BUDGET STATEMENT 2017

(P109/2016)
AS AMENDED FOLLOWING THE STATES DEBATE
OF 13-14 DECEMEBER 2016

Proposition

Budget Statement 2017

(as adopted on 14 December 2016)

The States decided:

a) to approve, in accordance with the provisions of Article 10(3)(a) of the Public Finances (Jersey) Law 2005, the estimate of income from taxation during 2017 of £650,952,000 as set out in Summary Table A of the Budget Statement, with the sum to be raised through existing taxation measures and the proposed changes (as amended) to income tax, impôts duty, stamp duty, land transactions tax and vehicle emissions duty for 2017 as set out in the Budget Statement;

b) to approve, in accordance with the provisions of Article 10(3)(d) of the Public Finances (Jersey) Law 2005, a capital head of expenditure for each of the capital projects for States funded bodies to be started or continued in 2017 (other than States trading operations) as set out in the recommended programme of capital projects in Summary Table C totalling £65,209,000;

c) to approve, in accordance with the provisions of Article 10(3)(e) of the Public Finances (Jersey) Law 2005, each of the capital projects that are scheduled to start during 2017 in the recommended programme of capital projects for each States trading operation, as set out in Summary Table D that require funds to be drawn from the trading funds in 2017;

d) to refer to their Act dated 8th October, 2015 in which they agreed that in 2017 a net transfer of up to £50.273 million from the Strategic Reserve Fund made up of a transfer up to £70.273 million from the Strategic Reserve Fund to the Consolidated Fund for measures identified in replacement table 2 of page 6 of P76/2015 as amended and a £20 million transfer from the Consolidated Fund to the Strategic Reserve Fund as detailed in the same table; and

to agree that this approval can be varied and to agree for 2017 –

(i) the transfer, in accordance with the provisions of Article 4(3) of the Public Finances (Jersey) Law 2005, of £55.273 million from the Strategic Reserve Fund to the Consolidated Fund to meet the measures as identified in Summary table E; and

(ii) the transfer, in accordance with the provisions of Article 4(2) of the Public Finances (Jersey) Law 2005, of £5 million from the Consolidated Fund to the Strategic Reserve Fund;

with the resultant net drawdown from the Strategic Reserve Fund in 2017 remaining at £50.273 million the same as approved by the Assembly in the aforementioned Act;

e) to agree that the estimate of income from taxation during 2018 and subsequent years shall be increased by phasing out the additional personal tax allowances awarded to co-habiting couples with one child or more and to direct the Minister for Treasury and Resources to bring forward the necessary changes to the Income Tax (Jersey) Law 1961 for consideration by the Assembly during 2017;

f) to agree in principle that from January 2018, rates paid by the owner of a property under the Rates (Jersey) Law 2005 should no longer be a tax-deductible expense for landlords when calculating the income taxable under Schedule A and to direct the Minister for Treasury and Resources to bring forward the necessary changes to the Income Tax (Jersey) Law 1961 for consideration by the Assembly during 2017;

g) to agree in principle that from 2018 a higher rate of tax on profit should be applied to retail businesses operating in Jersey, whether owned by Jersey resident companies or by non-resident companies, where annual taxable profits exceed a certain threshold (which is to be determined during 2017) providing this does not pose a risk to the zero-ten regime and to direct the Minister for Treasury and Resources to bring forward the necessary legislative changes for debate by the Assembly during 2017.

Minister for Treasury and Resources

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ADDENDUM TO BUDGET STATEMENT 2017

Addendum

At the conclusion of the States debate of the 2017 Budget on 14 December 2016 the States had approved four amendments to the original proposition from the Minister for Treasury and Resources, and rejected one Article of the Draft Finance (2017 Budget) Law 201- (P.113/2016).

Amendments Agreed

First Amendment (as proposed by Deputy R. Labey of St. Helier) – Part (i)

The effect of part (i) of the amendment is to decrease the estimate of income from taxation during 2017 by increasing the duty on alcohol in-line with the June 2016 RPI figure of 1.5% and not by the increases proposed in the draft Budget Statement 2017.

Part (ii) of the amendment was not approved.

Third Amendment (as proposed by Deputy S.Y. Mézec of St. Helier and amended by the Minister for Treasury and Resources)

The amendment agrees in principle that from January 2018 landlords will no longer be able to deduct owners' rates when calculating taxable income from residential and commercial property.

It is estimated that this measure will raise additional income tax of £600,000 per annum from the 2018 year of assessment onwards.

Fourth Amendment (as proposed by Senator S.C. Ferguson and amended by the Minister for Treasury and Resources)

The amendment agrees in principle that from the 2018 year of assessment retail businesses operating in Jersey will be subject to a higher rate of tax if annual profits exceed a certain threshold (yet to be determined), providing that such a step does not pose a risk to the internationally compliant status of the zero-ten regime.

Fifth Amendment (as proposed by the Deputy of St. John and amended by the Minister for Treasury and Resources)

The amendment agrees in principle that from the 2018 year of assessment, the additional personal allowance will be phased out for cohabiting couples with one or more children.

Article 17 of the Draft Finance (2017 Budget) (Jersey) Law 201-

The changes to the Rates (Jersey) Law 2005 required to facilitate the States' payment of Parish rates were rejected by the States during the debate of the Draft Finance (2017 Budget) (Jersey) Law 201-.

The Minister for Treasury and Resources had committed to work with the Connétables and bring forward proposals for the funding of the States' payment of Parish rates. Further work will now be required with the Connétables during 2017 to agree how to progress the payment and funding of the States' payment of Parish rates.

Summary

The approved amendments to the 2017 Budget will reduce the estimate of total taxation revenue in 2017 by £648,000 from £651,600,000 to £650,952,000.

The balance on the Consolidated Fund at the end of 2017 is estimated to be £27,101,000.

PART A – INTRODUCTION

1. Foreword

Introduction

Budget 2017 provides fiscal flexibility for the Medium Term Financial Plan (MTFP) and maintains the long-term focus that is at the centre of this Government's thinking. It supports the priorities of the Medium Term Financial Plan and looks ahead towards sustainable public finances.

The Fiscal Policy Panel (FPP) supported our overall fiscal approach to planning for the medium term and accepted that, post-Brexit, it was appropriate to extend the target for fully balanced budgets to the next financial planning period. We will continue to support the economy in the short term and move towards a more sustainable position in the medium term, irrespective of the exact future relationship between the UK and the EU.

Budget 2017 increases the income people can earn before they pay any income tax, improves the fairness of the system and helps working parents with the cost of child care. At the same time it increases duty on tobacco, alcohol and vehicle emissions, which damage our health and environment and put pressure on public finances.

Economic outlook

The global economic environment in which we are presenting Budget 2017 remains uncertain. The International Monetary Fund revised down their forecast for global economic growth in 2016 and 2017 and said that for the advanced economies the outlook is "subject to sizable uncertainty and downside risks".

However, the recent data on Jersey's economy has been much better than expected. Our economic growth in 2015 was 2.2%, more than double the forecast. The latest labour market data shows that total employment in June 2016 was 60,320. This is the highest on record and 2.1% higher than a year ago. Private sector employment was 3.1% higher in June 2016 than a year ago. At 52,480 this was also the highest on record. By contrast public sector employment was 3.8% lower than in June 2015 and the second consecutive annual fall.

Average earnings increased by 2.1% in the year to June 2016, and this was the fourth year in a row that earnings have increased more quickly than headline inflation. A contributing factor to the sustained growth in real earnings has been the low inflation we have seen since 2013, aided by lower prices for commodities like oil and food. However, if the significant fall in the value of sterling since the UK referendum result is sustained this is likely to mean higher prices. In October the sterling index was 20% below its value in November last year.

In their 2016 Annual Report the FPP highlighted that although Jersey's economy appears to have been relatively buoyant in the first half of 2016 there are concerns about the impact of the UK referendum and the build up to Brexit. They said that "the impact of the vote may take some time to be felt" and downgraded their forecast for 2016-2017. They also highlighted the uncertainty facing Jersey's economy and said that "the impact of the referendum on the Jersey economy is still very uncertain and likely to remain so at least until negotiations are complete". The revisions to their forecast for economic growth in 2016 and 2017 were larger than the revisions made to the equivalent UK forecasts over the same period.

This makes it more important than ever to maintain a prudent and flexible approach. Jersey is in a strong position to stimulate the economy if needed, and to secure our long-term economic future.

We will promote Jersey's interests and protect our position as the UK negotiates its exit from the EU. We will continue to diversify our economy into new service sectors such as digital, and strengthen our links with dynamic markets around the world. We will encourage inward investment and innovation so we can sustain a healthy job market, low unemployment, high quality public services and an Island with strong public finances that Islanders are proud to call home.

Long term approach

Over the next twenty years our community will face unprecedented opportunities and challenges. Like many other places Jersey is experiencing an ageing population; growing health challenges and increasing resource pressures. We will need to respond to climate change and embrace the technological innovation that is changing the way we live and work.

Managing a successful future will require strategic direction and investment over many years, so the Council of Ministers is introducing a new approach to long term planning that reflects international advice and well established practice. Its key elements are to focus on the impact policy changes have on people's lives and on government working together with the private, voluntary and community sectors to tackle the biggest challenges facing our Island.

A wide-ranging survey of islanders has now been completed. It gathered views on how Jersey is doing now and where we should aim to be by 2036. The survey results and next steps are due to be published soon.

This approach will set a clear direction for the future and set the framework for how to get there. It will enable the government to sequence policy, investment and funding priorities so that short and medium term plans serve as stepping stones towards the agreed long term outcomes.

An extensive review of our Social Security scheme has just begun. At the moment the scheme is collecting enough contributions to pay out in benefits, however contributions will not cover the cost of benefits as our population ages. The review will look at how the scheme needs to change to continue to support the growing number of pensioners.

The package of proposals in this Budget will keep Jersey successful by planning prudently for the future.

Income tax

Jersey's personal tax system is progressive. Those on the lowest incomes – more than 15,000 households – pay no income tax at all. Of the 45,000 households that do pay income tax, 15% pay tax at the 20% standard rate. The remaining 85% benefit from Marginal Relief, giving most of them effective rates of tax nearer 10%.

The top 10% of earners pay more than half of the personal income tax that funds public services for everyone.

Our tax allowances result in around 40% of lowest-earning households contributing approximately 3% of the personal income tax revenues that fund Jersey's public services.

Every system can be improved and the Council of Ministers has commissioned a Review of the Personal Tax System. This will establish how tax changes since 2007 have affected Islanders and will provide data that will improve understanding of tax matters. This work will be overseen by a Steering Group of Ministers and other States Members and will report by the end of March.

Personal Tax Exemptions

Our various tax exemption thresholds are considerably more generous than those available in Guernsey, the UK and the Isle of Man.

Continuing on the course I set last year, the personal income tax exemption for single Islanders born after 1951 will increase from £14,350 to £14,550; and, for married people and civil partners, from £23,000 to £23,350. This increase is in line with the RPI figure reported by the Statistics Unit for June 2016.

This will allow these two allowances further to catch up with the age enhanced exemption thresholds of £15,900 and £26,100 respectively – which remain available to people born before 1952.

If this approach is continued over the next four years or so then I expect to have achieved common tax exemption thresholds for all Islanders – regardless of their age or employment status – by about 2021.

Second Earner's Income Allowance for Spouses or Civil Partners

Where both spouses or civil partners receive earnings (including pension) and are entitled to benefit from Marginal Relief, we give an extra allowance to the lower-earning partner. This year, for the first time in 17 years, I am increasing that allowance from its current maximum level of £4,500 to £5,000.
This will go some considerable way towards removing the anomaly in the tax system which can see two co-habiting individuals receive more of their income tax-free than people who are married or in civil partnerships. It will also improve the tax position, above the level of inflation, for approximately 12,000 households, particularly for lower income families. It is a progressive measure, taking more households below the income tax threshold and increasing the incentives to work or to establish small businesses.
Business

Jersey knows the value of a healthy business sector and we will continue to maintain a tax structure which encourages investment, growth and creates significant job opportunities, particularly for our young people.

This Budget makes the legislative provisions to require all companies taxed at the 0% rate to provide more information to the Comptroller of Taxes. This data will inform future policy-making and support any debate on international tax standards.

I also propose in this Budget to introduce into domestic law double tax relief for companies which pay tax at 10% or 20%. This will put on a statutory footing the existing practice currently given by the Comptroller of Taxes on a concessionary basis and help businesses that set up a head office in Jersey. I have asked the Taxes Office to investigate the case for going further in the future, to extend double tax relief to personal taxpayers where appropriate.

The Taxes Office now receives more information about taxpayers' overseas income than their domestic income; and undeclared bank interest was the most common error identified during the last disclosure

opportunity Jersey offered in 1998. Therefore, as I announced last year and after consultation with local banks, this Budget enables banks based in Jersey to provide similar data to the Comptroller about interest paid by them to Jersey tax residents.

The required Regulations are currently being developed in partnership with the banks and will be brought forward early in 2017. This proposal will help the Taxes Office spot both error and evasion sooner so that more people can get their tax affairs right

Pensions

Jersey was ahead of the times in 2003 when it introduced approved drawdown contracts. This mechanism allows people unlimited access to their pension fund, provided they can demonstrate that they are unlikely to require financial support from the States later in life. Approved drawdown contracts represent responsible pension freedoms.

However, with low annuity rates, we recognise that the safeguarding rules, built on the concept of Minimum Retirement Income (MRI), are becoming increasingly difficult to meet, even where people's wealth means that, even if they were to draw down their entire pension fund they would be unlikely to require financial support later in life.

I am pleased to announce that, after consultation with the industry, I am proposing the principle of introducing a Minimum Retirement Capital test. This will make it easier for some people to enter into a drawdown contract, even if they do not meet the requirements of the MRI. They just need enough capital assets to mitigate the risk that they will become financially dependent on the States in the future. This delivers more pension freedoms but, again, in a responsible manner.

Other changes will ensure equal treatment in the taxation of lump sums from overseas pension schemes, ensuring that they are taxed on a broadly similar basis as lump sums from approved Jersey schemes. The basic premise is that 30% of the fund value can be taken as a tax free lump sum and the remainder is treated as taxable income. Again consistent with Jersey schemes, wholly tax free lump sums can be taken where a person dies or is diagnosed as having less than one year to live, before taking any benefits out of their pension scheme. These rules will be backdated to 27 March 2015, the date on which the previous published concession which governed the tax treatment of such lump sums was withdrawn.

Property / Rates

This Budget proposes legislation that will allow the States to pay parish rates for 2017. This is in line with the commitment of the Council of Ministers in the MTFP Addition and consistent with the decision of the Assembly to support Constable Crowcroft's amendment to the Strategic Plan. This change will particularly benefit the Parish of St Helier, which will receive approximately £600,000 per year from the States in parish rates. The parishes of St Saviour, St Brelade and St Clement will also materially benefit from this proposal. It is hoped that this extra revenue will be used to enhance public facilities in the parishes.

On the basis of equity and fairness the Budget also contains the legislative change to enable the parishes to pay Island-wide rates. This will cost approximately £20,000 a year for St Helier and considerably less for other parishes. **(The changes to the Rates (Jersey) Law 2005 required to facilitate the States' payment of Parish rates were rejected by the States during the debate of the Draft Finance (2017 Budget) (Jersey) Law 201- – see addendum)**

Budget 2017 also proposes legislation to enable the Rates Assessors to prepare to reassess commercial rateable values. This will help to ensure that the rates paid have been fairly and appropriately assessed, taking into account current market rents.

I am asking wealthier residents and newcomers to Jersey to pay more in Stamp Duty on higher value properties. I propose to increase stamp duty/Land Transaction Tax by 1% on properties selling for more than £3 million. People buying properties costing more than £6 million will pay 2% more on any value over £6 million.

Impôts

We are proposing a number of increases to duties for the coming year, all of which signal this Government's ongoing commitment to health, social and environmental policies.

Jersey has the highest per capita consumption of alcohol in Western Europe, save only for Lithuania. That, along with tobacco consumption, present risks to Islanders' health and wellbeing, as well as additional pressures on our healthcare provision. It is therefore right to maintain and, where necessary, increase the real value of alcohol and tobacco taxes to further discourage consumption and to account for the considerable cost to the States of that consumption.

In view of these considerations, the duty on a standard pint of cider or beer will increase by two pence.

I am calling for an eight pence increase on a bottle of table wine and the duty on average-strength spirits will increase by 72 pence per litre. **(Following Deputy R. Labey's amendment, the duty on alcohol was increased in-line with the June 2016 RPI of 1.5% and not as proposed above – see addendum)**

The increase in duty on a packet of 20 cigarettes will be 45 pence; and hand-rolling tobacco will increase by £1.62 for a 50 gram packet.

Jersey remains committed to meeting Kyoto targets to protect our natural environment and keep Jersey's air clean for future generations. Vehicle Emissions Duty is uprated in line with inflation and petrol duty will increase by 2p per litre.

Independent taxation

The Taxes Office is building a model to estimate the potential costs and benefits of moving towards independent taxation whereby married people and civil partners could be taxed on their personal income as individuals.

I do not expect the introduction of independent taxation to be without consequences and, as I indicated last year, we will not be able to introduce it until the Taxes Office has its new computer systems. It will be for the next Council of Ministers to consider whether they want to move towards independent taxation.

The ongoing review will also help us better understand how our social security benefits and tax exemptions operate together for people on lower incomes.

Taxes Office Modernisation

This year I am bringing forward legislation to enable the Taxes Office and the Joint Financial Crimes Unit to exchange data and work more collaboratively, for example in tackling serious cases of tax fraud and evasion.

Next year I will propose a new scheme of sanctions and penalties to improve general tax compliance and to enable the Taxes Office to modernise its working practices.

The Taxes Office remains on track to install new computers which will allow online filing and assessment of taxes for personal taxpayers, probably in 2019. If feasible, we will integrate the collection of social-security contributions into the taxes system in 2020.

Tax Disclosure Opportunity

I signalled in my last Budget that the Taxes Office would provide a Tax Disclosure Opportunity in 2017. This will be a one-off opportunity for people to get their tax affairs in order before new data sources, new technology and new legislation make the detection of tax error and evasion easier - and before I invite the Assembly to strengthen the penalties and interest charges that may be levied on unpaid tax.

The opportunity is available to all Jersey taxpayers who have made errors or omissions.

In 2017, the Comptroller of Taxes will begin to receive tax information from the first 40 or so of more than a hundred jurisdictions that have joined the Multilateral Convention on Tax Matters. Any Jersey tax residents with investments overseas which have not been previously declared to the Taxes Office have a last chance to regularise matters in 2017.

The disclosure opportunity will run from April to December. After that, new sanctions, penalties and interest charges – which I will ask the Assembly to adopt in Budgets 2018 and 2019 - will begin to apply.

