



Against a backdrop of budgetary deficits and the need to budget for tomorrow the States of Guernsey released details of the proposed 2025 Guernsey Budget which is due to be debated on 5 November 2024.

The Budget Proposals include a bombshell proposal to increase the 20% headline rate of income tax, which has been sacrosanct since 1960, to 22% for a temporary period of two years to enable Guernsey to balance its books whilst the States decide on a medium to long term solution.

Increase in Personal Tax Rates

The proposal is for a temporary increase in the rate of income tax, which applies to individuals, from 20% to 22% for the calendar years 2025 and 2026.

To minimise the real impact for lower and middle income households, personal tax allowances are proposed to be increased by £1,100 in 2025, to £15,000, an 8% increase year on year. It is also proposed to increase the supplementary personal income tax allowances by 3.2% and increase the taxable income threshold where allowances are withdrawn from £80,000 to £82,500.

Most taxpayers will, however, be worse off under this proposal.

- An average wage earner with income of £40,000 will see a 5.3% increase to their income tax liability
- A higher wage earner with income of £80,000, will see an 8.1% increase to their income tax liability
- Generally, those persons whose income is above £160,000 will see a 10% increase in their tax liability

It remains to be seen whether or not this increase in tax rates is limited to two years, as proposed, or whether it might be extended based on the States future monetary needs.

Similar proposals were made in previous years but at that time the political focus was largely on the introduction of GST, which is absent from this Budget and appears to have been shelved in favour of the above.

It remains to be seen whether GST may become a more palatable option in light of the proposed increases in income tax.

Mortgage interest relief for let residential property

Tax relief is currently being phased out for interest paid on borrowings for buy to let residential property (in 2024 only 50% of interest paid can be taken as a tax deduction). The current legislation for 2025 would see that as the final year in which any relief would be available (restricted to 25% of interest paid). However, to support an already stressed private rental market, there is now a proposal to halt the withdrawal of interest relief at the 50% rate for 2025 and future years.

Rent a Room allowance

To incentivise the use of under occupied residential properties a proposal is included to introduce a scheme in Guernsey to encourage the rental of up to two otherwise unoccupied furnished rooms in a property occupied by the owner. Under the scheme rental income of up to £10,000 per room, per annum, would be completely exempt from Guernsey tax. Should rental income from a room exceeds this limit, the rent received from that room would be fully taxable.

Tax Caps

The Guernsey tax caps are proposed to remain at the same levels in 2025 as they were in 2024.

The Alderney tax cap is unchanged and expires at the end of 2025.

From 1 January 2025 Alderney will introduce an Alderney Property Tax Cap (a tax cap of £60,000 for new Alderney residents purchasing qualifying Alderney property) to run concurrently with the Alderney tax cap in 2025 and continue thereafter in a similar way to which the Open Market Tax cap applies in Guernsey. Those individuals currently claiming the Alderney Tax Cap would continue to be able to do so in 2025.

Document Duty thresholds

These are proposed to increase in line with inflation, which means the document duty on an average property purchase would reduce by around £1,000. However, there is a proposal to introduce a higher rate (7%) of document duty to properties with a value of over £5m.

TRP – Penal rate on Vacant Properties

Proposals in previous years to introduce a penal rate of TRP on vacant property are still under consideration and are not recommended for introduction in 2025.



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