



GST Winners

Analysis and Information from GPEG



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GST Tax Package – The Clear Winners

When GST comes in the additional tax will immediately be reflected in increased prices of goods and services. The estimate is a 3.2% rise in inflation which, of course, will hurt consumers generally.

One group will be immediately compensated for this inflation – the people who have index-linked pensions.

The general (fairly modest) States pension is £15,189 pa and that will increase by around £486 from the jump in inflation. So compared to the working population who get the same tax reductions, States' pensioners are winners by being compensated whilst those who are still working are not. The total cost of this is estimated to be £5m pa.

The total cost of this rise in the States pension will rise until the last current pensioner has died. To get an insurance company to pick up this index-linked liability would cost around £100m. It's a real liability.

And yet there is more cost – people retiring in the future will get bigger States pensions as a result of the GST implementation raising the base for their pensions. We cannot sensibly accurately estimate the future cost as there are lots of variables. It's large though – probably at least another £50m in present value terms.

And more cost – similar calculations of cost apply to effectively indexed benefits such as Income Support, Incapacity Allowance and 9 lesser social benefits – it's about half as much again. Say in the £50m area but the future variables are not readily computed.

The numbers per head are even more marked for those who have very much larger index linked pensions.

Which is largely the civil servants, as the private sector long ago stopped doling out index-linked pensions.

A civil service pensioner will therefore get the rise for GST inflation in his pension and the full benefit of the “mitigation” in the tax and benefit changes proposed.

So if we look at a single ex- civil servant, pensioner aged say 65 and currently drawing £40,000 in civil service pension as well as a State pension, taking into account all the changes in tax, social security and the price rises from GST that pensioner will actually be better off by £1,194pa. The cost of the “for life” increased pension liability for the one soul would be some £26,000 to get an insurance company to pick up the liability from the States.

In summary, our examples show:

	Better off (worse off) after GST each year by £
1. Pensioner with State pension of £15,189 and civil service pension of £10,000	1,308
2. Pensioner with State pension of £15,189 and civil service pension of £40,000	1,194
3. Pensioner with State pension of £15,189 and civil service pension of £82,500	1,354
4. Civil servant earning £57,000	456
5. Civil servant earning £83,052	(321)
6. Civil servant earning £115,500	(965)

Better off or worse off numbers assume that GST of 5% is paid on half of the person’s available net income.

It is likely that nearly all civil servants will benefit from the GST Tax package. The States try to avert a financial crisis for the Island and part of the solution is to enrich the civil servants past and present?

No question, the civil servants with index-linked benefits are the clear winners.

Footnote: The tax and benefit system is complex. We have been at pains to use reasonable figures in this text and to avoid serious complexity. The States have kindly reviewed them.

As far back as October 2023 the Policy & Resources Committee put out a “Correction of misleading claim on the cost of introducing a GST.” A highly competent propaganda head would have been proud of it – increasing pensions does not cost anything you stupid voters. Worst case is that P&R actually believed this. You can find it on:

<https://www.gov.gg/article/198144/Policy--Resources-Committee-corrects-misleading-claim-on-the-cost-of-introducing-a-GST>

APPENDIX

CIVIL SERVICE PENSIONER EXAMPLES

Case Study	Current tax system (2026)	GST and tax package agreed by last States
1. A single person receiving the State pension and a civil service pension of £10,000	<p>Allowances:</p> <p>£15,200 personal tax allowance</p> <p>Tax rates:</p> <p>20% tax on income over allowances 3.8% social security on income above £11,122 (class 3 for over pension age)</p> <p>Example of Income:</p> <p>£15,189 State pension £10,000 civil service pension £1,998 Tax at 20% £535 Social Security</p> <p>£22,656 pa available to spend after tax</p>	<p>Allowances:</p> <p>£15,800 + £15,800 personal tax allowance + social security allowance</p> <p>Tax rates:</p> <p>15% tax on income between allowances and £32,400 20% tax on income over £32,400</p> <p>4.0% social security on income (see note) 5% GST on goods and services</p> <p>Example of Income:</p> <p>£15,675 State pension (including 3.2% GST rise in inflation) £10,320 civil service pension (increased by GST 3.2% inflation) £1,529 Tax at 15% £408 Social Security + £520 Essential Cost Relief Payment</p> <p>£24,578 pa available to spend after tax</p> <p>£1,922 pa more money available to spend than current system £614 pa estimated GST on spending, if half income spent on rent £1,308 better off after GST each year</p>

NOTE: pa = per annum
It is assumed that the new social security allowance of £15,800 will apply to pensioners (rather than the current allowance of £11,122) and that the State Pension will be subject to social security contributions if total income is above £24,960.
The State pension for 2026 is £292.09 per week or £15,189 per annum. A full State pension is assumed, which requires 45 years of contributions.
The Essential Cost Relief Payment for a single person is assumed because total income is below £32,400.