Capital Programme

The £65 million capital investment programme proposed for 2017 focuses on vital public infrastructure. The largest expenditure is £39 million for Les Quennevais School, with smaller amounts going on the redevelopment of Grainville School, a new computer system for the Taxes Office which will enable islanders to file their personal tax returns online, and a new sewage treatment system.

A proposal for where to site the new hospital is due to be lodged with the States Assembly shortly. I will lodge the proposal for funding the hospital before the Budget debate.

Use of Reserves

In accordance with the FPP's advice to use reserves in the short-term to support the economy and maintain the important investment agreed in the MTFP, the Council of Ministers is proposing that £50 million is withdrawn from the Strategic Reserve in 2017.

The use of the Strategic Reserve and the available balance on the Consolidated Fund are an important part of the Council of Minister's strategy to gradually phase in the sustainable measures over this MTFP.

This supports the economy and reduces the impact on services and the public, while still delivering broadly balanced budgets by 2019.

Conclusion

As we enter a period of increased uncertainty as a result of the UK's decision to leave the EU, our economy is performing well and our public finances are in a much stronger position than most other places. Jersey has little debt, significant reserves and assets of nearly £6 billion. We have a firm financial plan for the next three years and a proven track record of fiscal discipline and remaining nimble in the face of rapid change.

This Budget supports our priorities and provides the next phase of our capital investment in infrastructure. It gives taxpayers on the marginal rate more disposable income and helps working parents with child care costs.

This Budget proposes no major change to our system of taxes, duties and charges. It recognises the need for commercial waste charges and the need to find an acceptable funding mechanism for the growing cost of health and social care. Firm proposals on these matters will be brought forward after further engagement with Scrutiny and States Members and after the current review of personal tax data has been completed in March 2017.

This Budget provides the extra flexibility we need in view of the global uncertainty. It maintains much of the required investment, while remaining within agreed spending limits and working towards balanced budgets.

I commend this Budget to the States Assembly.

Senator Alan Maclean
Minister for Treasury and Resources

PART B – BUDGET STATEMENT 2017

2. Tax Proposals

The Minister for Treasury and Resources considers annual Budget measures within the context of spending plans, the economic situation, current income forecasts and the States strategic priorities. The spending proposals for 2017 were set out in the MTFP Addition 2017-2019 which was adopted by the States Assembly in September 2016.

The tax proposals included in the 2017 Budget are based on the long term tax policy principles agreed by the States during the Strategic Plan debate in April 2015. Those long term tax policy principles are:

1. Taxation must be necessary, justifiable and sustainable.
2. Taxes should be low, broad, simple and fair.
3. Everyone should make an appropriate contribution to the cost of providing services, while those on the lowest incomes are protected.
4. Taxes must be internationally competitive.
5. Taxation should support economic, environmental and social policy.

In addition, the individual proposals have been informed by the Minister's aims for the Island's tax system during the course of this MTFP. These aims are:

- Achieving long-term sustainable public finances
- Simplification
- Stability
- Addressing inequalities and anti-avoidance
- Flexibility to adapt to changing circumstances
- Supporting economic growth
- Improved, efficient administration

Consistent with the aim of maintaining a stable tax system, creating the certainty that the Island's economy needs in order to be successful, no fundamental changes are proposed to the key elements of the tax system namely:

- the 20% standard rate of personal income tax;
- the corporate tax regime which delivers a tax neutral vehicle in a transparent and internationally acceptable manner; and
- a low, broad and simple GST, with low income households compensated through the benefits system where appropriate.

The Minister also considers administrative changes as part of the Budget to improve the efficiency and effectiveness of the tax system.

3. Income Tax Proposals

Proposed personal income tax measures

Income tax exemption thresholds

The income tax exemption thresholds are the amounts below which taxpayers have no liability to income tax. It is established policy to increase the exemption thresholds by reference to the lower of: (a) the most recently published Jersey Retail Prices Index ("RPI") figure; and (b) the most recently published Average Earnings Index figure available at the time the Draft Budget is lodged.

In Budget 2016 the standard exemption thresholds (for people of working age) were increased in line with the June 2015 RPI figure of 0.9%. Meanwhile the age enhanced exemption thresholds were maintained at the level set in Budget 2015. Furthermore the eligibility of taxpayers entitled to claim the age enhanced thresholds were closed to those born after 31 December 1951. These measures started the process of creating improved fairness and sustainability within the tax system and of aligning, over time, the preferential exemption thresholds available to those currently aged 65+.

FIGURE 1 – Tax benefit enjoyed by those aged 65+

Type of taxpayer	Standard exemption threshold (2016)	Age enhanced exemption threshold (2016)	Differential	Tax benefit @ 26%
Single	£14,350	£15,900	£1,550	£403
Married couple/Civil partnership	£23,000	£26,100	£3,100	£806

Consistent with the established policy, the Minister proposes an increase to the standard exemption thresholds for the 2017 year of assessment in line with the June 2016 RPI figure of 1.5%.

Furthermore the Minister proposes that the age enhanced exemption thresholds will be maintained at the existing levels, to continue the policy of gradually aligning exemption thresholds regardless of age.

If the standard exemption thresholds were to be raised annually in line with RPI/Average earnings (based on the economic assumption for the draft MTFP Additions (March 2016)) it would take approximately 4 to 5 years for exemption thresholds to be aligned.

FIGURE 2 – Income tax exemption thresholds for 2016 and 2017

Type of taxpayer	2016 Actual	2017 Proposed
Single Person	£14,350	14,550
Single Person (aged 65+)	£15,900	15,900
Married Couple/Civil Partnership	£23,000	23,350
Married Couple/Civil Partnership (aged 65+)	£26,100	26,100

In 2017 those born before 1952 will continue to receive preferential exemption thresholds delivering a tax benefit over those born later:

FIGURE 3 – Proposed tax benefit enjoyed by those aged 65+ in 2017

Type of taxpayer	Proposed standard exemption threshold (2017)	Proposed age enhanced exemption threshold (2017)	Differential	Tax benefit @ 26%
Single	£14,550	£15,900	£1,350	£351
Married couple/Civil partnership	£23,350	£26,100	£2,750	£715

When preparing the personal income tax forecasts assumptions are made regarding changes in the total value of exemption claimed, utilising the established policy position, the economic assumptions endorsed by the Fiscal Policy Panel and past trends in the value of exemptions. If exemption thresholds are increased by a lower amount than indicated in the forecasts, this (assuming everything else remains the same) would be likely to result in a saving for the States when measured against forecast. The assumption in the forecast was equivalent to that where all exemption thresholds would be increased by 2.4%, therefore although the Minister's proposals will reduce potential revenues (relative to maintaining exemptions[1]) they would result in a saving when measured against forecast (assuming everything else remains the same). It is estimated that the proposals will save approximately £2.0m per annum compared to the latest financial forecast, with the financial impact being first recognised in Budget Year 2018 and subsequent years.

The exemption thresholds in Jersey are generous when compared to the UK, Guernsey and the Isle of Man (see **Figure 4**). These generous exemption thresholds, together with reliefs such as second earner's allowances and relief for child care costs, mean that approximately 30% of the population is outside the scope of income tax altogether.

FIGURE 4 – Comparison of exemption thresholds across jurisdictions

Type of taxpayer	Jersey (2016)	Guernsey (2016)	UK (2016/17)	Isle of Man (2016/17)
Single person	£14,350	£9,675	£11,000	£10,500

Second earner's allowance for spouses or civil partners

Where both spouses or civil partners are in receipt of earnings (i.e. employment income, self-employment income or occupational/private pension), an allowance is given to the lower-earning partner. The allowance is currently £4,500 yearly – or the amount of income earned by the lower-earning spouse or partner, if that is less than £4,500. The allowance is not available to standard rate taxpayers.

The Minister proposes to increase the second earner's allowance by £500 - to £5,000 yearly for the 2017 year of assessment.

As part of work to remove inequities from the tax system, this will help reduce the current discrimination in the tax system between married people and civil partners on the one hand; and co-habiting people on the other.

[1] The decision to increase the standard exemption thresholds by 1.5% costs the States approximately £1.8m. This measurement represents the additional revenue that would be raised if exemption thresholds were maintained at their 2016 levels.

Married people and civil partners receive a joint tax-exemption allowance (currently £23,000) as well as the second earner's allowance (currently £4,500): co-habiting people each receive the single-person's tax-exemption allowance of £14,350. In 2016, for example, the maximum allowance available to married people and civil partners was £27,500; and the amount available to a co-habiting couple was £28,700 – a maximum differential of £1,200. This measure reduces that differential by £500.

For married people and civil partners who remain eligible for the age-enhanced tax-exemption threshold (i.e. where at least one of the couple people was born before 1952), this measure increases their maximum allowance from £30,600 to £31,100.

This measure helps lower-earning people most and is only available to taxpayers who receive marginal relief or are exempt. It continues to encourage both partners in a relationship to be economically active.

Enhanced child care tax relief

Recognising the valuable contribution that working parents make to the economy, this Budget proposes an increase in the maximum tax relief available in respect of child care costs for pre-school age children. This measure, which builds on the changes that were made in the 2016 Budget, is to increase the maximum income tax relief that may be claimed to £16,000 per year.

Although a minor measure, expected to cost less than £100,000, this increase demonstrates the recognition that the Minister of Treasury and Resources has in appreciating the professional child care costs that working families incur, and have to incur, to enable them to work and contribute to the economy.

Movement of a cohort of individuals onto a current year payment basis

The majority of employed taxpayers still pay taxes through ITIS on a Previous Year Basis ("PYB") – for example, tax deducted from 2016 earnings goes towards paying the 2015 tax bill. Since 2006, new employees are required to pay tax on a Current Year Basis ("CYB") – tax deducted from 2016 earnings goes to paying the 2016 tax bill ("pay as you go").

It is a long-term objective of Ministers to encourage take-up of tax payments on the Current Year Basis for a number of reasons: for example, it helps people better manage their budget and avoid debt; it removes the problems that can be faced when people retire and receive less income in retirement against which to meet the tax bill for their last year of employment; and it reduces administrative costs in the tax system.

Currently, around 70% of islanders pay tax on the Prior Year Basis. The Taxes Office has identified a group of several hundred taxpayers who currently pay no tax (because their income is consistently below the exemption thresholds) but who would pay tax on a Prior Year Basis if they became taxable in the future. The Minister proposes to amend the Income Tax Law so that people in this position pay tax on the Current Year Basis if they do become liable to pay tax in the future.

Taxation of lump sums from overseas pension schemes

Prior to 27 March 2015 the taxation of lump sum payments from overseas pension schemes was set out in a concession published by the Comptroller of Taxes ("Comptroller") (see concession P22:

http://www.gov.je/TaxesMoney/IncomeTax/Technical/ConcessionPractice/Pages/ConcessionPracticePersonal21To28.aspx). This concession stated that all such lump sum payments would be treated as tax free in Jersey. In light of the planned introduction of pension freedoms in the UK, the Comptroller determined that maintaining this concession was no longer appropriate, as it potentially resulted in lump sums from UK schemes not being subject to tax anywhere, and withdrew the concession from the Taxes Office's website.

Having considered the various alternatives the Minister proposes that, wherever practical, lump sum payments from overseas pension schemes should be taxed in a manner broadly consistent with the taxation of lump sum payments from approved Jersey schemes (i.e. 30% of the pension fund can be paid out tax free, with the remaining 70% being treated as taxable income subject to Jersey tax). Under the proposals individuals will be able to choose whether to apply the 30% test to the total fund value or to each lump sum payment received from the overseas scheme.

Also consistent with the rules relating to approved Jersey schemes, it is proposed that lump sums paid in the event of death, or on the diagnosis of serious ill health, before the commencement of benefits will be wholly tax free.

The Minister proposes that these changes are backdated to 27 March 2015 in order to benefit anyone who has received a lump sum payment following the withdrawal of the concession who would otherwise be taxable on the full amount received.

Approved drawdown contracts introduction of minimum retirement capital test

Approved drawdown contracts were introduced in Jersey in 2003. Under an approved drawdown contract an individual is able to obtain unlimited access to their pension savings, drawing whatever amount they like, when they like. Allowing individuals (if they so choose) to access their entire pension fund, which has been treated in a tax preferred manner, in a single lump sum clearly increases the risk that they will fall back on the States for financial support later in life. It is therefore considered appropriate to put safeguards in place to reduce that risk.

The key safeguard is that before entering into an approved drawdown contract the individual must demonstrate that they are in receipt of Minimum Retirement Income ("MRI") – this is guaranteed future relevant income equal to the amount of the full single person Jersey old age pension.

It is acknowledged that with the current annuities market it can be challenging for individuals to achieve MRI, even in circumstances in which an individual has significant wealth that means that the risk of that individual falling back on the States for financial support in later life is small. The Minister therefore proposes that in addition to the MRI test, an individual will also be able to enter into an approved drawdown contract where they meet a Minimum Retirement Capital ("MRC") test to the satisfaction of the drawdown manager who is responsible for the contract. Furthermore where an individual is unable to meet either the MRI or the MRC test, there will be a further test which combines elements of both MRI and MRC.

The 2017 Budget creates the principle of introducing a MRC test. Meanwhile work is continuing on what capital assets will be taken into account for determining whether MRC has been achieved and the amount of capital required; these aspects of the test will be introduced by Ministerial Order in due course if the principle is supported by the States Assembly. Drafts of the Ministerial Orders will be shared for comment before they are made.

Proposed corporate income tax measures

Introduction of unilateral double taxation relief

"Unilateral relief" means the granting of relief from the effects of international double taxation on the basis of domestic legislation rather than under the provisions of a double taxation agreement. To protect residents from double taxation, unilateral relief is a common feature of many taxation systems across the globe.

Currently Jersey only provides relief for double taxation where a double taxation agreement has been entered into. This means that double taxation relief is available in a limited range of circumstances and hence the Comptroller has historically granted unilateral relief under a published concession (see concession M2: http://www.gov.je/taxesmoney/incometax/technical/concessionpractice/pages/concessionpracticemiscellaneous.aspx#anchor-1) provided certain specified conditions are met.

From 2017 the Minister proposes that the concession operated by the Comptroller should be brought within the Income Tax Law. This would create statutory unilateral tax relief for companies subject to tax at 10% or 20%, being those companies most likely to have met the conditions of the published concession. As it is proposed that relief is restricted to those companies which would most likely meet the conditions in the concession, it is considered that the proposal should be broadly tax neutral.

The Minister has also requested that the Tax Policy Unit identifies the potential cost and benefits of extending unilateral tax relief to a broader range of Jersey taxpayers involved in trading activities in Jersey and reports in time so that any changes can be considered in the 2018 Budget.

Relief for Guernsey underlying taxation

"Underlying tax" describes the corporate income tax paid on company profits before they are distributed by way of dividend to shareholders. Under long standing practice the Taxes Office has permitted Jersey residents to claim double tax relief for any Guernsey underlying tax suffered on dividends received from Guernsey companies. The availability of this relief reflects the unique relationship between the Islands, in particular the significant number of businesses that operate on a pan-Island basis (often with companies and shareholders located in both Islands).

This unique relationship means that the availability of relief for Guernsey underlying tax should be maintained, but the relief should also have a clear legal basis. Discussions with Guernsey indicate that there is in-principle support for making the necessary changes to the double tax treaty between the Islands to give such relief on a reciprocal basis. If agreement can be reached, the terms of the treaty will be changed with effect from the date that the treaty entered into force.

0% companies reporting profits

Following the introduction of the 0/10 corporate tax regime, the amount of profits chargeable to tax at the rate of 0% has not been collected by the Taxes Office through the annual company tax return. The Income Tax Law currently only empowers the Taxes Office to obtain the amount of profits chargeable to tax at the rate of 0% where a Jersey resident individual ultimately owns more than 2% of the shares of the company. The Taxes Office commenced collecting information on profits from such companies through the 2015 company tax return.

Obtaining details of the amount of profits subject to tax at the rate of 0% is important as the Island needs to be able to demonstrate the balance of company profits which are chargeable to tax at 0% against the company profits chargeable at a positive rate of tax (i.e. 10% or 20%). Also understanding the level of company profits chargeable to tax at the 0% rate will help to inform any decisions in relation to future tax policy and could also be used for compliance purpose in connection with the administration of ITIS and GST.

The Minister therefore proposes to amend the Income Tax Law in order to give the Comptroller the power to obtain details of the profits chargeable to tax at the rate of 0% from all companies resident in Jersey. The Comptroller intends to use this power to require all companies undertaking trading activities in Jersey to disclose their profits for 2016, and subsequent years, on the company tax return and also submit a copy of their financial statements.

Minor amendment to Article 17A

Article 17A of the Income Tax Law sets out the penalties for the late delivery of a statement or return to the Comptroller. It also provides the timeframes in which information should be submitted to the Taxes Office.

The 2015 Budget gave companies an additional five months in which to deliver an income tax return. However, many companies are technically not required to submit an income tax return, but instead deliver an information return. The Minister proposes to extend the deadline for delivering an information return by an additional five months, to harmonise the two deadlines. This amendment provides clarity, and for equitable treatment of all companies that must deliver a statement or return.

Proposed administrative measures

Domestic financial account reporting

The Taxes Office receives (or will soon receive) financial account information from Jersey financial institutions under their obligations arising out of the US's Foreign Account Tax Compliance Act ("FATCA") and the Common Reporting Standard ("CRS") developed by the OECD, but only in respect of non-Jersey residents. Meanwhile non-Jersey financial institutions, again due to the obligation arising out of FATCA and the CRS, will be reporting financial account information regarding Jersey residents to the Taxes Office.

This means that there is a gap in the information reported to the Taxes Office, with respect to financial accounts held in Jersey, by Jersey residents. As a result, one of the safest places for Jersey residents (who choose not to comply with the Income Tax Law) to hide their money is within the Island's financial institutions.

The Minister therefore proposes to empower the Taxes Office to obtain and use financial account information from Jersey deposit takers, in respect of Jersey residents, mirroring as closely as possible the existing CRS mechanism. As a result of the proposed changes, the ability to understate financial account income would be reduced or eliminated, and would allow the Taxes Office to detect error and evasion and to correct it more quickly. The final details of the mechanism will be included in Regulations developed in partnership with the deposit takers.

Information sharing with Police

Tax legislation specifies the circumstances under which Tax Officers can share information with other official bodies. The Minister is proposing an amendment to the Income Tax Law to improve the ability of the Taxes Office and the States Police to share information and to collaborate with each other for the purposes of investigating tax offences criminally, where that is appropriate; and to enable fuller co-operation between the States Police, especially the Joint Financial Crimes Unit, and the Taxes Office in tackling other aspects of serious and organised crime.

