision can no longer be deferred, and that the island's business community would rather see a credible package agreed than the question kicked into yet another term.

This is our shared position. It reflects the considered view of our three organisations, and it is grounded in the clear signal from the IoD's most recent economic growth work, set out below.

## What the latest evidence tells us

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In recent weeks, the IoD's "Unlocking Economic Growth: Guernsey's Competitive Future" workshops and survey gave more than 250 directors, business and community leaders the chance to say how they see the island's prospects. The findings are sobering, and they sharpen the case for action - a case the three associations share.

Asked how confident they are that Guernsey is competitively positioned to support sustainable economic growth over the next five years, only around a third of respondents were "confident". The clear majority, approximately six in ten, were "concerned", with "quite concerned" the single largest response by some distance. This is not a community in despair, but one that can see the risks clearly and is no longer reassured by the status quo.

The message on timing is even more emphatic. Asked whether Guernsey is at an inflexion point requiring decisive action, more than nine in ten agreed - around half of them strongly. Fewer than one in ten thought the urgency of change was overstated. On the evidence of these members, the appetite for drift has gone.

And when asked what is most holding the island back, the single most-cited constraint, ahead of housing and ahead of skills, was government decision-making speed and ambition, followed closely by the absence of a clear long-term economic direction. In other words, the island's business leaders identify indecision itself as a brake on growth. That finding should weigh heavily on every Deputy as they approach the July vote.

## What the directors' survey tells us

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We do not speak from assumption. The IoD's Directors' Economic Confidence Survey provides a clear, evidenced reading of how Guernsey's business leaders see the island's prospects, and the message has been remarkably consistent.

Confidence in the local economy remains subdued but materially stronger than in comparable jurisdictions, well ahead of both the UK and Jersey. Directors are more optimistic about their own organisations than about the wider economy, with organisational confidence holding firm. That resilience is a genuine asset. It is also conditional: the same respondents identify air and sea links, housing, and the cost and availability of labour as the binding constraints on growth - not tax rates alone.

On the fiscal question itself, the survey responses are explicit. Respondents favour a spending-first approach: restraint, a credible plan for economic growth, a review of public services, and closer working with Jersey should accompany any move to raise taxes. And where new taxation is required, they identified GST as the preferred mechanism, ahead of higher income or corporate tax. That is not a reluctant concession; it is a considered view that a broad-based consumption tax spreads the burden more fairly and does less damage to competitiveness than the alternatives.

These are the principles against which we assess the policy letter.

## **Where the package aligns with these priorities**

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Judged against that test, there is much in the proposals we recognise as moving in the right direction.

The package broadens Guernsey's tax base rather than leaning still harder on working people and local businesses - a structural shift we have long argued for. The decision to introduce GST at 3% rather than 5%, with protections for lower and middle-income households and a reduction in the standard income tax rate, reflects a genuine effort to soften the impact and share the load across households, business and visitors.

The inclusion of public sector savings alongside the revenue measures acknowledges the spending-first principle we have set out. And the commitment to an assurance review in 2030 is a sensible mechanism for testing the real-world impact of the measures and adjusting course.

Looking beyond the survey responses, the wider context supports proceeding. S&P reaffirmed Guernsey's stable outlook earlier this year and explicitly anticipated a suite of tax reforms, including a GST, from 2028 to strengthen and diversify the revenue base. The independent view is that this direction improves, rather than weakens, the island's long-term fiscal position.

## **Where the harder questions remain**

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Being constructive partners does not mean being uncritical ones. Members raised real questions at the IoD's June webinar with the Committee, and they deserve honest answers in the debate.

**The first concerns the size of the gap and what fills it.** The package raises significant new revenue, but, according to the Committee's own analysis, it does not, by itself, close the structural deficit. Members are entitled to understand what fills the remainder and how much of the plan rests on revenue streams, such as offshore wind and Pillar 2 receipts, that are real in prospect but not yet certain in timing or scale.

**The second concerns the deliverability of the savings.** We have consistently said that spending discipline must travel alongside taxation, not behind it. The credibility of the whole settlement depends on public sector savings being delivered and demonstrably tracked, rather than quietly eroded once the revenue measures are in place.

**The third, and most important, concerns growth.** The policy letter itself acknowledges that relying on economic growth to resolve the island's challenges is high risk, because growth depends on factors beyond the States' control. We agree. But that is precisely why the growth agenda cannot be the part of the plan that is left to chance. Taxation can stabilise the public finances; only growth can ultimately sustain them. A fiscal settlement that balances the books while doing nothing to strengthen connectivity, housing, and the island's competitiveness would solve the smaller problem while leaving the larger one untouched.

## The cost of doing nothing

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It is tempting, in a debate this difficult, to treat rejection as a safe option. It is not. Uncertainty carries its own economic cost. Nearly twenty years of unresolved debate have themselves become a drag on confidence and investment, and “no” without a credible alternative is not a decision; it is a deferral, and a costly one.

Our shared position has been that no responsible path involves removing an option from the table without putting a credible alternative in its place. That principle holds now. Any Deputy minded to reject this package carries the obligation to show how the same revenue or savings would otherwise be found. The island cannot afford another term of drift.

## It is time for the States to act

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Guernsey's business community is asking for a decision. A stable, credible fiscal framework it can plan and invest against, accompanied by the spending discipline and the pro-growth agenda respondents have called for at every turn.

The proposals before the States are not the end of the conversation. The 2030 assurance review, the growth agenda, and the structural reforms we continue to press for all lie ahead. But the island needs a foundation to build on, and continued indecision is the one outcome that serves no one.

The IoD, GIBA and the Chamber will remain what we have always been: independent, evidence-led voices for Guernsey's business community, willing to support government when the direction is right and to ask the hard questions when they need asking. On this, our

message to the States is clear. The analysis has been done. The options have been weighed. The business community has been consulted through the IoD's recent economic growth work, and has spoken. Nine in ten respondents say the island is at an inflexion point, and they name indecision itself as one of the greatest threats to growth. It is time to act.

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*Issued jointly by the Institute of Directors (Guernsey Branch), the Guernsey International Business Association and the Guernsey Chamber of Commerce. The survey and workshop evidence cited is drawn from the IoD's "Unlocking Economic Growth: Guernsey's Competitive Future" programme and its Directors' Economic Confidence Survey.*