CIVIL SERVICE PENSIONERS EXAMPLES

Case Study	Current tax system (2026)	GST and tax package agreed by last States
2. A pensioner receiving State pension and civil service pension of £40,000	Allowances: £15,200 personal tax allowance	Allowances: £15,800 + £15,800 personal tax allowance + social security allowance
	Tax rates: 20% tax on income over allowances 3.8% social security on income above £11,122 (class 3 for over pension age)	Tax rates: 15% tax on income between allowances and £32,400 20% tax on income over £32,400 4.0% social security on income (see Note) 5% GST on goods and services
	Example of Income: £15,189 State pension £40,000 civil service pension £7,998 Tax at 20% £1,675 Social Security at 3.8%	Example of Income: £15,675 State pension (including 3.2% GST rise in inflation) £41,280 civil service pension (increased by GST 3.2% inflation) £7,401 Tax at 15% and 20% £1,646 Social Security at 4.0%
	£45,516 pa available to spend after tax	£47,908 pa available to spend after tax £2,392 pa more money available to spend than current system £1,198 pa estimated GST on spending, if half income spent on rent £1,194 better off after GST each year
3. A pensioner receiving State pension and civil service pension of £82,500	Allowances: £15,200 personal tax allowance	Allowances: £15,800 + £15,800 personal tax allowance + social security allowance
	Tax rates: 20% tax on income over allowances 3.8% social security on income above £11,122 (class 3 for over pension age)	Tax rates: 15% tax on income between allowances and £32,400 20% tax on income over £32,400 4.0% social security on income (see Note)
	Example of Income: £15,189 State pension £82,500 civil service pension £17,005 Tax at 20% £3,290 Social Security at 3.8%	Example of Income: £15,675 State pension (including 3.2% GST rise in inflation) £85,140 civil service pension (increased by GST 3.2% inflation) £16,647 Tax at 15% and 20% £3,401 Social Security at 4.0% (State pension not liable)
	£77,394 pa available to spend after tax	£80,767 pa available to spend after tax £3,373 pa more money available to spend than current system £2,019 pa estimated GST on spending, if half income spent on rent £1,354 better off after GST each year

NOTES:

pa = per annum

It is assumed that the new social security allowance of £15,800 will apply to pensioners (rather than the current £11,122 allowance) and that the State Pension will be subject to social security contributions if total income is above £24,960.

The State Pension for 2026 is £292.09 per week or £15,189 per annum. A full State Pension is assumed, which requires 45 years of contributions.

It is assumed that the tapering of the personal allowance for income over £85,000 increases tax payable at 15%

CIVIL SERVICE EXAMPLES, INCLUDING PENSION EFFECT ASSUMING MEMBER OF CARE SCHEME

Case Study	Current tax system (2026)	GST and tax package agreed by last States
4. An Executive Grade III earning £57,000	<p>Allowances: £15,200 personal tax allowance</p> <p>Tax rates: 20% tax on income over allowances 7.5% social security on all income 7% pension contributions</p> <p>Example of Income: £57,000 income £7,562 Tax at 20% £4,275 Social Security at 7.5% £3,990 pension contributions £41,173 pa available to spend after tax and pension contributions</p> <p>Assumed pension entitlement (20 years service) £20,357</p>	<p>Allowances: £15,800 + £15,800 personal tax allowance + social security allowance</p> <p>Tax rates: 15% tax on income between allowances and £32,400 20% tax on income over £32,400 8.5% social security on income over allowance 7% pension contributions 5% GST on goods and services</p> <p>Example of Income: £57,000 income £6,812 Tax at 15% and 20% £3,502 Social Security at 8.5% £3,990 pension contributions £42,696 pa available to spend after tax and pension contributions</p> <p>£1,523 pa more money available to spend than current system £1,067 pa estimated GST on spending, if half income spent on rent £456 better off after GST each year</p> <p>Guaranteed pension increase for inflation - 3.2% for GST 3.2% increase would be £651 Value of extra pension entitlement £13,671 (see Note) Total benefit under GST £14,127 (if additional pension benefit were bought on the market)</p>

NOTES:

1. pa = per annum
2. It is noted that increases for inflation to accrued civil service pensions occur after inflation arises.
3. Civil service employees are assumed to be transition members of the Civil Service Pension Scheme - the CARE Scheme.
4. As a transition member they are assumed to retire on 1/56 of salary per year's service.
5. They are assumed to be part way through their career with 20 years' accrued pension benefits.
6. The value of the additional pension pot for 3.2% GST inflation is assumed to be 21 times the amount of the pension, based on quotes for buying the equivalent index-linked pension. The quotes range from 23 times for a 60 year-old and 19 times for a 70 year old.
7. It is assumed that the tapering of the personal allowance for income over £85,000 increases tax payable at 15%.