Exchange of information for the purposes of the granting and loss of Regulation 2(1)(e) status

Following the reassignment of the Housing Control Manager from the Chief Minister's Department to the Social Security Department, the Minister proposes to make an administrative change in order to continue to allow the disclosure of information by the Comptroller and the Minister for Treasury and Resources, to the Housing Control Manager, for the purposes of determining the grant and loss of Regulation 2(1)(e) status.

4. Impôts Duty Proposals (as amended)

Background

Each year, in advance of the Budget, the proposals for impôts duties are reviewed against the prevailing economic conditions, the Island's financial position and the States strategies on alcohol and tobacco and for the environment.

The Minister's proposals for 2017 take all the above factors into account.

To help inform his decision the Minister has considered the following:

- The most recent rate of inflation
- The States existing tobacco and alcohol strategies, as well as the States environmental and transport objectives
- Consultation with the Council of Ministers and Officers from Health and Social Services, Home Affairs, Departments for Infrastructure and Environment

It is proposed that any increases in duty will take effect at midnight on 31 December 2016.

The Budget proposals are set out in detail below and will raise additional revenue as indicated below:

Alcohol as amended

Following the amendment lodged by Deputy R. Labey of St Helier, alcohol duty has been increased in-line with the June 2016 RPI figure of 1.5%. **Figure 5** outlines the increases to alcohol duty rates for the specified products:

FIGURE 5 – Proposed increases in alcohol impôts duty as amended

	Impôts duty increase	Impôts duty *plus* GST increase
Spirits – litre bottle at 40% abv	1.51%	22p
Wine – 75cl bottle of table wine	1.30%	2p
Pint of beer/cider exceeding 4.9% abv (strong)	1.59%	1p
Pint of beer/cider exceeding 2.8% abv but not exceeding 4.9% abv (standard)	2.72%	1p

As a result of the amendment, the forecast is that the annual duty collected on all alcohol will total £19,223,000 in 2017. This would be £90,000 less than the 2017 IFG forecast update.

Tobacco

It is proposed that the policy of increasing duty on tobacco at a level above the cost of living is continued. As a result the Minister is proposing to increase the rate of duty on all tobacco products by 8.1%. After the GST effect of the raised price, this amounts to 45p on a packet of 20 cigarettes. There is currently a significant

differential impôts duty between hand rolling tobacco and cigarettes and in order to close the gap it is proposed to increase the duty on hand rolling tobacco by 10%. It is intended to equalise the rates over a three to five year period.

As a result of the Budget proposals, the forecast is that the annual duty collected on all tobacco will total £14,309,000 in 2017. This would be £798,000 more than the IFG forecast update. The IFG forecast assumes that all tobacco duties will increase in line with RPI.

Fuel

The Minister continues to consider all issues regarding the duty for fuel including the current worldwide price of hydrocarbon oil and the retail price of fuel at garages in the island.

Having taken this into account and having considered the fact that there have only been minimal increases in fuel duty in recent years, it is proposed to increase the duty on fuel to a level that will result in a 2p increase on a litre of unleaded petrol (after taking GST into account).

As a result of the Budget proposals, the forecast is that the annual duty collected on all fuel will total £22,966,000 in 2017. This would be £921,000 more than the IFG forecast update. The IFG forecast assumes that fuel duties will be maintained at existing levels.

Customs Duties

It is calculated that the duty collected on goods imported from outside the EU will total £145,000 in 2017. This is in line with the 2017 MTFP forecast.

Detailed Duty Increases for 2017 as amended

FIGURE 6 – Duty increases proposed for 2017 as amended

	2016 impôts duty	Proposed increase	Proposed 2017 impôts duty
Litre bottle of whisky at 40% abv	£13.83	1.51%	£14.04
Bottle of table wine	£1.47	1.30%	£1.49
Pint of beer/cider < 4.9% abv	35p	2.72%	36p
Pint of beer/cider > 4.9% abv	60p	1.59%	61p
20 king size cigarettes	£5.32	8.06%	£5.75
Litre of unleaded petrol	45p	4.23%	47p

FIGURE 7 – Impôts duty increases plus GST impact as amended

	Impôts duty increase	GST on impôts duty increase	Total additional tax cost for good
Spirits – litre bottle at 40% abv	20.90p	1.10p	22p
Wine – 75cl bottle of table wine	1.90p	0.10p	2p
Pint of beer/cider exceeding 4.9% abv	0.95p	0.05p	1p
Pint of beer/cider exceeding 2.8% abv but not exceeding 4.9% abv	1.90p	0.05p	1p
Tobacco – pack of 20 cigarettes	42.90p	2.10p	45p
Litre of unleaded petrol	1.90p	0.10p	2p

FIGURE 8 – 2016 retail price margins – comparisons with the UK (June 2016)

	Jersey Retail Price	Jersey Duty	GST	Price net of Duty & GST	Duty & GST as a % of price	UK Retail Price	UK Duty	UK VAT	Price net of Duty & VAT	Duty & VAT as a % of price
Litre of whisky	£20.00	£13.83	£0.95	£5.22	74%	£19.00	£11.06	£3.17	£4.77	75%
Pint of standard beer	£3.55	£0.35	£0.17	£3.03	15%	£2.99	£0.47	£0.50	£2.02	32%
20 king size cigarettes	£7.96	£5.32	£0.38	£2.26	72%	£9.28	£5.42	£1.55	£2.31	75%
Litre of unleaded petrol	£1.03	£0.45	£0.05	£0.53	48%	£1.11	£0.58	£0.19	£0.35	69%

FIGURE 9 – Comparison of typical 2016 tax and duty levels for a range of commodities (June 2016)

	Jersey Duty	Jersey GST at 5%	Guernsey Duty	UK Duty	UK VAT at 20%
Litre of whisky at 40% abv	£13.83	£0.95	£12.94	£11.06	£3.17
Bottle of table wine	£1.47	£0.30	£1.71	£2.08	£1.00
Pint of beer/lager at 4.5% abv	£0.35	£0.17	£0.40	£0.47	£0.50
20 king size cigarettes	£5.32	£0.38	£4.18	£5.42	£1.55
Litre of unleaded petrol	£0.45	£0.05	£0.59	£0.58	£0.19
Litre of diesel	£0.45	£0.05	£0.59	£0.58	£0.19

Note: The figures above are before the impact of the 2017 Budget proposals. The prices shown are based on a narrow range of sources but are for equivalent products. There will be considerable price variations in each jurisdiction. Fuel prices are also subject to rapid change.

Vehicle Emissions Duty Proposals

Vehicle Emissions Duty ("VED") is charged on motor vehicles when they are first registered in Jersey. The duty is structured with a range of bands according to the vehicle's emissions or engine size. The duty is intended to incentivise the choice of less polluting vehicles, with the least polluting vehicles currently paying £0 in VED and the highest polluting vehicles being charged VED of £1,800.

The revenue received from VED is forecast to raise £1,449,000 in 2016, decreasing to £1,376,000 for 2017 in line with the move towards the manufacture and purchase of less polluting vehicles. In order to maintain the real value of the duty, the Minister proposes to raise the VED rates by RPI, raising an additional £30,000 over the IFG forecast update. The IFG forecast assumes that VED rates will be maintained at existing levels.

The Minister is proposing the following VED bands and rates:

FIGURE 10 – Proposed VED bands and rates from 1 January 2017

CO_2 g/km	VED rate £
100g or less	0.00
101 – 125	51.10
126 – 150	153.50
151 – 175	255.50
176 – 200	408.80
201 – 225	766.50
226 – 250	1,277.50
Over 250g	1,839.60

In the absence of CO_2 emissions specification use CC engine size	VED rate £
1,000cc or less	0.00
1,001 – 1.400	204.40
1,401 – 1,800	357.70
1,801 – 2,000	511.00
2,001 – 2,500	715.40
2,501 – 3,000	1,022.00
3,001 – 3,500	1,328.60
Over 3,500cc	1,839.60

FIGURE 11 – Proposed VED bands for restricted speed agricultural tractors and rates from 1 January 2017

Cylinder capacity of engine	Tractor first registered in Jersey VED rate £
1000cc or less	0.00
1001 – 1400	180.90
1401 – 1800	301.49
1801 – 2000	456.84
2001 – 2500	601.96
2501 – 3000	902.43
3001 – 3500	1203.92
Over 3500	1505.41

5. Property Tax Proposals (as amended)

States payment of Parish rates

During the course of the Strategic Plan 2015-2018 debate the States Assembly agreed that the States should pay Parish rates on the property that it owns and/or occupies. This decision recognises the importance of the States understanding the true cost of the ownership of property, in order that the States makes appropriate decisions in relation to its property portfolio. It also recognises that the Parishes should also be entitled to recover their costs in relation to the States property within the Parishes. Accordingly in the Medium Term Financial Plan Addition 2017-2019 the Council of Ministers agreed that the States would commence paying Parish rates on its properties from 2017 onwards, conditional upon measures to pay for this being brought forward a year later.

In order to make the States liable to pay Parish rates the Minister proposes that the Rates (Jersey) Law 2005 ("the Rates Law") is amended to remove the exemption that the States currently enjoys. Whilst it is proposed to remove the States exemption from paying Parish rates, it is proposed that the States should retain its exemption from paying the Island Wide Rate ("IWR") in order to avoid the administration of circular payments.

Based on the Parish rates charged in 2015 it is currently estimated that the States liability to Parish rates will be approximately £900k per annum. The major beneficiary of the States paying Parish rates will be the Parish of St Helier which will receive an estimated £611k from the States. It is also estimated that St Saviour will receive £153k, St Brelade £67k and St Clement £26k. The remaining Parishes are estimated to receive less than £10k each from the States.

On the basis that the States will become liable to pay Parish rates, the Minister considers it equitable that the Parishes should become liable to pay the IWR on properties which are owned and/or occupied by the Parishes. Accordingly the Minister proposes that the Rates Law is further amended so that the Parishes' exemption from the IWR is removed and the Parishes become liable to pay the IWR from 2017 onwards. It is estimated that the potential cost of paying the IWR is £20k per annum for St Helier and much less for the other Parishes. For consistency it is proposed that the Parishes remain exempt from paying Parish rates in order to avoid the administration of circular payments.

The changes to the Rates (Jersey) Law 2005 required to facilitate the States' payment of Parish rates were rejected by the States during the debate of the Draft Finance (2017 Budget) (Jersey) Law 201- (see addendum).

Revaluation of "rateable values"

The "rateable value" of property in Jersey was broadly determined on the basis of rental values in 2003; with rents being effectively converted into a "rateable value" expressed in "quarters". However subsequent changes in the rental value of property cannot be reflected in its "rateable value", because under the Rates Law "rateable values" are effectively locked in perpetuity – once the rateable value of a property has been determined it is almost impossible to have that rateable value changed. This is particularly the case where the rental value of a whole sector of property has changed (e.g. the relative decline in the rental value of retail property).

The fact that rateable values are locked in this way means that, in the context of non-domestic/ commercial property, certain sectors (most likely tourism and retail) are paying disproportionately too much in rates, while other sectors (most likely offices blocks) are paying disproportionately too little.

To address this unfairness within the current Rates Law, and to prevent it arising again in the future, the Minister proposes that the Rates Law is amended to allow for the periodic revaluation of "rateable values". For the avoidance of doubt, this proposal does not raise any additional revenue for the States or for the Parishes, it only ensures that the revenue that is raised in a fair manner.

At this stage the Minister has only proposed the power for the States (by Regulations) to revalue "rateable values". Exactly how that revaluation will be carried out is yet to be determined – but it will be carried out by the Parish Rates Assessors and not centralised. The required Regulations will be developed in partnership with the Connétables and the Rates Assessors, and the Minister intends to bring those Regulations to the States Assembly in early 2017.

Increase of stamp duty/land transaction tax ("LTT") on expensive properties

Currently the highest rate of stamp duty/LTT charged on the purchase of residential property is 7% on the amount of consideration which exceeds £3 million.

The Minister proposes that there should be an increase in the stamp duty/LTT charged on residential properties at the highest end of the Jersey property market where the purchasers of such properties can most afford to pay and the tax has little impact on the decision of whether to buy or not.

The proposal is to increase the rate of stamp duty on residential property to 8% on any consideration in excess of £3m and to create a new band for residential property where the consideration is in excess of £6m, when the charge will increase to 9%. This proposal has no impact on properties worth less than £3m.

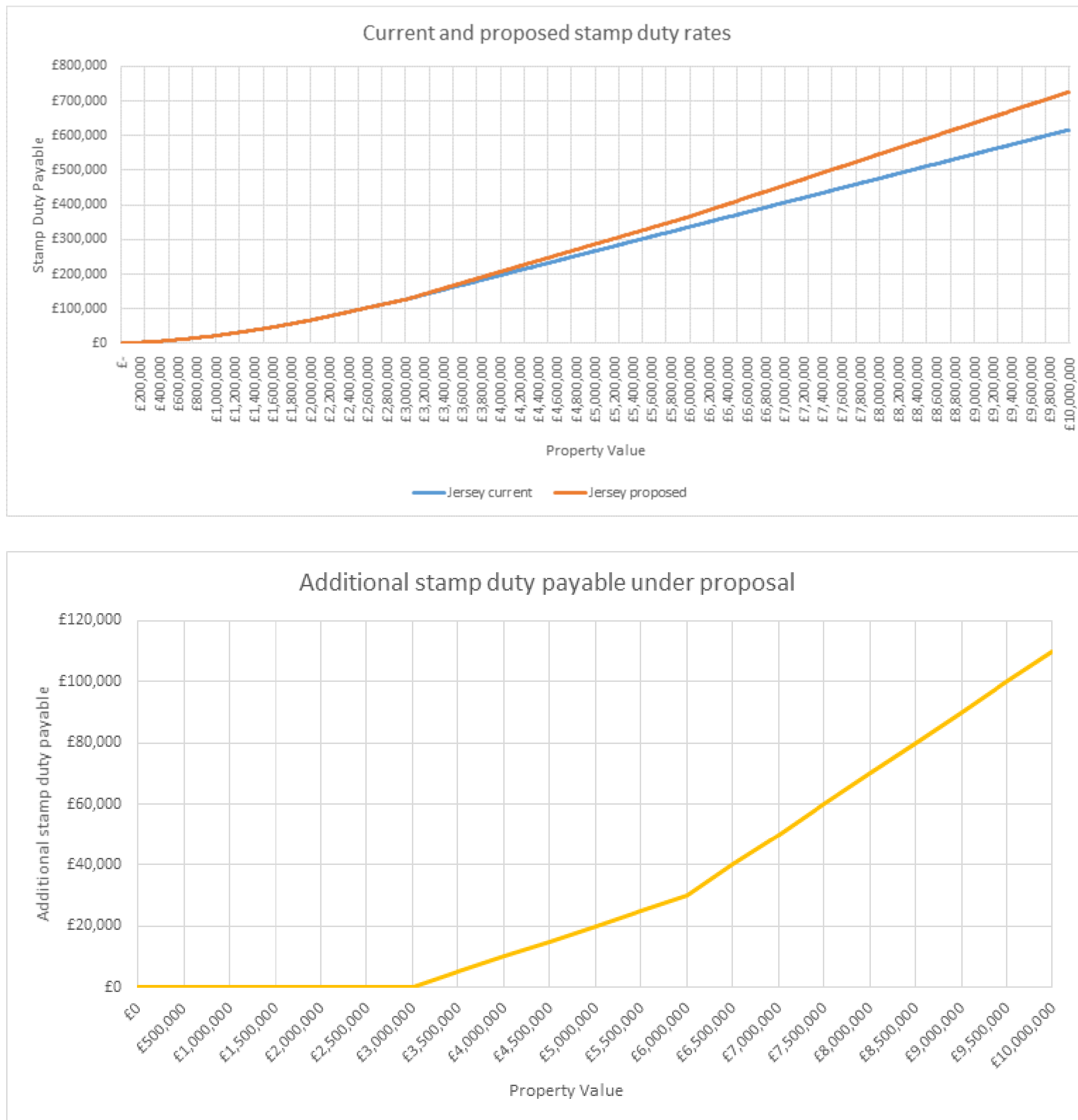
Figure 12 illustrates the impact of the proposed increase in stamp duty/LTT rates on a range of residential properties:

FIGURE 12 – Impact of the proposed increase in stamp duty/LTT rates

Property Value	Current stamp duty/LTT	Proposed stamp duty/LTT	Proposed increase
£3.5m	£162,000	£167,000	£5,000
£4.5m	£232,000	£247,000	£15,000
£5.5m	£302,000	£327,000	£25,000
£6.5m	£372,000	£412,000	£40,000
£7.5m	£442,000	£502,000	£60,000

Figure 13 illustrates current (2016) and proposed (2017) stamp duty rates and additional stamp duty payable under the Minister's proposals:

FIGURE 13 – Current and proposed stamp duty rate and additional stamp duty under proposals



The number of residential properties affected by these proposals is likely to be low. There were fewer than 15 residential properties which sold for more than £3m in each of the last two years.

As stamp duty/LTT is a transactional tax it is difficult to accurately estimate the amount of additional revenue which will be collected by the proposed change given the low volume of high value transactions. However using the same basis as that used by the IFG for forecasting purposes it is estimated that additional revenues of £220,000 per annum will be raised by this measure.

Stamp Duty – minor amendment

On the introduction of the new Control of Housing and Work Law a number of consequential changes were required to the Island's existing laws. One consequential amendment that was inadvertently omitted related to the status of people entitled to claim first time buyers' relief; with the Stamp Duty Law continuing to reference the old Housing Regulations. The Minister proposes that this omission is corrected in the 2017 Budget through the necessary amendment to the Stamp Duty Law. The Minister can confirm that no house purchaser has been disadvantaged by the omission, as the Judicial Greffe has been interpreting the Stamp Duty Law as if it referenced the correct part of the new Control of Housing and Work Law.

6. On-going and Future Reviews

Work in progress

Below is a summary of the work that is currently in process relating to Jersey's tax system:

Review of high value residents ("HVR") tax regime

The Taxes Office is currently completing a review of the HVR tax regime that was introduced in July 2011. The main tax change introduced at that time (extension of preferential tax rates from foreign source income to also include Jersey source income) was designed to encourage future HVRs to undertake more activities in Jersey. The regime was also relaunched – seeking to attract a wider range of HVRs to consider moving to Jersey. The review being undertaken by the Taxes Office is primarily focussed on whether the changes made in July 2011 have achieved their aims. To the extent required the review will also suggest some recommendations regarding how the regime could be improved in the future. The Minister intends to publish the review in advance of the 2017 Budget debate.

Independent taxation

The Taxes Office continues to examine the impact of moving the personal tax system away from the current model (i.e. a married men being taxed on his own income and the income of his wife) towards an independent taxation model (i.e. each individual is taxed only on their own income). Due to the fundamental nature of this potential change to the personal tax system, the review needs to carefully examine every aspect of that system to determine whether an equitable system can be developed that minimises unintended tax planning opportunities and maintains yield without creating hardship. Consideration of the interaction between tax and benefits will also be included within this work.

Maintaining yield is vitally important as, all other things being equal, the introduction of full independent taxation would likely create both winners (households which see a reduction in their income tax liability) and losers (households which see an increase in their tax liability). Before undertaking detailed work on the options, it is important that the winners and losers (and the amount by which they gain/lose) can be identified; including the overall impact on States revenues.

The Taxes Office and the Statistics Unit are therefore in the process of building a modelling tool that will allow the Taxes Office to analyse the impact on the Island's taxpayers of the various options for moving to independent taxation. Work on building the modelling tool has commenced and it is anticipated to be completed in 2017. The Taxes Office will use the modelling tool to complete the required analysis in time to brief the new Council of Ministers before they launch the Island's next strategic plan.

Reconciliation of population statistics and Taxes Office records

There are a number of reasons why the Taxes Office's records of the number of taxpayers differs from the population figures produced by the Statistics Unit. To give some examples:

- children are counted for population purposes, but are not usually taxpayers;
- married couples, and those in civil partnerships, are counted as two people for statistical purposes, but are deemed to be one taxpayer under the Income Tax Law; and
- those who do not receive tax returns because they are consistently below the income tax threshold are not counted as taxpayers, but are counted in the population figures.

However it is recognised that the difference between the population figure and the number of taxpayers per the Taxes Office's records is creating confusion. Therefore the Taxes Office and the Statistics Unit have already commenced a piece of work that will seek to produce a broad reconciliation between the two figures, and explain the key differences. This reconciliation will be presented alongside the personal tax review (see below).

Collection of more company profit information

The Taxes Office collects profit data from all companies subject to a positive rate of tax and, from the 2015 year of assessment onwards, companies taxed at 0% which are owned by Jersey resident individuals. The Taxes Office has also been working with the Jersey Financial Services Commission ("JFSC"), within the confidentiality obligations placed on both bodies, to understand the level of profits accruing in companies which are regulated by the JFSC and subject to tax at 0%.

Collecting such profits information is important in order for Jersey to be able to demonstrate that 0% is the general rate of corporate income tax in the Island; it also helps with policy analysis and certain compliance activities undertaken by the Taxes Office. This Budget also seeks the Assembly's approval of the law change required to oblige all companies taxable at 0% to report their profits to the Comptroller. If agreed by the Assembly the Taxes Office will amend the 2016 corporate tax returns to collect profit information from more companies; based on tax reporting deadlines this information will become available in early 2018. During 2017 the Taxes Office will utilise the information gathered to date to determine what opportunities might exist to raise additional revenue from businesses without disturbing the framework of the island's business tax regime.

Review of administrative aspects of tax legislation

The Taxes Office is currently in the process of modernising all aspects of its operations. As part of this modernisation process the Taxes Office is completing a full review of administration aspects (e.g. filing obligations, penalties) of the Income Tax Law to identify where and how improvements can be made. The changes required to the Income Tax Law will be brought to the Assembly over the next few years for consideration.

Tax Disclosure Opportunity

As outlined in Budget 2016, the Taxes Office will be running a Tax Disclosure Opportunity from April 2017

to December 2017. This will be a one-off opportunity for taxpayers to get their tax affairs in order before new data sources, new technology and new legislation make the detection of tax error and evasion easier. The Tax Disclosure Opportunity will be available to all Jersey taxpayers who have made errors or omissions in relation to any of the taxes administered by the Taxes Office (i.e. personal income tax, corporate income tax, GST, ISE fees and land transactions tax). The Tax Disclosure Opportunity will be an online facility and all the relevant details will be released before April 2017.

Review of benefits in kind

A review of the taxation of benefits in kind in Jersey has commenced, looking at the existing framework of rules, including: scope of benefits which are taxed; the legislative exemptions from tax and the valuation methodologies utilised. The review will result in the issuance of a consultation paper outlining a number of proposed improvements to the rules. No consultation paper will be published until such time that the personal tax review (see below) has reported.

Committed to deliver

Below is a summary of the work that has been committed to in relation to Jersey tax system:

Personal tax review

In their comments lodged in response to the 12th amendment to the MTFP Addition 2017-19 the Council of Ministers committed that a ministerial sub-group, led by the Minister for Treasury and Resources, would oversee a review of the Island's personal tax system within the following terms of reference:

(a) To identify the significant changes (i.e. those changes that apply to a broad section of the Island's population) made to the Island's personal income tax system, Social Security and Long-Term Care contributions, as well as GST since 2007 (to include the effects of associated benefit changes). To demonstrate the distributional impact (by quintile) of those changes and the cumulative distributional impact by reference to a representative sample of household types and the results of the most recent income distribution survey, wherever possible drawing on the work already undertaken by the Treasury/Chief Minister's Department.

(b) To demonstrate the distributional impact of the proposed health charge and the proposed waste charges by reference to a representative sample of household types and the results of the most recent income distribution survey, drawing on the work already undertaken for the purposes of the MTFP Addition 2017 – 2019.

(c) To identify the reasons for – and to explain – the evident change in the number and type (i.e. exempt, marginal rate and standard rate) of personal income taxpayers per the Taxes Office's records for all years since 2007. Work is already being undertaken by the Statistics Unit/Taxes Office to produce a reconciliation between the population figure and the number of "taxpayers" per the Taxes Office's records, and hence this is explicitly excluded from the scope of this review.

(d) To assess, to the extent possible from the information available, the amount of income remaining undistributed since the termination of the deemed dividend/full attribution regimes in companies subject to tax at 0% and owned by Jersey resident individual shareholders, and to

identify what information should be collected in the future.

(e) Regarding matters raised in paragraph (d) above and more generally to comment upon measures to counter tax evasion and avoidance contained within Jersey's personal income tax legislation.

This review is to commence with immediate effect, to report by 31 March 2017.

Tax Gap Analysis

The "tax gap" is the difference between the amount of tax that should, in theory, be collected by the Taxes Office and what is actually collected. Across the globe tax authorities have used such tax gap analysis to target their resources in order to maximise additional revenue from their activities. The production of Jersey's "tax gap" will therefore assist the Taxes Office with its plans to increasingly allocate its resources on a risk basis. No similar analysis has been completed previously in Jersey, and although methodologies/approaches utilised in other jurisdictions (such as the UK) can be drawn upon, the analysis will ultimately have to reflect the unique characteristics of the Jersey economy. Due to current workloads within both the Taxes Office and the Statistics Unit it is anticipated that work on Jersey's tax gap will commence in summer 2017 and take approximately 2 years to complete.

Review of administrative concessions

The Taxes Office will commence a review of the range of concessions it currently allows and, where appropriate, make recommendations to the Minister for Treasury and Resources for putting some of them on a statutory footing. This will specifically involve a review of the concessions and reliefs relating to the availability of tax relief for interest expense incurred by businesses in the Island to ensure that they are reasonable and not inconsistent with emerging international standards in this area.

Review of personal income tax forecasting model

The Economics Unit will work with the Income Forecasting Group, including its two independent external members, to establish what additional external advice will be sought on how the model used to forecast personal income tax revenue can be improved. The advice will build on work already underway by the Statistics Unit and Taxes Office to developing a modelling tool to calculate the revenue implications of tax policy changes and the work being undertaken by the Economics Unit on longer-term fiscal trends and migration. This advice should examine how the model forecasts both taxable income and likely yield, and consider any recommendations on how the model might be improved in the future, in a cost-effective way, and taking into account the information available locally. The economic assumptions used in the model are specifically outside the scope of this review, on the basis that these assumptions are endorsed by the independent Fiscal Policy Panel.

7. Financial and Manpower Implications (as amended)

Estimated financial implications of 2017 Budget proposals as amended

FIGURE 14 – Estimated financial implications of 2017 Budget proposals on 2017 compared to IFG forecast as amended

Measures	Estimated impact on 2017 taxation revenue (£'000)
Impôt Duties:	
Alcohol duty changes (Deputy Labey Amendment)	(90)
Tobacco duty increases	798
Fuel duty increases	921
VED duty increases	30
Impôt Duties sub-total (as amended)	**1,659**
Stamp Duty/Land Transactions Tax	**220**
Total Financial Implications (as amended)	**1,879**

The income tax measures relate to year of assessment 2017. These will impact on the tax revenues to the States in 2018. However, most current year basis taxpayers under ITIS will see the benefit of these measures during 2017. This is because the measures will impact on the calculation of their provisional ITIS effective rate.

The impôts duty figures represent the increased revenue compared to the draft Budget 2017 income update and not the total increased revenue that will be collected on those by the Customs and Immigration service in 2017, compared to 2016.

FIGURE 15 – Estimated financial implications of 2017 Budget proposals on 2018-2020 compared to IFG forecast as amended

Approved Measures	Estimated impact on 2018 taxation revenue (£'000)	Estimated impact on 2019 taxation revenue (£'000)	Estimated impact on 2020 taxation revenue (£'000)
Income Tax			
Increase standard income tax exemption thresholds by 1.5% (June 2016 RPI)	1,400	1,400	1,400
Freeze age enhanced exemption thresholds	600	600	600
Increase second earners allowance by £500	(1,500)	(1,500)	(1,500)
Increase minimum Child Care Tax Relief by £2,000	(70)	(70)	(70)
Tax on Rates (Deputy Mezec Amendment)		600	600
Income Tax sub-total (as amended)	**430**	**1,030**	**1,030**
Impôt Duties:			
Alcohol duty increases	(92)	(93)	(95)
Tobacco duty increases	784	767	746
Fuel duty increases	921	921	921
VED duty increases	30	60	60
Impôt Duties sub-total (as amended)	**1,643**	**1,655**	**1,632**
Stamp Duty/Land Transactions Tax	**220**	**220**	**220**
Total Financial Implications (as amended)	**2,293**	**2,905**	**2,882**

Manpower Implications

The proposals within the Budget Statement 2017 will be implemented without any increase to current approved staffing levels.

PART C – PROGRAMME OF CAPITAL PROJECTS

8. Proposed/Indicative Capital Programme 2017-2020

Introduction

A Long Term Capital Plan ("LTCP") was developed in advance of the first Medium Term Financial Plan ("MTFP") to identify capital project requirements over a 25 year planning horizon. This allows for adequate sight of the requirements to enable effective financial and operational planning to manage affordability and the impact on the local economy. The LTCP forms the basis for all of the capital programmes of MTFPs. The MTFP 2016-2019 set out the indicative capital programme for each of the years 2016-2019 and the debate on the MTFP approved the total capital expenditure limits, for each of these years. The Budget for each of these years then approves the detailed list of projects. To comply with the Public Finances (Jersey) Law 2005, therefore, the States is asked to approve the detailed list of capital projects for 2017.

The MTFP approved a total allocation in 2017 of £65,273,000. A review and reprioritisation of the proposed programme reduced the total capital requirement to £65,209,000. The proposed 2017 programme includes a number of changes from the indicative capital programme as set out in MTFP 2016-2019.

- Within Chief Minister's the money allocated for the Taxes Office system renewal has been brought forward from 2018 and 2019 which will allow contracts to be signed for the whole project, in 2017. This has been possible by phasing the work on redeveloping Grainville School more evenly over 2017, 2018 and now 2019, reflecting progress on the project to date.

- Department for Infrastructure have allocated £1,400,000 to a new project, a Commercial Recycling Facility, from their existing Infrastructure Rolling Vote allocation. This new requirement is aimed to assist with handling inappropriate materials currently entering the Energy from Waste Plant and causing unnecessary increased running costs to the plant. They are looking to supplement their Rolling Vote allocation from 2016 revenue underspends, subject to necessary approval and consideration of spend against budgets, as this allocation has already provided funding for the Sewage Treatment Works replacement project.

- The replacement plotter included under Treasury and Resources Department in the indicative Capital Programme was for Jersey Property Holdings who are now under Department for Infrastructure. The cost of this has been absorbed within their asset replacement allocation.

The proposed 2017 programme continues to allocate funding for essential IT investment in corporate web platforms as well as the Taxes Office system, which supports the aims of the Public Sector Reform project to deliver a more innovative, efficient and lower cost government. There are also allocations to maintain essential equipment replacement schedules to ensure all services are delivered safely, efficiently and effectively. Further funding is also provided to maintain the Island's road, sewer and sea defence networks, including the next stages of funding required for the replacement of the ageing and inefficient sewage treatment works at Bellozanne.

It is important to stress that this programme excludes the funding requirements for the Future Hospital and Office Consolidation Project, options for which are under separate consideration and will require separate approval, to include the source of funding.

The financial planning assumptions within the existing MTFP include depreciation in assessing whether budgets are balanced. By doing so a provision for capital spending can be established which is linked to the recognised cost of using existing assets. On that basis, this section also includes a provisional funding allocation of £55 million for 2020 which will form part of the next MTFP.

FIGURE 16 – 2017 Programme and Indicative Capital Programme 2018-2020

	Proposed Programme 2017 £'000	Indicative Programme 2018 £'000	Indicative Programme 2019 £'000	Provisional allocation 2020 £'000
Chief Minister's				
Desktop Upgrades	-	-	1,000	
Corporate Web Platform Refresh	300	326	500	
Web Search Engine Upgrade	-	-	100	
Hardware Refresh	200	201	281	
Citizen Database Upgrade	-	316	325	
Business Database Creation	-	211	217	
Open Data Platform Refresh	-	53	77	
Data Warehouse Platform Refresh	-	-	487	
CRM Platform Refresh	-	316	-	
Talentlink Replacement	-	474	-	
Finance System - JD Edwards Upgrade	-	474	-	
Taxes Office System Renewal	8,400	-	-	
Replacement Assets - CMD	-	451	430	
Chief Minister's Total	**8,900**	**2,822**	**3,417**	**-**
Community and Constitutional Affairs				
Minor Capital	381	169	505	
Fire and Rescue HQ/Ambulance Co-location *	500	-	-	
Community and Constitutional Affairs Total	**881**	**169**	**505**	**-**
Education				
Grainville Phase 5 (Inclusive of provision for Music Service) *	3,264	4,458	2,507	
St Mary's School Refurbishment *	-	5,500	-	
Replacement Assets and Minor Capital works	200	200	250	
Les Quennevais School Rebuild *	39,000	-	-	
Education Total	**42,464**	**10,158**	**2,757**	**-**
Department of the Environment				
Equipment, Maintenance and Minor Capital	12	-	12	
Fisheries Vessels	-	54	-	
Department of the Environment Total	**12**	**54**	**12**	**-**
Health & Social Services				
Replacement Assets (Various)	3,100	3,000	3,500	
Replacement Assets RIS / PACS IT assets	-	-	1,900	
Health & Social Services Total	**3,100**	**3,000**	**5,400**	**-**

** Signifies projects where the budget will be allocated to the Department for Infrastructure to deliver.*

FIGURE 17 – 2017 Programme and Indicative Capital Programme 2018-2020 (continued)

	Proposed Programme 2017 £'000	Indicative Programme 2018 £'000	Indicative Programme 2019 £'000	Provisional allocation 2020 £'000
Department for Infrastructure				
Replacement Assets	1,637	4,089	5,102	
Infrastructure Rolling Vote	6,765	14,164	12,688	
Waste: La Collette Cell Construction	-	500	1,148	
Backlog Infrastructure Works	-	-	1,750	
Commercial Recycling Facility	1,400	-	-	
Department for Infrastructure Total	**9,802**	**18,753**	**20,688**	**-**
Treasury and Resources				
Replacement Assets - T&R	-	-	17	
Treasury and Resources Total	**-**	**-**	**17**	**-**
Non Ministerial				
Replacement Assets - Non Mins	50	44	179	
Non Ministerial Total	**50**	**44**	**179**	**-**
TOTAL PROJECTS	**65,209**	**35,000**	**32,975**	**-**

Major Projects Excluded Above				
Sewage Treatment Works - Upgrade	-	-	-	
Future Hospital *	-	-	-	
Office Consolidation Project *	-	-	-	
Prison Improvement Works - Phase 6 *	-	8,233	-	
TOTAL MAJOR PROJECTS	**-**	**8,233**	**-**	**-**

TOTAL CAPITAL PROGRAMME	**65,209**	**43,233**	**32,975**	**55,000**

** Signifies projects where the budget will be allocated to the Department for Infrastructure to deliver.*

Major projects have been identified separately as they require specific funding arrangements to manage the higher levels of upfront allocations to enable them to proceed.

Details of the major projects identified above can be found later on in this section after the 2017 general programme project narratives.

Chief Minister's Department

Corporate Web Platform Refresh (£300,000)

This capital project is to fund an ongoing refresh of the technology behind the core gov.je, MyStates and States Assembly websites. With an increasing requirement for digital services and constant improvements to the look and feel of the site, this is a recurring programme of work. Gov.je has become the main channel for pushing content and delivering services, so will need continued investment.

The specific enhancements would reflect user needs at the time, but would be likely to include, for example (in no particular order):

- Search engine configuration
- Customer segmentation and personalisation
- Portuguese and Polish translation of key pages
- Improve Google rankings
- Blogs
- More accurate click tracking
- Monetisation of Jersey Met premium services online e.g. buy a more detailed forecast via PayPal
- Expand A to Z of contacts to be A-Z of services
- Ability to narrow a search when done on a smartphone
- Page layout tweaks
- Use of mapping and geo-location based services e.g. “find my nearest”
- Wide use of infographics, “smart pages” and interactive features to make the content more engaging
- Improved meta data which would power new ways of navigating to and filtering content based on subject/topic

Estimated Completion Date: 2017

Hardware Refresh (£200,000)

This is a rolling programme to ensure hardware is replaced at the end of its life. Standard lifecycles exist for all hardware types and this is used to create a replacement plan for PCs, laptops, servers and network infrastructure.

If this cycle is not refreshed, hardware will quickly become obsolete and not be able to run up to date software, and risks to business operations increase.

Estimated Completion Date: Late 2017

Taxes Office System Renewal (£8,400,000)

This project relates to the computer software and hardware required to support the business processes and functions of the Taxes Office on behalf of the States of Jersey.

The systems of the Taxes Office process approximately 90% of all income received by the States of Jersey, equating to approximately £540 million in 2015, or £1.5 million per day, through direct and indirect taxation. The systems also collect Long-Term Care contributions.

Should the systems become unavailable for a protracted period, lose their integrity or be compromised in any way, the impact to the States of Jersey will be significant, and could lead to loss of income, reputational damage, considerable inconvenience to the general public and require extensive funding to remedy in an unplanned scenario.

Consequently, it is essential that the States of Jersey recognise the critical nature of the Taxes Office systems, and ensure they receive regular capital investment (based on a seven to ten year lifecycle) in order to enable the Taxes Office, as well as the rest of the States of Jersey who rely on the income processed, to function and provide services to citizens and businesses.