CIVIL SERVICE EXAMPLES, INCLUDING PENSION EFFECT ASSUMING MEMBER OF CARE SCHEME

Case Study	Current tax system (2026)	GST and tax package agreed by last States
5. A Senior Officer (SO 3) earning £83,052	Allowances: £15,200 personal tax allowance	Allowances: £15,800 + £15,800 personal tax allowance + social security allowance
	Tax rates: 20% tax on income over allowances 7.5% social security on all income 7% pension contributions	Tax rates: 15% tax on income between allowances and £32,400 20% tax on income over £32,400 8.5% social security on income over allowance 7% pension contributions
	Example of Income: £83,052 income £12,408 Tax at 20% £6,229 Social Security at 7.5% £5,814 pension contributions	Example of Income: £83,052 income £11,748 Tax at 15% and 20% £5,716 Social Security at 8.5% £5,814 pension contributions
	£58,601 pa available to spend after tax and pension contributions	£59,774 pa available to spend after tax and pension contributions £1,173 pa more money available to spend than current system £1,494 pa estimated GST on spending, if half income spent on rent (£321) worse off after GST each year
	Assumed pension entitlement (20 years service) £29,661	Guaranteed pension increase for inflation - 3.2% for GST 3.2% increase would be £949 Value of extra pension entitlement £19,929 (see Note) Total benefit under GST £19,608 (if additional pension benefit were bought on the market)

NOTES:

1. pa = per annum
2. It is noted that increases for inflation to accrued civil service pensions occur after inflation arises.
3. Civil service employees are assumed to be transition members of the Civil Service Pension Scheme - the CARE Scheme.
4. As a transition member they are assumed to retire on 1/56 of salary per year's service.
5. They are assumed to be part way through their career with 20 years' accrued pension benefits.
6. The value of the additional pension pot for 3.2% GST inflation is assumed to be 21 times the amount of the pension, based on quotes for buying the equivalent index-linked pension. The quotes range from 23 times for a 60 year-old and 19 times for a 70 year old.
7. It is assumed that the tapering of the personal allowance for income over £85,000 increases tax payable at 15%).

CIVIL SERVICE EXAMPLES, INCLUDING PENSION EFFECT ASSUMING MEMBER OF CARE SCHEME

Case Study	Current tax system (2026)	GST and tax package agreed by last States
6. A mid-range Senior Officer (SO 6) earning £115,500	Allowances: £15,200 personal tax allowance	Allowances: £15,800 + £15,800 personal tax allowance + social security allowance
	Tax rates: 20% tax on income over allowances 7.5% social security on all income 7% pension contributions	Tax rates: 15% tax on income between allowances and £32,400 20% tax on income over £32,400 8.5% social security on income over allowance 7% pension contributions
	Example of Income: £115,500 income £19,663 Tax at 20% £8,662 Social Security at 7.5% £8,085 pension contributions	Example of Income: £115,500 income £18,812 Tax at 15% and 20% £8,475 Social Security at 8.5% £8,085 pension contributions
	£79,090 pa available to spend after tax and pension contributions	£80,128 pa available to spend after tax and pension contributions
		£1,038 pa more money available to spend than current system £2,003 pa estimated GST on spending, if half income spent on rent (£965) worse off after GST each year
	Assumed pension entitlement (20 years service) £41,250	Guaranteed pension increase for inflation - 3.2% for GST 3.2% increase would be £1,320 Value of extra pension entitlement £27,720 (see Note) Total benefit under GST £26,755 (if additional pension benefit were bought on the market)

NOTES:

1. pa = per annum
2. It is noted that increases for inflation to accrued civil service pensions occur after inflation arises.
3. Civil service employees are assumed to be transition members of the Civil Service Pension Scheme - the CARE Scheme.
4. As a transition member they are assumed to retire on 1/56 of salary per year's service.
5. They are assumed to be part way through their career with 20 years' accrued pension benefit.
6. The value of the additional pension pot for 3.2% GST inflation is assumed to be 21 times the amount of the pension, based on quotes for buying the equivalent index-linked pension. The quotes range from 23 times for a 60 year-old and 19 times for a 70 year old.
7. It is assumed that the tapering of the personal allowance for income over £85,000 increases tax payable at 15%.