This project provides the opportunity to re-engineer business processes in the Taxes Office in respect of personal taxation, whilst providing digital channels for customers, and increasing the efficiency and effectiveness of the service.

Estimated Completion Date: 2019

Community and Constitutional Affairs

Minor Capital (£381,000)

Funding is required for asset replacement, minor capital projects and the purchase of specialist equipment for the States of Jersey Police, Prison and Customs and Immigration Service. Including, for example, including a 3D scanner, a specialist piece of equipment that will be used by the Collision Investigation Officers for measurements of Road Traffic Accidents. Funds from prior years' allocations will also be utilised to support any shortfall between allocation and estimated costs. Funds will be prioritised by the respective Accounting Officers based on the Department's asset replacement programme and service needs.

Anticipated Spend in 2017: £381,000

Fire and Rescue HQ/Ambulance Co-location – Enabling Works (£500,000)

This project, which will consider the potential to co-locate the Fire and Rescue and Ambulance Services following ongoing organisational reviews, is outside the current MTFP timetable. The £500,000 included in the Capital Programme will enable the feasibility to be concluded and provide for improvements to the current operational and enabling works uses prior to the main allocation of funding in the next MTFP period, subject to the feasibility works.

Anticipated Spend in 2017: £500,000

Education

Grainville Phase 5 inclusive of provision for the Jersey Music Service (£3,264,000)

Grainville Phase 5: The redevelopment of Grainville School began in 1991, and Phase 5 will represent the final stage in this process. The project will bring the remaining parts of the school into line with the minimum UK recommended standards, with the focus being on the West Wing and Link Building.

Jersey Music Service: The aim of the project is to replace the present unsatisfactory accommodation at Fort Regent and to address the drawback of being separate to the administration headquarters at Mont Cantel. The split site makes operating the service on a daily basis complex, and involves the whole staff and resources moving from one base to another.

Both projects were initially separate within the long term capital programme, but have now been brought together under one project during this MTFP. Budgets have been amalgamated and the project team is now tasked with delivering improvements to both Grainville school and to the Jersey Music Service. Several options have been considered within the parameters of the now joint project budget, including the demolition of the West Wing and Link Building and their replacement with a new building and the locating of the music service in different parts of the campus. A feasibility team is in the process of being appointed and is expected to report back findings in early 2017.

The funds for the joint project have been identified in the Department's capital programme for 2017–2019 with £3,264,000 in 2017, £4,458,000 in 2018 and £2,507,000 in 2019. The indicative total capital cost of the phased project is £10,229,000.

Anticipated Spend in 2017: £3,264,000

Estimated Completion Date: 2019

Replacement Assets and Minor Capital works (£200,000)

This annual allocation will enable the Department to meet a variety of capital needs related to teaching and learning in the education service, including:

- asset replacement e.g. minibuses
- minor building alterations
- acquisition of land for schools' playing fields
- improvements to external areas e.g. 3G artificial playing surfaces

Anticipated Spend in 2017: £200,000

Les Quennevais School Rebuild (£39,000,000)

Construction of a new Les Quennevais School is needed to replace the existing school which is reaching the end of its useful life. A full feasibility study was completed in May 2016 with 67% of people who responded preferring option 2, a new build on the fields north of St Brelade's Social Club alongside Route de Quennevais. A planning application was submitted on 23 June 2016 supported by extensive environmental impact assessments, including ecology and archaeological studies, geotechnical surveys and an independent traffic and transportation plan.

On 28 July 2016 the Minister for the Environment announced that a public inquiry into the planning application would be held as the land is in the green zone on the 2014 Island Plan, where there is a general presumption against development, and where exceptional reasons are required to justify new buildings. The inquiry is scheduled to take place on 7 November 2016.

Funding:
It is proposed that funding for this project is provided from a draw down from the Strategic Reserve in 2017. The drawdown sum will be from within the excess returns in the fund over and above those needed to maintain the value of the Strategic Reserve, in real terms, as approved in P.76 'Strategic Reserve Fund: Funding For Independent Jersey Care Inquiry And Transfers From And To The Consolidated Fund'.

Estimated Completion Date: 2019

Department of the Environment

Equipment, Maintenance and Minor Capital (£12,000)

This funding will allow the Department to replace its existing fixed assets, as they reach the end of their useful lives.

Estimated Completion Date: 2017

Health and Social Services

Replacement Assets (Various) (£3,100,000)

The Health and Social Services Department, and particularly the hospital, deploys a significant amount of specialist equipment to support the provision of care and the day to day operation of the hospital. It is essential that this equipment is maintained and replaced on a regular basis to ensure patient safety. Ever changing technology requires the Department to keep its various equipment assets under review and up to date, utilising new equipment to introduce new treatments, improve care and/or efficiency.

Anticipated Spend in 2017: £3,100,000

Department for Infrastructure

Replacement Assets (£1,637,000)

Funding for replacement assets at the Energy from Waste ("EfW") plant at La Collette, pumping stations and various items of plant and equipment across the Department's responsibilities.

The EfW plant in particular must be maintained to a high standard in order to ensure that it continues to deal with the Island's waste, maintain electrical generation and minimise the use of chemicals and resources whilst meeting emission standards. £1.2 million is anticipated to be allocated to the EfW plant.

Many items of plant and equipment, including the EfW plant, pumping stations and other (often unseen) assets are of strategic importance for dealing with the Island's waste and ensuring the risk of pollution, flooding or harm to the environment are minimised.

Anticipated Spend in 2017: £1,637,000

Infrastructure Rolling Vote (£6,765,000)

This allocation has been reduced by £1.4 million compared to the indicative plan outlined in the MTFP in order to fund the Commercial Recycling Centre below. It is intended to replenish this funding using anticipated underspends within the Department for Infrastructure's revenue budget in 2016 associated with the disposal of incinerator bottom ash export and additional tipping fee income subject to the prioritisation of resources at the end of 2016. Such a decision will take into account progress of spend against budget already available. The following breakdown assumes the allocation is replenished to £8,165,000. Should that not be possible, the allocations will have to be reprioritised.

It is planned to allocate £4.5 million of this budget to the main Sewage Treatment Works replacement project in 2017.

Of the remaining budget of £3.7 million, £2.8 million will be allocated to the Highways and Infrastructure resurfacing and maintenance programme, subject to funding being reinstated.

The Infrastructure Rolling Vote supports a number of areas in addition to the highways network, including sea defences, surface water infiltration remediation and foul and surface water improvements. Due to the requirement to fund the STW replacement, the budgets for these areas have had to be significantly reduced for 2017, in line with original MTFP submissions.

Anticipated Spend in 2017: £3,665,000 (excluding the transfer to the Sewage Treatment Works)

Commercial Recycling Centre (£1,400,000)

During 2016 the EfW plant has suffered a number of instances where inappropriate material has entered the plant from the bulky waste handling facility, causing damage to the grates and increasing running costs. Space on site is tight and it has not always been possible to segregate the materials that should not be entering the waste stream. As space becomes available as a result of the disposal of the legacy asbestos waste, currently stockpiled in containers adjacent to the EfW facility, it is planned to create a commercial waste separation and recycling facility.

Funding for this facility is being temporarily transferred from the Infrastructure Rolling Vote, in order to create a suitable head of expenditure for the project. During 2016 unusually high levels of inert waste tipping and a delay in the export of incinerator bottom ash ("IBA") allows the funding from the Infrastructure Rolling Vote to be reinstated from the Department for Infrastructure revenue head of expenditure, subject to necessary approval and consideration of progress of spend against budgets agreed.

Anticipated Spend in 2017: £1,400,000

Non-Ministerial Departments

Official Analyst (£50,000)

Laboratory Equipment

Replacement assets within the Official Analyst Department consist of laboratory equipment that is coming to the end of its useful life and needs to be replaced.

Estimated Completion Date: 2018

Proposed Capital Programme for 2017 – Funding Sources

The proposed 2017 capital programme has been fully funded from the Consolidated Fund with the exception of £39 million for the Les Quennevais School project which will be funded from the Strategic Reserve.

FIGURE 18 – Proposed Capital Programme Funding Sources

	Proposed Funding 2017 £'000	Indicative Funding 2018 £'000	Indicative Funding 2019 £'000
Departmental Capital Programme	**65,209**	**43,233**	**32,975**
Funding Sources			
Consolidated Fund	(26,209)	(35,000)	(32,975)
Criminal Offences Confiscation Fund (Prison Phase 6 only)		(8,233)	
Strategic Reserve - Les Quennevais School	(39,000)	-	-
Funding Available	**(65,209)**	**(43,233)**	**(32,975)**
TOTAL FUNDING	**65,209**	**43,233**	**32,975**

Revenue Consequences of Capital Schemes

Section 9 of the Medium Term Financial Plan Addition 2017 - 2019 – 'Additional Funding for Pressures, Demographics & Growth', describes the additional funding requested as a result of new capital schemes where departments feel further funding is necessary in this MTFP period. For example both Education and Community and Constitutional Affairs have requested funding for increased running costs for new premises and facilities. Departments that have not requested further funding have made the assessment that any increased costs can be met from existing budgets or efficiencies generated as a result of the investment made in this MTFP period.

Major Projects Update

Five major projects were identified as requiring funding during 2016 - 2019. All of these projects required specific funding sources over and above that identified from the Consolidated Fund in order for the allocation to be proposed as part of the Budget process in each year. Of these projects, the only one included in the Budget 2017 Capital Programme is the Les Quennevais School Rebuild for which funding will be provided from the Strategic Reserve excess returns. The remaining projects and their funding proposals are:

Sewage Treatment Works – Upgrade (Department of Infrastructure)

The Sewage Treatment Works ("STW") was originally constructed in the late 1950s for a population of 57,000. In the intervening years it has been continually improved and upgraded to take into account significant population increases, changes in volume of incoming flow, increased environmental standards and technological enhancements.

Whilst the plant has generally performed well over the years, it is now struggling to meet its discharge consents, mainly due to the now inadequate and outdated design, poor performance of the main treatment technology installed, and the variability of loading to the works, particularly under high flow and storm conditions. The only way forward is for a complete regeneration of the Bellozanne site including a new sewage treatment works.

Funding of £10.1 million was awarded to Transport and Technical Services ("TTS", Department of Infrastructure,"DfI" since 2016) in 2014 and £25.5 million in 2015 to undertake the first phases of this work. During 2015 TTS engaged Doosan Enpure Ltd to undertake a review of the proposals, refine the initial designs and produce detailed plans for siting, programme of works, planning permissions and phasing of construction. This initial work sought to identify the most efficient and effective way of replacing and upgrading the works whilst maintaining operations on site at Bellozanne. In early 2016, the Early Contractor Involvement phase was concluded early as it was not offering States of Jersey an optimum solution with best value and DfI engaged their technical consultants on the project, Sweco Limited, to fulfil this role instead. Now that the final layout, treatment processes, and extent of enabling works, has been identified and agreed, a comprehensive cost assessment is underway to determine the final outturn cost of the project.

Funding:

Paragraph d) of the Budget 2015 Proposition (as amended) (P.129/2014), agreed to request the Council of Ministers and the Minister for Treasury and Resources to take the necessary steps to bring forward for approval further capital allocations up to the maximum of £75 million.

It is proposed that the remaining funding required to cover the allocation requirements for the project over the 2016 – 2019 period will be funded from the DfI Infrastructure Rolling Vote, for 2017 the sum to be allocated to the STW project from Infrastructure will be £4.5 million.

Future Hospital ("DfI") on behalf of Health and Social Services)

The current General Hospital has not received a significant investment since the Parade wing in the 1980's and as a result is in poor condition and is increasingly unsuitable for providing modern, safe, sustainable and affordable hospital services. Recognising that doing nothing was not an option, the States Assembly, in their Act of 23rd October 2012, charged the Council of Ministers to bring forward proposals for investment in hospital services and detailed plans for a new hospital (either on a new site or a rebuilt and refurbished hospital on the current site), by the end of 2014.

In approving Budget 2014 and Budget 2015, the States Assembly granted £10,200,000 and £22,700,000 to enable the development of a feasibility study which the previous Council of Ministers agreed should be based upon a Dual Site option of developing out-patients at the current Overdale Hospital site and Acute Services at the current General Hospital site. Expenditure incurred as of the end of July 2016 on the Future Hospital Project totalled £7,633,906 with a further £1,661,386 committed. This includes £229,243 of pre-feasibility studies, £3,597,207 of technical advice in developing site options, feasibility studies and acute service planning for the future hospital, £2,180,406 of relocation works from failed buildings at the Overdale site and a £967,739 upgrading of Samares Ward at Overdale Hospital for six new acute bedrooms. Other costs relate to client team costs, legal, financial and other advisor costs and costs for dual site feasibility studies.

Following extensive public and States Members engagement during 2016, the Council of Ministers confirmed that the preferred site choice for the new hospital to be recommended to the States Assembly will be a development of the existing hospital site along Newgate Street and an extension into some adjoining properties in Kensington Place. Within the Medium Term Financial Plan Addition 2017-2019 as amended (P.68/2016), the Council of Ministers provided an outline of the preferred site approach, and indicated their intent to bring forward proposals for the approval of the preferred site and funding for the feasibility work during 2016. P.68/2016 also explained that a subsequent Proposition for the Future Hospital and proposed funding of such facilities will be brought forward.

To progress the feasibility study without delay and risk of cost increase above that envisaged within the approved Medium Term Financial Plan (P.68/2016 as amended), funding was and is required to: complete the development of the project brief and project execution plan for the new approach, to undertake the necessary feasibility studies to inform project costing, to complete the activity and inform the workforce assessments and plans, to develop a concept design, to develop the proposed procurement strategy and outline planning approach, to tender for a supply chain construction partner and commence the construction of relocation works as well as undertaking extensive stakeholder and clinical engagement throughout.

The funding requirement for the Preferred Site Feasibility Study for the period August 2016 to July 2017 is broken down as follows:

Feasibility Study Cost Element	Funding Requirement to July 2017 £
Client Project Team and office costs	614,000
Technical Advisor fees	8,271,000
Other Advisory fees	817,000
Relocation works design and construction costs	13,298,000
Total	**23,000,000**

A further £14,725,500 would be required during August - December 2017 to progress the Future Hospital Project, should the Preferred Site, Funding Strategy and Feasibility Study be approved by the States Assembly.

In advance of a funding solution for the remainder of the project, the Council of Ministers have agreed that the existing allocations for the project can be used to fund the work required as outlined above.

Funding:
Future amendments to the MTFP and appropriate legislation as necessary will be brought forward for approval to facilitate the funding for the development of the Preferred Site.
Estimated Project Completion: 2024

Office Consolidation Project (JPH)

The implementation phase of the Office Consolidation Project aims to reduce the number of office buildings and associated operating costs, deliver a fit for purpose and flexible portfolio which will support future reform, improve customer service, increase the utilisation of buildings and enable greater collaboration, productivity and reduced operating costs across departments.

A feasibility study into consolidating a significant number of services on the site of Philip Le Feuvre House and adjoining land along with an outline business case will be completed towards the end of 2016. If appropriate, a full scheme could then be pursued and development on site could commence in 2017 subject to funding and approval.

There is potential for this project to generate savings through reduced facilities management and associated costs due to the reduced footprint of the office estate and the improved quality of the buildings developed / retained. They will be achievable once the Central Administration Building has

been completed. Currently, this is estimated to be in 2020. Departments have been engaged throughout the project process and any budget reduction to departments is anticipated to also have a reduction in the cost recharged by JPH.

Funding:
As with the funding of the Future Hospital Project, it is proposed that future amendments to the Medium Term Financial Plan and appropriate legislation as necessary will be brought forward for approval to facilitate the funding for the gross capital allocation requirements for this project.

Careful consideration is being given to a suitable means of funding for the project with options including the use of existing reserves and asset sales.

Prison

The prison was designed in the late 1960s and was opened in 1974. Typically, prisoners are housed in various cell blocks of differing capacities along a central corridor and, due to the diversity of prisoner groups, accommodation cannot be met in alternative ways.

Various works pertaining to the overall Prison Masterplan have been undertaken since the prison opened. Phase 6 is for the construction of a new secure Gate House and Administration/HQ Facility which completes the terrace of three buildings forming the new façade to HMP La Moye.

Funding:
It is proposed that the Prison Improvement works are granted a priority against any proceeds received in to the Criminal Offences Confiscation Fund ("COCF") such that, in the event that sufficient funds are received into the Fund, a request can be made to utilize them to fund this project in the 2018 capital programme.

Progressing of this phase will be dependent on the sums being available in the COCF.

States Trading Operations

States Trading Operations comprise Jersey Car Parking and Jersey Fleet Management in the Department for Infrastructure.

A summary of the capital expenditure proposals for the States Trading operation is shown in **Figure 19** and in **Summary Table D**.

FIGURE 19 – Indicative Capital Programme for States Trading Operations

	Proposed Programme 2017 £'000	Indicative Programme 2018 £'000	Indicative Programme 2019 £'000
Car Park Maintenance and Refurbishment	2,334	2,204	1,492
Sustainable Transport and Road Safety Schemes	1,250	1,500	1,500
Jersey Car Parking	**3,584**	**3,704**	**2,992**
Vehicle and Plant Replacement	1,285	2,169	1,556
Jersey Fleet Management	**1,285**	**2,169**	**1,556**

Jersey Car Parking

Car Park Maintenance and Refurbishment (£2,334,000)

Jersey Car Parking operates 6 multi-storey car parks in addition to the numerous surface car parks in the Island. In order to maintain these facilities and extend their expected lives, the Department undertakes a programme of structural, electrical and mechanical maintenance, surface treatments to waterproof and protect concrete decks, lighting and surface treatments to make them a pleasant experience for customers. This programme not only extends the life of the buildings but also ensures that the facilities continue to meet the needs of the motoring public.

Anticipated Spend in 2017: £2,334,000

Sustainable Transport and Road Safety Schemes (£1,250,000)

In 2016, the Jersey Car Park trading fund funded £1m of schemes, including contribution to the St Peter's Valley Path project, road safety schemes, bus shelters and Sustainable Transport Policy ("STP") initiatives. In 2017, it is proposed to increase this allocation to £1,250,000 which will continue the St Peter's Valley Path, fund additional road safety schemes and provide the funding for STP projects.

Anticipated Spend in 2017: £1,250,000

Jersey Fleet Management

Vehicle and Plant Replacement (£1,285,000)

Jersey Fleet Management is responsible for the supply and maintenance of all fleet vehicles for the States of Jersey. Vehicle charges to departments fund the long-term maintenance and replacement of vehicles and items of plant. The budget allocation for 2017 reflects the expected replacement costs of vehicles and plant reaching the end of their useful economic lives during 2017.

Anticipated Spend in 2017: £1,285,000

PART D – FINANCIAL FORECASTS

9. Financial Forecasts 2016-2020 (as amended)

Summary of Financial Forecast Update for the Budget 2017 (as amended)

The draft Budget 2017 was proposed on the basis of States income and expenditure forecasts as at October 2016. The forecasts of expenditure reflect the decisions taken by the States in approving the MTFP Addition 2017-2019, including the effect of agreed amendments.

The forecast update of States income was unchanged from the interim update provided in advance of the MTFP Addition debate in September, P68/2016 (Add)(4). These forecasts took account of the latest economic assumptions endorsed by the Fiscal Policy Panel ("FPP") in its Annual Report of August 2016 and the latest in-year information for 2016 actuals from the different income areas.

This forecast update and the associated appendices provide a fuller and more comprehensive analysis of the different income forecast areas and also the economic assumptions and trends to August 2016.

The next forecasts of States income will be a full review by the Income Forecasting Group ("IFG") in March/April 2017, based on a further revision of economic assumptions from the FPP and also informed by the provisional 2016 outturn for the different income areas.

FIGURE 20 – Summary of Financial Forecast Update for Budget 2017 (December 2016) as amended

Outturn	Financial Forecast	Forecast (Oct 2016)	Final Budget 2017 Forecast Update (December 2016)		
2015 £'000		2016 £'000	2017 £'000	2018 £'000	2019 £'000
	States Income				
457,583	Income Tax	471,000	481,000	508,000	532,000
85,042	Goods and Services Tax	83,334	84,120	84,924	85,747
54,147	Impôts Duty	56,787	56,390	56,366	56,267
29,032	Stamp Duty	25,394	27,563	29,066	29,664
11,928	Island Wide Rate	12,142	12,543	12,919	13,346
14,023	Other Income (Dividends)	11,149	8,703	9,017	14,937
12,506	Other Income (Non-Dividends)	9,710	10,151	9,697	10,284
27,483	Other Income (Return from Andium and Housing Trusts)	27,785	28,337	29,264	30,186
691,744	**States Income**	**697,301**	**708,807**	**739,253**	**772,431**
-	Proposed mechanism to offset States Payment of Rates	-	-	900	900
-	Future revenue raising measures	-	-	7,500	15,000
	Approved Budget Measures		1,879	2,293	2,905
691,744	**Total States Income**	**697,301**	**710,686**	**749,946**	**791,236**
	States Expenditure (per MTFP Addition)				
697,031	Departmental Net Revenue Expenditure	697,377	700,637	697,627	686,100
	Central Contingency Allocations	42,940	23,650	25,904	28,212
	Central Growth Allocations	-	-	10,424	20,533
697,031	**Total Net Revenue Expenditure (excl: Depn)**	**740,317**	**724,287**	**733,955**	**734,845**
(5,287)	**Forecast Operating Surplus/(Deficit) for the year**	**(43,016)**	**(13,601)**	**15,991**	**56,391**
44,676	Departmental Depreciation	44,800	40,600	45,500	53,000
(49,963)	**Surplus/(Deficit) of General Revenue Expenditure over Income**	**(87,816)**	**(54,201)**	**(29,509)**	**3,391**

States Income Forecast Update 2016-2020

The forecast update for the draft Budget 2017 for all States income derived from taxation and duty has been reviewed and agreed by the IFG. The IFG forecasts are summarised here but the detail provided to the Council of Ministers is published in **Appendices 1 to 4** of this Budget report. Forecasts of other States income have also been reviewed and reported to the Council of Ministers based on the latest economic assumptions from the FPP and the detail is provided at **Appendix 5.** The forecast update for the draft Budget 2017 is unchanged and confirms the interim update provided to States members in advance of the MTFP Addition debate (P68/2016(Add4)) in September 2016.

The States income forecasts were previously subject to a comprehensive review in preparation for the MTFP Addition 2017-2019 in June 2016. Those forecasts were presented to the Council of Ministers in June 2016, based on economic assumptions as at March 2016 and endorsed by the FPP together with further in-year information available from the first quarter for 2016.

The forecasts of States income are a critical component of the States medium and long term financial planning. They are also required as part of an annual Budget and MTFP, alongside forecasts of States expenditure, to assess the projected balance on the Consolidated Fund. This is a requirement of the Treasury and Resources Minister as part of the Public Finances (Jersey) Law.

Summary

The forecast update of States income for the draft Budget 2017 is presented as a forecast range and it is important that the Council recognises that there remains significant uncertainty in the economic outlook. This uncertainty has been emphasised by the IFG in its current report and by the FPP in its Annual Report in August 2016.

The FPP have advised that uncertainty around the economic assumptions has increased. The IFG's view is that the balance of risks to the financial forecasts remains on the downside, but less so than at the time of the June 2016 forecast. The IFG view reflects the fact that some of the uncertainty regarding Brexit is now factored into the FPP's latest economic assumptions. The FPP and IFG have both intimated that there are also business opportunities within these areas of uncertainty.

The IFG has emphasised certain factors which reflect uncertainty in the outlook:

- income tax from shareholder income;
- impact of UK banking sector reforms on banking profits;
- combined impact of future changes in fiscal policy such as public sector reform and future capital expenditure;
- impact on business decisions of UK referendum on its future relationship with the EU;
- prospects for the global economy, loss of momentum in advanced economies, transition in China and risks to emerging economies;
- impact of current and proposed EU and OECD international tax initiatives;
- impact of proposed changes to UK tax policy and anti-avoidance measures.

For this reason it is essential that the Council must continue to maintain appropriate flexibility, in the draft Budget 2017, to recognise the potential range of outcomes and the risks for States income forecasts around the central scenario.

Movements in forecasts since June 2016

This updated forecast follows the detailed forecasts prepared in June 2016 to inform the original MTFP Addition submission. Since that time further information has been received and the forecast update is based on:

- Updated FPP endorsed economic assumptions for 2016-2018 from the Panel's Annual Report for 2016, 30 August 2016, which show a slight reduction in the assumptions over the forecast period largely reflecting the uncertainty and implications arising from the outcome of the UK referendum.
- The latest in-year forecasts for 2016 for all States income and further information from the Taxes Office. The in-year data for 2016 shows that in most cases the June 2016 forecasts are robust, in particular corporate tax is expected to exceed forecast. There are slight variations in impôts and stamp duty.
- The income tax forecasting model has been updated to reflect the latest FPP endorsed economic assumptions and IFG discussions regarding trends from the in-year Taxes Office data.
- All other areas of income have been remodelled with new economic assumptions and appropriate in-year 2016 data.

The forecast update for the draft Budget 2017 show a number of variations compared to the June 2016 forecast.

The main variations which are described in more detail in the individual appendices to the main Budget report can be summarised as follows:

Income Tax

- The new forecast suggests that income in 2016 will be £4m higher than previously expected, due to improvements in the in-year corporate tax data from the Taxes Office.
- Lower earnings growth forecast for 2016, based on the FPP endorsed economic assumptions, will result in £3m lower personal tax in 2017, while data from the Taxes Office suggests that corporate tax may also be £3m lower in 2017 than previously forecast.
- Reduced economic assumptions mean that personal tax is expected to be £6m lower in 2018, rising to a £9m downgrade by 2020. Corporate tax is relatively unchanged over 2017-2019 as the lower economic assumption is offset by in-year data from the Taxes Office. The net impact is that the income tax forecast in 2019 is now expected to be £6m lower than the June 2016 forecast.

GST, ISE Fees and Import GST

- The current in-year data shows the income from all these areas is in line with the June 2016 forecast and in respect of ISE fees these are now largely complete for 2016.
- The reduction in the FPP's real GVA forecast in 2017 causes a small downward adjustment to the level of increase in future GST revenues based on forecast trends agreed by IFG.

Impôts Duties

- The current in-year data suggests a small increase in duty revenues for 2016 and coupled with the increased FPP inflation assumptions for 2016 and 2017 provide a small increase in the expected revenues for future years.

Stamp Duty

- The FPP have revised downward the forecast for house price inflation in 2017 and when this is

applied in the stamp duty model to all transactions below £2 million it results in a small decrease in income in each forecast year.
- The volume of activity in the first half of 2016 is slightly down on forecast and as a result the 2016 forecast is reduced slightly. Due to the volatility of the property market this reduction is not yet carried forward in the base until the final 2016 position is clearer and will be reviewed in March 2017.

Other Income
- The other income forecasts show that, with the exception of the delay in receipt of the anticipated SoJDC dividend, compared to the June 2016 forecasts there is a slight reduction in income which broadly reflects the prudent approach to investment income and the small changes due to revised RPI assumptions.

Budget 2017 proposals (as amended)

The States income forecast update does not include the impact of the measures proposed in the draft Budget 2017 by the Minister for Treasury and Resources and then amended by the States debate. These are separately presented in the income forecasts see **Figure 20**. The forecast update only includes the base assumptions for income tax and impôts duty agreed by the IFG.

Variations in the Sustainable Funding Measures proposed in the original MTFP 2016-2019 (October 2015)

The States income figures agreed in the MTFP 2016-2019 (October 2015) included forecasts for the introduction of sustainable funding mechanisms for the payment of rates from 2017 and for a health charge from 2018. The updated forecast includes the impact of the subsequent decisions in the MTFP Addition 2017-2019 (September 2016) to defer the funding mechanism for the payment of rates until 2018, and not to approve a Health Charge.

The forecast update for the draft Budget 2017 now proposes the inclusion of future revenue raising measures intended to replace the funding mechanism for Health in 2018 and 2019, with these measures to be brought forward by the Budget 2018. These measures to be developed following the current tax review and subsequent engagement with States members during the first half of 2017.

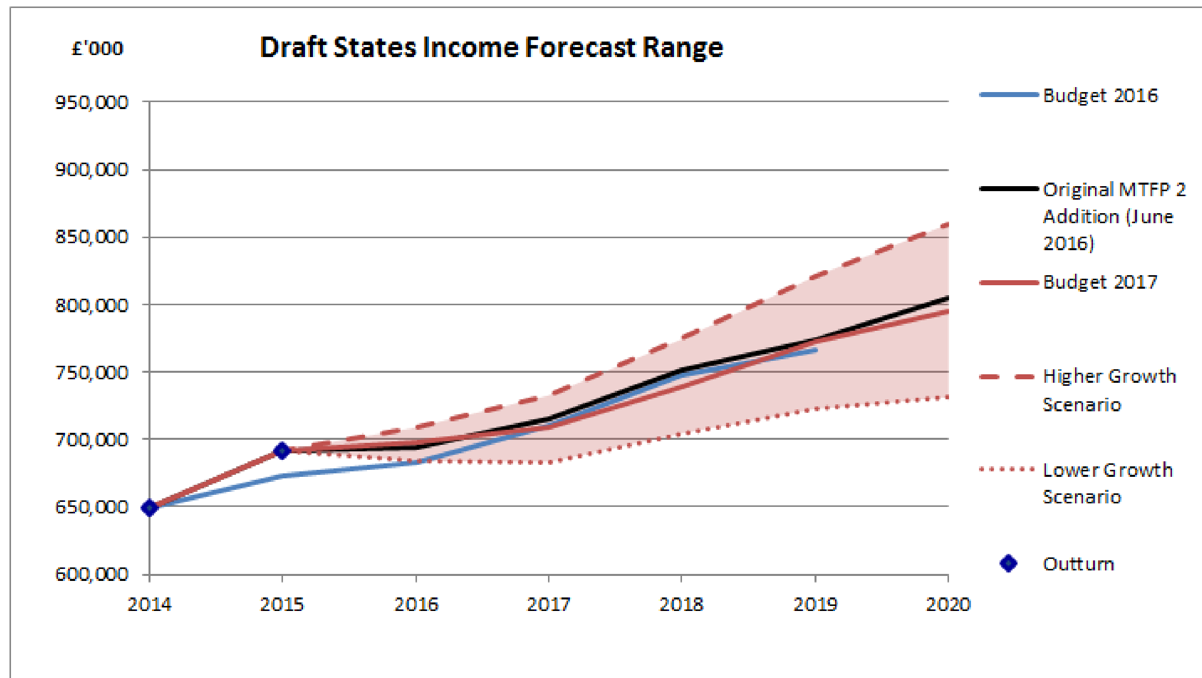
Overall range of forecasts

The updated FPP endorsed economic assumptions (August 2016) provide a range of assumptions higher, lower and central. These assumptions are used within the modelling of the different types of States income along with some other factors to provide an illustrative range of income forecasts.
The range around the central forecast has not changed significantly but has been updated and re-modelled to reflect the revised range of economic assumptions.

The central scenario is broadly the mid-point of the range. The range in the forecasts by 2020 is just over £130 million between the higher and lower scenarios.

Figure 21 shows the forecast range for the draft States income forecast update and indicates the movement since the MTFP Addition 2017-2019 and Budget 2016 forecasts.

FIGURE 21 – Draft Budget 2017 forecast range for States Income for 2016-2020



The Budget measures as amended, future revenue raising measures and a funding mechanism for rates are excluded from the forecast range graph above

FIGURE 22 - A summary of the forecasts of all States Income for 2016-2020

Central Forecast from Range (October 2016)	Forecast (Oct 2016) 2016 £'000	Draft Budget 2017 Forecast Update (October 2016) 2017 £'000	2018 £'000	2019 £'000	2020 £'000
States Income					
Income Tax	471,000	481,000	508,000	532,000	556,000
Goods and Services Tax	83,334	84,120	84,924	85,747	86,589
Impôts Duty	56,787	56,390	56,366	56,267	56,091
Stamp Duty	25,394	27,563	29,066	29,664	30,281
Income from Taxation and Duty	**636,515**	**649,073**	**678,356**	**703,678**	**728,961**
Other Income	60,786	59,734	60,897	68,753	66,203
Proposed mechanism to offset States Payment of Rates	-	-	900	900	900
Future revenue raising measures	-	-	7,500	15,000	15,000
Total States Income - Central Scenario (excl: Budget measures)	**697,301**	**708,807**	**747,653**	**788,331**	**811,064**
June 2016 Forecast	**693,774**	**715,203**	**759,240**	**789,360**	**820,506**
Variation to June 2016 Forecast (excl: Budget measures)	***3,527***	***(6,396)***	***(11,587)***	***(1,029)***	***(9,442)***

The detailed income figures from the forecast update are shown in **Summary Table A**. The detail of forecasts provided to Council of Ministers, for taxation and duty and other income are included as **Appendices 1 to 5** of this Budget report.

Summary of Economic Assumptions for the draft Budget 2017

The economic assumptions, endorsed by the FPP, have been updated and the latest local and international developments on which they are based are detailed in the FPP's Annual Report of August 2016.

The IFG have considered the economic assumptions from the FPP and have agreed that these assumptions be used as the basis for the income forecast modelling. A summary of the economic trends supporting the economic assumptions to August 2016 are included as **Appendix 6** to this Budget report.

Changes in assumptions from March 2016 to Draft Budget 2017 and FPP Annual Report (August 2016)

The updated FPP endorsed assumptions are shown at **Figure 23** and have been used in the update of the States income forecasts. The economic assumptions were published on 30 August 2016 in the Panel's Annual Report for 2016.

When compared to the previous (March 2016) assumptions, the main changes are:

1. Outturn data – there have been a number of new data:
    - Financial Services profits for 2015 were lower than forecast.
    - FTE Employment growth in 2015 was higher than forecast.
    - Finance sector compensation of employees grew by 9 per cent (nominal) in 2015; leading to a higher expectation for compensation of employees overall.
2. Average earnings growth for 2015 was 0.7 percentage points lower than forecast.
3. Financial Services profit growth – growth expected to be slower in 2016 and 2017.
4. Non-finance profit growth expected to be slower in 2017.
5. Inflation – expectations for 2016-2017 are higher than previously.
6. Average earnings – 2017 expected to be slightly higher (in nominal terms, due to higher inflation).
7. Employment growth – is now expected to be slower in 2017.
8. UK policy interest rates – are now expected to be lower throughout the forecast period.

The changes in these assumptions have had knock-on effects on the nominal and real economic growth (GVA) assumptions, with real growth expected to be slower in 2015-2017. The fall in real growth in 2015 is primarily due to the lower outturn for financial services GVA (1 per cent lower than expected) while the lower forecasts for 2016 and 2017 are primarily due to higher expected inflation (due to the depreciation of sterling).

The FPP has not made any change to forecasts for GVA growth in 2018 or 2019, though 2020 has now been added to the forecast range.

FIGURE 23 – Economic assumptions for Draft Budget 2017 FPP Annual Report (August 2016)

						Return to trend	
	2014	2015	2016	2017	2018	2019	2020
Real GVA	4.9	0.9	0.4	0.0	0.0	0.0	0.0
RPI	1.6	0.6	2.2	3.3	3.0	3.3	3.3
RPIY	1.6	0.6	2.3	3.4	3.0	3.0	3.0
Nominal GVA	6.6	1.5	2.7	3.4	3.0	3.0	3.0
Company profits	12.3	-2.7	2.8	2.9	3.0	3.0	3.0
Financial services profits	19.4	-7.5	2.6	2.8	3.0	3.0	3.0
Compensation of employees	2.1	5.3	2.6	3.8	3.0	3.0	3.0
Employment	2.3	1.9	0.5	0.0	0.0	0.0	0.0
Average earnings	2.6	1.8	2.1	3.8	3.0	3.0	3.0
Interest rates (%)	0.5	0.5	0.4	0.1	0.1	0.2	0.4
House prices	3.0	4.0	4.0	3.0	3.0	3.0	3.0

Figures in boxes are Outturn, Compensation of Employees is a combination of Average Earnings and Employment indices

FIGURE 24 – Variations in FPP Economic Assumptions from August 2016 to March 2016

						Return to trend	
	2014	2015	2016	2017	2018	2019	2020
Real GVA	0.0	-1.4	-1.0	-1.4	0.0	0.0	0.0
RPI	-0.0	0.0	0.4	0.7	-0.3	0.0	0.0
RPIY	-0.0	0.0	0.5	1.0	0.0	0.0	0.0
Nominal GVA	0.0	-1.4	-0.5	-0.4	0.0	0.0	0.0
Company profits	1.8	-5.2	-0.3	-0.5	0.0	0.0	0.0
Financial services profits	0.0	-9.6	-0.5	-0.5	0.0	0.0	0.0
Compensation of employees(a)	-2.8	2.0	-0.7	-0.3	0.0	0.0	0.0
Employment	0.0	0.4	0.0	-0.5	0.0	0.0	0.0
Average Earnings	0.0	0.0	-0.7	0.2	0.0	0.0	0.0
Interest rates (%)	0.0	0.0	-0.1	-0.6	-0.8	-1.3	-1.1
House prices	-0.0	-0.2	0.0	-2.0	0.0	0.0	0.0

The FPP provide an upper and lower range of assumptions which are shown at Appendix 6. The range of assumptions has been used to inform the planning in terms of level of risk and need for flexibility in the MTFP Addition and this draft Budget 2017.

States Expenditure Forecasts from the MTFP 2016-2019 (as amended)

The draft MTFP Addition 2017-2019 was debated in the States Assembly at the States sitting of 26 September 2016. The States approved two amendments and one amendment was withdrawn following proposals by the Chief Minister:

- The 2nd Amendment from Deputy Southern was withdrawn following a proposal from the Chief Minister which would reduce the proposed saving in the Statistics Unit and deliver the remaining savings by efficiencies from the merger with the Health Intelligence Unit. This would enable the Business Tendency Survey and other highlighted studies to continue. No net change to total expenditure limits.
- The 4th Amendment from Deputy Le Fondre was accepted, which agreed that the proposal for Nursery Education Fund means testing should apply to all providers. This could marginally increase the savings but may also require an additional member of staff. The Education Minister will advise the Assembly of the new proposals in due course. No net change to total expenditure limits.
- The amended 5th Amendment, part 1, from Deputy Le Fondre was accepted which agreed to withhold consent to the application of resources for work on the development of 'user pays' charges in relation to domestic liquid waste and domestic solid waste, any such consent requiring separate authorisation by the Assembly; other than work necessarily connected to the development and implementation of commercial solid and liquid waste charges. No change to total expenditure limits and proposals from Department of Infrastructure to be developed in the first half of 2017.
- The 7th Amendment from Deputy Tadier was accepted along with proposals from the Chief Minister to commit to provide funding of two teachers who would be employed by the Education Department to teach Jèrriais. No net change to total expenditure but additional funding for Education to be provided from within the Chief Minister's and EDTS&C departments. It is now clear that the £30,000 transfer between Education and EDTS&C, agreed as part of the Amendment, was unnecessary and will be reversed during 2017.

The MTFP Addition also approved the detailed net expenditure allocations for 2017-2019 which are included in the financial forecast update at **Figure 20**. The total States net expenditure limits for 2017-2020 are shown in **Figure 25.**

The Health and Social Services Department net expenditure was dependent upon the approval of transfers from the Health Insurance Fund ("HIF") for 2017, 2018 and 2019. However, the proposed transfers were dependent on the approval of the Health Charge. With the States rejection of the Health Charge, P86/2016 from the Social Security Minister has been withdrawn, which means that the Health and Social Services gross expenditure and income is reduced by £5 million in each of the years 2017-2019.

The Council of Ministers is proposing that £5 million for 2017 be earmarked as a first call on 2016 underspends to be carried forward and applied to Health and Social Services. The Council of Ministers will explore sustainable expenditure measures with departments ahead of the Budget 2018 when proposals for the allocation of Central Growth for 2018 and 2019 would be considered which currently include £9.7 million in and £17.5 million of Health growth in 2018 and 2019 respectively.

The MTFP Addition Department Annex for 2017-2019 was published as an Addendum (P68/2016. Add) and an amended version will shortly be available.

FIGURE 25 – Total States Net Expenditure following MTFP Addition 2017-2019 debate

States Funded Bodies	MTFP Addition 2017 - 2019 (as amended)		
	Total Net Expenditure 2017 £'000	Total Net Expenditure 2018 £'000	Total Net Expenditure 2019 £'000
Ministerial Departments			
Chief Minister's	26,482.1	26,210.1	25,473.1
- Jersey Overseas Aid Commission	10,338.5	10,338.5	10,338.5
External Relations	1,746.3	1,746.3	1,746.3
Community and Constitutional Affairs	48,782.7	48,241.9	47,095.2
Economic Development, Tourism, Sport and Culture	19,182.6	18,339.0	17,795.9
Education	105,944.0	106,216.9	106,316.9
Department of Environment	5,856.1	5,393.4	4,675.9
Health and Social Services	207,908.3	210,787.0	210,481.1
Infrastructure	39,981.1	35,367.4	26,449.2
Social Security	186,225.7	187,551.3	189,331.4
Treasury and Resources	21,447.4	20,973.5	20,267.4
Ministerial Departments	673,894.8	671,165.3	659,970.9
Non Ministerial States Funded Bodies			
- Bailiff's Chamber	1,687.7	1,699.7	1,711.8
- Law Officers' Department	7,555.9	7,323.8	7,087.1
- Judicial Greffe	6,558.1	6,497.1	6,429.8
- Viscount's Department	1,341.2	1,349.9	1,345.5
- Official Analyst	600.2	601.3	571.5
- Office of the Lieutenant Governor	734.5	724.9	714.7
- Office of the Dean of Jersey	27.0	27.2	27.5
- Office of the Data Protection Commissioner	374.3	439.7	505.9
- Probation Department	2,013.8	2,017.6	2,021.7
- Comptroller and Auditor General	804.4	817.4	831.2
States Assembly and its Services	5,045.4	4,963.4	4,882.4
Non Ministerial Departments	26,742.5	26,462.0	26,129.1
Total Departmental Net Revenue Expenditure	**700,637.3**	**697,627.3**	**686,100.0**
Central Contingency Allocations	23,649.7	25,903.7	28,212.1
Central Growth Allocations	-	10,424.0	20,533.0
Total Net Revenue Expenditure	**724,287.0**	**733,955.0**	**734,845.0**
Net Capital Expenditure Allocation - Annual Programme	26,273	35,000	32,975
Net Capital Expenditure Allocation - Other Projects	39,000	8,233	-
Total States Net Capital Allocations	**65,273**	**43,233**	**32,975**
Total States Net Expenditure Allocations	**789,560**	**777,188**	**767,820**
For Information:			
Departmental Depreciation	*40,600*	*45,500*	*53,000*

Financial Forecast Update and the Consolidated Fund for 2016 as amended

Article 10(8) of the Public Finances (Jersey) Law 2005 requires the Minister for Treasury and Resources to lodge a Budget where the Consolidated Fund is balanced. The forecast update and measures agreed in this Budget for 2017 forecast a positive balance on the Consolidated Fund for each of the years 2016 - 2019.

The Consolidated Fund Forecast is shown in detail at **Summary Table E** and in summary **at Figure 26.**

FIGURE 26 – Summary Forecast of Consolidated Fund 2016-2019 (December 2016) as amended

Summary Forecast Consolidated Fund Balance (including agreed Budget Measures)	Forecast (Oct 2016)	Budget 2017 Forecast Update (Decemberr 2016)		
	2016 £'000	2017 £'000	2018 £'000	2019 £'000
Opening Balance brought forward	**64,654**	**54,638**	**27,101**	**25,092**
Forecast Operating Surplus/(Deficit)	**(43,016)**	**(13,601)**	**15,991**	**56,391**
Funding for Capital Programme	(26,691)	(65,209)	(43,233)	(32,975)
Proposed Transfers from Strategic Reserve	56,691	55,273	16,000	-
Proposed Transfers to Strategic Reserve	-	(5,000)	-	(20,000)
Currency Fund Infrastructure Investment				
Proposed Asset Disposals	3,000	1,000	1,000	1,000
Proposed Transfer from Criminal Offences Confiscation Fund			8,233	
Forecast Closing Balance carried forward	**54,638**	**27,101**	**25,092**	**29,508**

Proposed Budget Measures and Balanced Budget by 2019 as amended

Strategic Reserve transfers

The MTFP 2016-2019 proposed the use of the Strategic Reserve as one of the short-term funding measures and the drawdowns and repayments were approved in P76/2015 (as amended) in October 2015. The MTFP Addition 2017-2019 proposed the same net drawdown from the Strategic Reserve in 2017 of £50.273 million but varied the breakdown between withdrawals and repayments to reflect the latest financial position.

Figure 26 shows that £55.273 million is proposed to be withdrawn from the Strategic Reserve with £5 million to be repaid in 2017. Part d) of the Proposition proposes the revised breakdown.

If at the time of the 2018 Budget the States income forecasts are still showing the slight reduction, based on the FPP's August 2016 economic assumptions post Brexit, the Council of Ministers would propose an additional drawdown from the Strategic Reserve in 2018.

In accordance with the FPP's advice to use reserves in the short-term to maintain the important investment in the capital programme and in the States strategic priorities the States will be drawing down a net £87 million over the period 2016-2019, with a possible further £16 million in 2018 depending on the movement in income forecasts. The Consolidated Fund will also be reduced from £65 million in 2016 to just under £30 million in 2019. The use of reserves provides time for the sustainable measures to be phased in over the period of the plan to lessen the impact on services and the public and deliver broadly balanced budgets by 2019.

Consolidated Fund balance

The June 2016 forecast of the Consolidated Fund, at the time the MTFP Addition was lodged, presented a 2019 estimated closing balance of £21.8 million.

The improvements in this draft Budget 2017 arising from the Budget measures (as amended) are an important part of the flexibility that the Council of Ministers is looking to maintain throughout the period of the MTFP 2016-2019 to address the inevitable variations to the current plan and wherever possible to maintain the planned investment in strategic priorities and essential infrastructure. The proposed budget measures if approved would increase the 2019 Consolidated Fund balance to £29.5 million.

The estimated Consolidated Fund balance also depends on the Council of Ministers identifying future revenue raising measures to replace the Health charge of £7.5 million in 2018 and £15 million in 2019. These proposals are to be developed following the planned tax review and engagement with States members and Scrutiny.

In the event that income forecasts are maintained, the additional flexibility provided by the annual Budget measures would be released to reduce the further revenue raising measures to compensate for the Health Charge funding.

PART E – THE ECONOMIC OUTLOOK

10. Economic Outlook 2016-2020

International Developments

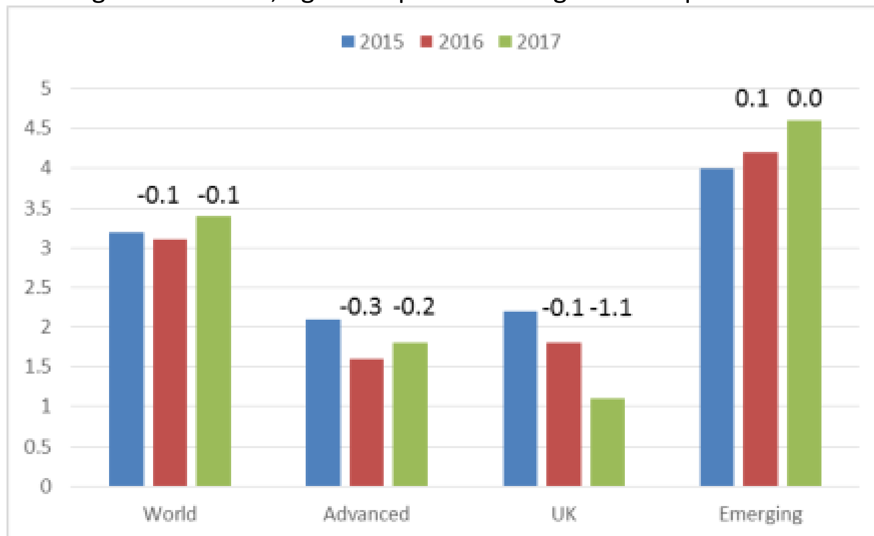
The latest forecasts from the International Monetary Fund ("IMF") were released in early October and were revised down slightly compared to their April forecasts. The outlook was considered to be more subdued for the advanced economies as a consequence of the UK referendum result and weaker than expected growth in the US. Overall global economic growth is projected to slow to 3.1% in 2016, rising to 3.4% in 2017, both 0.1% lower than the April forecast. These developments were considered to have put further downward pressure on global interest rates, implying they will remain low for longer.

The IMF are of the view that the initial market reaction to the UK referendum result "was reassuringly orderly". However, they believe that "the ultimate impact remains very unclear" as the future institutional and trade arrangements between the UK and EU are still uncertain. The forecast for economic growth in the UK has only been revised down slightly in 2016 although is now 1.1% lower in 2017 than the April forecast.

Although the outlook for emerging markets has not deteriorated a number of economies "face daunting policy challenges in adjusting to weaker commodity prices". The IMF also highlight that for the advanced economies the outlook is "subject to sizable uncertainty and downside risks" and this could "fuel further political discontent". They conclude that these risks to global economic prospects make it more urgent that a broad-based policy response to raise growth and manage risks is put in place.

FIGURE 27 – World economic growth

% changes in real GDP, figures represent changes since April forecast



Source: IMF World Economic Outlook October 2016

Jersey Economy

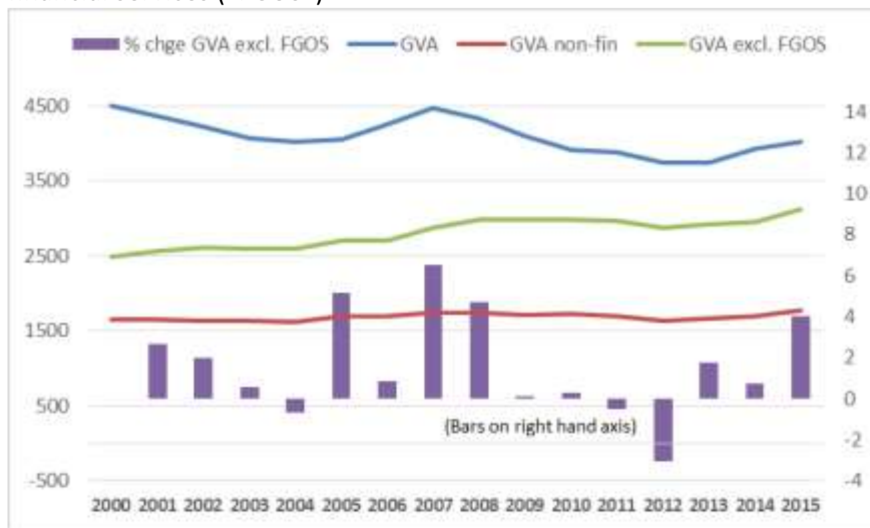
In their 2016 Annual Report published in August the Fiscal Policy Panel ("FPP") emphasised that:

> *There was some improvement in a number of economic indicators for Jersey in 2015, with employment reaching record highs, and a generally positive sentiment in the first half of 2016. However, more recently there has been considerable uncertainty regarding the likely short- and long-term economic implications and the terms of the UK exit from the EU, and the impact these might have on Jersey.*

Since the FPP published their Annual Report there have been two key economic data releases for Jersey and both were better than anticipated in August. Economic growth in Jersey in 2015 was 2.2%, more than double that expected by the FPP. Although clearly this data is for the period before the UK referendum result was known it does paint a generally positive picture of Jersey's economic performance. The chart below shows that headline GVA is still below its peak in 2007, although this is largely a consequence of the impact on low interest rates on the banking sector profitability. Given the volatility in financial service profitability it is important to look at both headline GVA and the underlying components to get a full understanding of the performance of the economy. If GVA excluding financial services gross operating surplus (profits) is considered (i.e. the profits of non-finance and the salary costs of non-finance and finance) then **Figure 28** below shows that measure of GVA has increased for the last three years at an average rate of nearly 3% and is now above its previous peak in 2008.

FIGURE 28 – Trends in Jersey GVA

Real GVA £m, 2013 prices, GVA of non-finance sectors and GVA excluding the gross operating surplus of financial services ("FGOS")



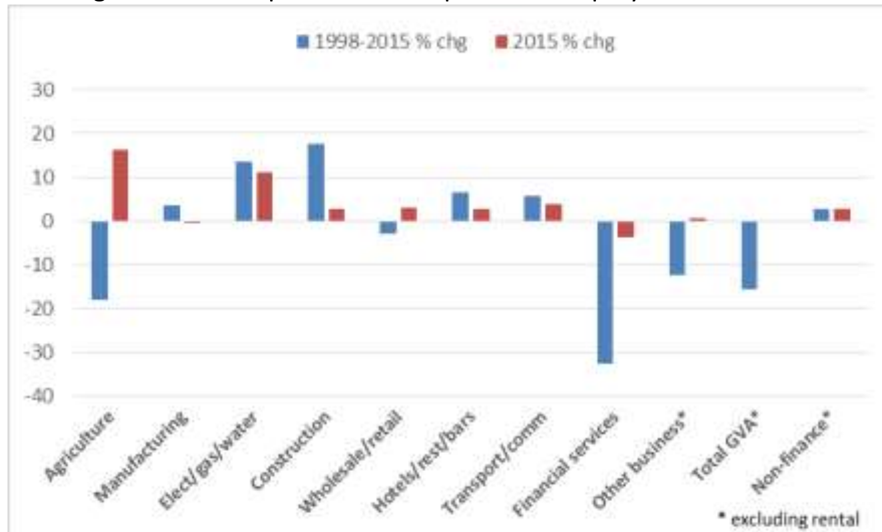
Source: Statistics Unit/Economics Unit calculations

Productivity in Jersey (as measured by GVA per full time equivalent employee) declined slightly in 2015 (by 0.2%). However, as the chart below shows, this was made up of an increase of 3% in non-finance sectors and a decrease of 4% in finance (driven by the fall in profitability). The increase in non-finance productivity was broadly based across the sectors, with the only fall in manufacturing. These shorter term trends are indicative of the longer term ones where non-finance productivity has increased

marginally over the 1998-2015 period (see **Figure 29** below) and finance productivity has declined, partly reflecting the falling profitability of banking as a result of low interest rates.

FIGURE 29 – Productivity trends in Jersey

% change in real GVA per full time equivalent employee

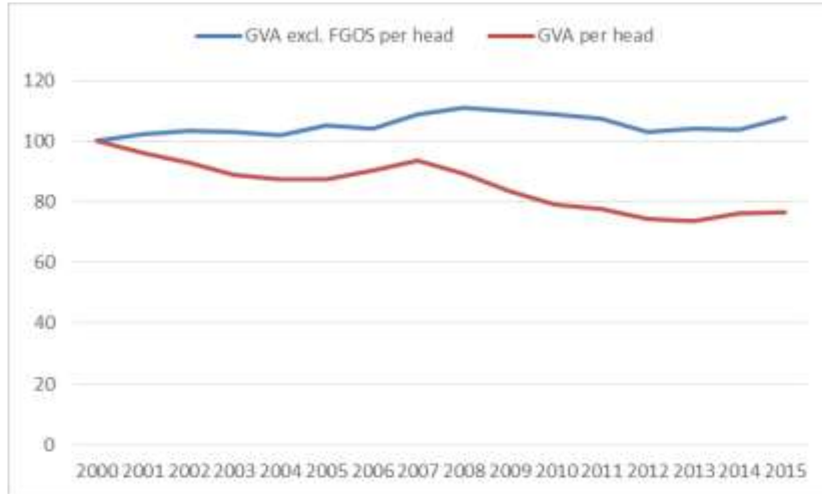


Source: Statistics Unit/Economics Unit calculations

GVA per head of the population increased slightly in 2015 – by 0.5% in real terms – the second consecutive year this measure of the standard of living has increased. The chart below shows that GVA per head is still about 20% below its peak in 2000. However, the key driver of this trend has been the fall in financial services profitability over that period as **Figure 30** also shows that GVA (excluding financial services gross operating surplus) per head has actually increased over the same period and is about 3% below the peak in 2008. It is important to consider trends in headline GVA and some of the key components to better understand Jersey's economic performance. The volatility in financial services profits can make it difficult to interpret the underlying trends.

FIGURE 30 – GVA per head of the population

real GVA (and GVA excluding financial services gross operating surplus) per full time equivalent employee, index 2000=100



Source: Statistics Unit and Economics Unit calculations

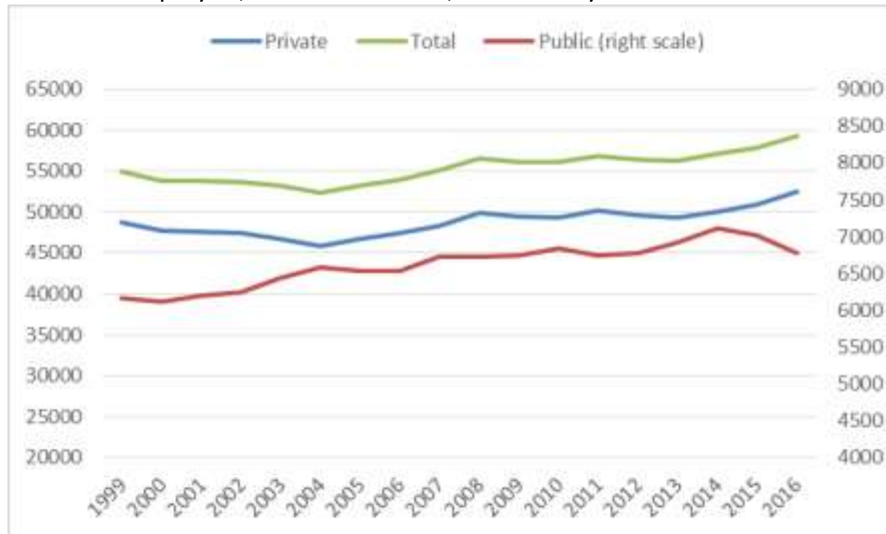
The FPP have consistently highlighted concerns about Jersey productivity performance in their annual reports and the fact that for a sustained period it has shown no real increase. As well as investing in health, education and infrastructure as set out in his MTFP Addition, the Strategic Plan sets out how Council of Ministers aims to rectify this productivity performance and optimise economic growth by:

- Promoting jobs and growth in the technology sector, with a particular focus on Fintech.
- Delivering and further enhancing the existing Financial Services Policy Framework
- Promoting higher productivity in all economic strategies, including the new Tourism, Retail and Rural Economy Strategies
- Developing a new and challenging Enterprise Strategy, a new Innovation Strategy and attracting more inward investment
- Reviewing and upgrading the existing Skills Strategy
- Developing a new Competition Framework and reviewing opportunities to promote competition
- Identifying and addressing barriers to work for key groups
- Adopting environmental management principles to help improve productivity and efficiency and attract environmental businesses in line with our economic growth objectives

Labour market trends are also a key indicator of Jersey's economic performance. The latest data shows that total employment in June 2016 was 60,320 – the highest on record and 2.1% higher than a year ago. Private sector employment was 3.1% higher in June 2016 than a year ago, reaching 52,480 and also the highest on record. By contrast public sector employment was 3.8% lower than in June 2015 and the second consecutive fall on an annual basis.

FIGURE 31 – Employment trends

numbers employed, headcount basis, June each year

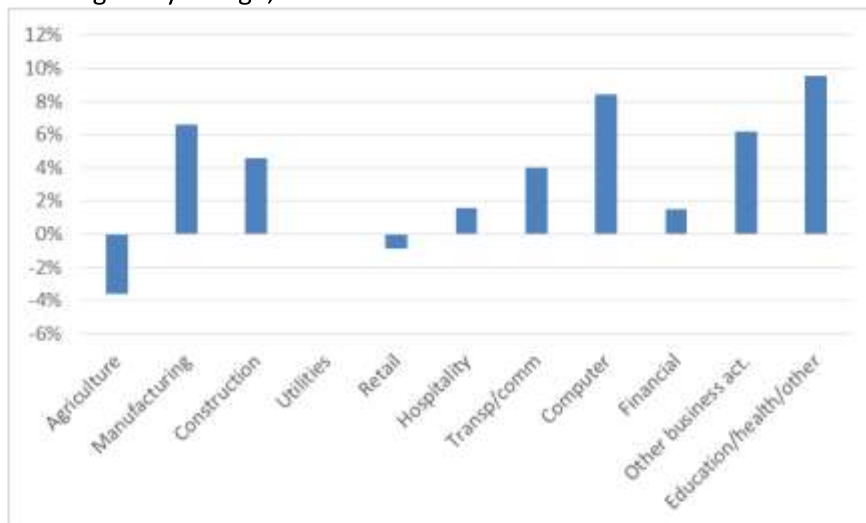


Source: Statistics Unit

The increase in employment in the private sector was broadly based. As **Figure 32** below shows the largest increases compared with a year ago (both in % terms and number of jobs) were seen in the service sectors – education, health and other services such as nursing homes and other business activities such as recruitment agencies which increased by 680 and 290 respectively. There was also strong growth in employment in the computer and related activities sector, although as a relatively small sector the actual increase in the number of jobs was only 60. Employment in financial services increased by 190 with banking employment down 330 and that in trusts and company administration up 420. The only sectors where employment fell in June were agriculture and wholesale and retail - both 70 lower than a year ago. Of the 1,600 increase in private sector employment, 740 were full-time, 690 zero hours and 280 part-time positions.

FIGURE 32 – Employment trends in the private sector

% change on year ago, June 2016 headcount basis

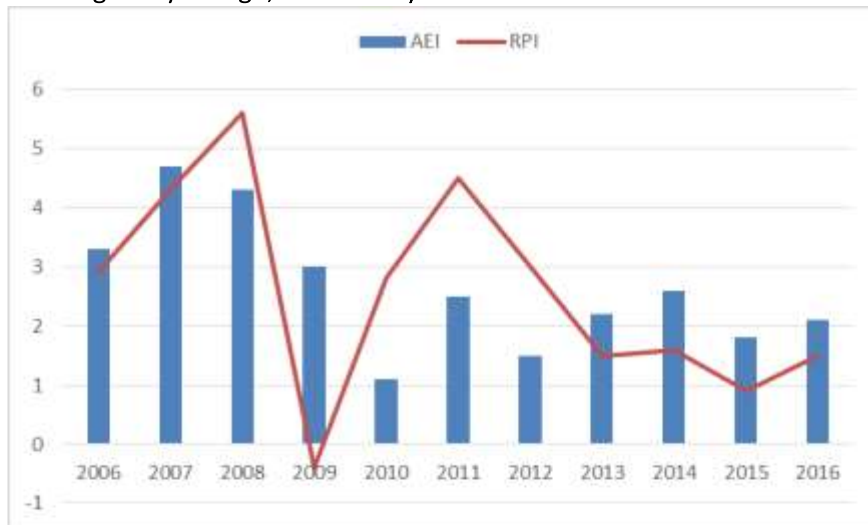


Source: Statistics Unit

Average earnings increased by 2.1% in the year to June 2016 and as **Figure 33** below shows this represents the fourth year in a row that earnings have increased at a faster rate than headline inflation. This contrasts with the period immediately after the global financial crisis when inflation increased at a sharper rate than earnings for 4 out of 5 years between 2008 and 2012. While private sector earnings increased at a sharper rate than inflation in June 2016, public sector earnings increased at a rate below inflation for the second consecutive year.

FIGURE 33 – Average earnings and inflation

% change on year ago, June each year



Source: Statistics Unit

The chart above shows that a contributing factor to the sustained growth in real earnings has been a period of low inflation since 2013, aided by lower commodity prices such as those for oil and food. The significant fall in the value of sterling since the UK referendum result is likely (if sustained) to feed through into higher prices. **Figure 34** below shows that the trade weighted effective sterling exchange rate fell 16% between its peak in November last year and September this year. Sterling has fallen further so far in October and is currently just over 20% below the peak last year. A weaker currency does make exports more competitive – both for the UK and Jersey in non-sterling markets. However, the flip side is that it makes imports more expensive and can lead to higher inflation. The chart below shows manufacturing input prices (for raw materials and fuel) tend to move inversely to the exchange rate, have already started to rise and were 7.6% higher than a year ago in August. This is likely to feed through into higher goods prices and ultimately higher inflation in the UK and Jersey.

FIGURE 34 – Inflation and exchange rate trends

% change in UK manufacturing input prices and Jersey RPI, sterling effective exchange rate index 2005=100

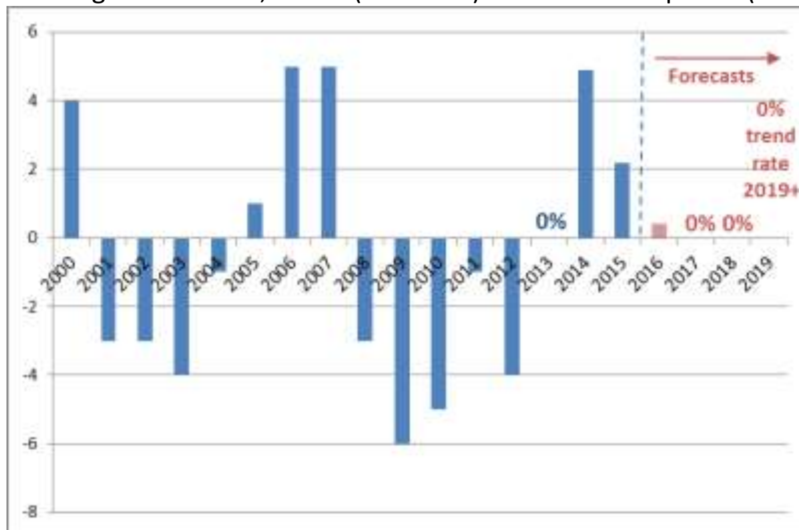
Source: Office for National Statistics, Bank of England, Statistics Unit

In their 2016 Annual Report the FPP highlighted that although the economy appears to have been relatively buoyant in the first half of 2016 there were concerns about the impact of the UK referendum and the build up to Brexit. The FPP stated that "the impact of the vote may take some time to be felt" and downgraded their forecast for 2016-2017. As **Figure 35** below indicates, the Panel forecast GVA growth to be largely flat in 2017 and 2018, as the impact of the referendum result becomes more fully felt. The FPP also highlighted the uncertainty facing the economic outlook and that:

> *the impact of the referendum on the Jersey economy is still very uncertain and likely to remain so at least until negotiations are complete. Therefore, there is a wide range of possible outcomes around this central projection – even wider than before, due to increased uncertainty.*

FIGURE 35 – GVA trends

% change in real GVA, actual (blue bars) and FPP assumptions (red bars)

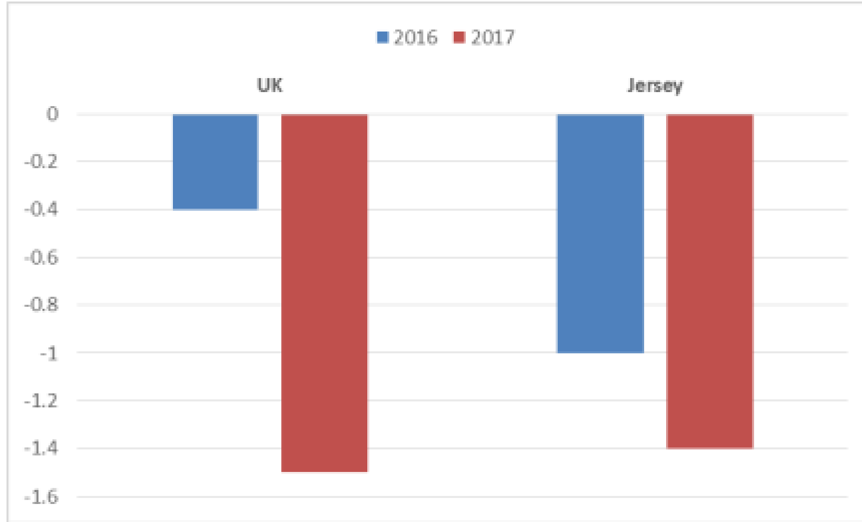


Source: Fiscal Policy Panel

The FPP revised down their forecasts for real GVA growth in 2016 by 1% and 1.4% in 2017 between March and August, in the light of the UK referendum result. When compared with the revisions to the average for the UK independent forecasts (see **Figure 36** below) published by HM Treasury, economic growth for 2016 has been revised down to a greater extent in 2016 in Jersey and to a similar degree in 2017 relative to the equivalent forecasts for the UK.

Figure 36 – Changes to economic growth forecasts

% difference in real economic growth forecast between March and August 2016



Source: Fiscal Policy Panel and HM Treasury

PART F – SUMMARY TABLES

Summary Table A – States Income 2016-2020 (December 2016) as amended

Outturn	States Income	Forecast (Oct 2016)	Forecast Update for Budget 2017 (Decemberr 2016)			
2015 £'000		2016 £'000	2017 £'000	2018 £'000	2019 £'000	2020 £'000
	Income Tax					
370,806	Personal Income Tax	382,000	399,000	421,430	442,730	463,730
89,437	Companies	91,000	84,000	90,000	93,300	96,300
(2,660)	Provision for Bad Debt	(2,000)	(2,000)	(3,000)	(3,000)	(3,000)
457,583		471,000	481,000	508,430	533,030	557,030
	Goods and Services Tax (GST)					
71,687	Goods and Services Tax (GST)	70,647	71,212	71,782	72,356	72,935
4,154	Import GST	3,687	3,908	4,142	4,391	4,654
9,201	ISE Fees	9,000	9,000	9,000	9,000	9,000
85,042		83,334	84,120	84,924	85,747	86,589
	Impôts Duties					
4,529	Impôts Duties Spirits	4,899	4,774	4,735	4,682	4,606
7,638	Impôts Duties Wine	7,876	7,979	8,242	8,490	8,702
1,003	Impôts Duties Cider	1,082	1,127	1,189	1,248	1,305
5,078	Impôts Duties Beer	5,376	5,343	5,353	5,348	5,318
13,606	Impôts Duties Tobacco	13,915	14,309	14,043	13,741	13,379
21,406	Impôts Duties Fuel	22,045	22,966	22,966	22,966	22,966
144	Impôts Duties Goods (Customs)	145	145	145	145	145
743	Vehicle Emissions Duty (VED)	1,449	1,406	1,336	1,302	1,302
54,147		56,787	58,049	58,009	57,922	57,723
	Stamp Duty					
25,821	Stamp Duty	21,818	23,960	25,339	25,887	26,453
1,883	Probate	2,168	2,300	2,300	2,300	2,300
1,328	Stamp Duty on Share Transfer (LTT)	1,408	1,523	1,647	1,697	1,748
29,032		25,394	27,783	29,286	29,884	30,501
625,804	**Total Taxation Revenue**	636,515	650,952	680,649	706,583	731,843
11,928	**Island Rate Income from Parishes**	12,142	12,543	12,919	13,346	13,786
14,023	**Other States Income - Dividends**	11,149	8,703	9,017	14,937	9,872
12,506	**Other States Income - Non Dividends**	9,710	10,151	9,697	10,284	11,330
27,483	**Other States Income - return from Andium Homes**	27,785	28,337	29,264	30,186	31,215
65,940	**Total Other States Income**	60,786	59,734	60,897	68,753	66,203
691,744	**Total States Income - including Budget measures**	**697,301**	**710,686**	**741,546**	**775,336**	**798,046**
	% increase on previous year	*0.8%*	*1.9%*	*4.3%*	*4.6%*	*2.9%*
-	Proposed Mechanism to offset States Payment of Rates	-	-	900	900	900
-	Future revenue raising measures	-	-	7,500	15,000	15,000
691,744	**Total States Income - including additional proposals**	**697,301**	**710,686**	**749,946**	**791,236**	**813,946**

Summary Table B – Proposed Capital Programme for 2017 (funding sources)

	Proposed Funding 2017 £'000	Indicative Funding 2018 £'000	Indicative Funding 2019 £'000
Departmental Capital Programme	**65,209**	**43,233**	**32,975**
Funding Sources			
Consolidated Fund	(26,209)	(35,000)	(32,975)
Criminal Offences Confiscation Fund (Prison Phase 6 only)		(8,233)	
Strategic Reserve - Les Quennevais School	(39,000)	-	-
Funding Available	**(65,209)**	**(43,233)**	**(32,975)**
TOTAL FUNDING	**65,209**	**43,233**	**32,975**

Summary Table C – Proposed Capital Programme for 2017

	Proposed Programme 2017 £'000
Chief Minister's	
Corporate Web Platform Refresh	300
Hardware Refresh	200
Taxes Office System Renewal	8,400
Chief Minister's Total	**8,900**
Community and Constitutional Affairs	
Minor Capital	381
Fire and Rescue HQ/Ambulance Co-location *	500
Community and Constitutional Affairs Total	**881**
Education	
Grainville Phase 5 (Inclusive of provision for Music Service) *	3,264
Replacement Assets and Minor Capital works	200
Les Quennevais School Rebuild *	39,000
Education Total	**42,464**
Department of the Environment	
Equipment, Maintenance and Minor Capital	12
Department of the Environment Total	**12**
Health & Social Services	
Replacement Assets (Various)	3,100
Health & Social Services Total	**3,100**
Department for Infrastructure	
Replacement Assets	1,637
Infrastructure Rolling Vote	6,765
Commercial Recycling Facility	1,400
Department for Infrastructure Total	**9,802**
Non Ministerial	
Replacement Assets - Non Mins	50
Non Ministerial Total	**50**
TOTAL PROJECTS	**65,209**

** Signifies projects where the budget will be allocated to the Department for Infrastructure to deliver.*

Summary Table D – Proposed Capital Allocation to States Trading Operations for 2017

	Proposed Programme 2017 £'000
Car Park Maintenance and Refurbishment	2,334
Sustainable Transport and Road Safety Schemes	1,250
Jersey Car Parking	**3,584**
Vehicle and Plant Replacement	1,285
Jersey Fleet Management	**1,285**

Summary Table E – Consolidated Fund Forecast 2016-2019 (December 2016) as amended

Forecast Consolidated Fund Balance (including agreed Budget Measures)	Forecast (Oct 2016)	Forecast Update for Budget 2017 (December 2016)		
	2016 £'000	2017 £'000	2018 £'000	2019 £'000
Opening Balance brought forward	**64,654**	**54,638**	**27,101**	**25,092**
Forecast Operating Surplus/(Deficit) as amended	**(43,016)**	**(13,601)**	**15,991**	**56,391**
Funding for Capital Programme				
Apply Funding for Annual Capital Programme	(25,691)	(26,209)	(35,000)	(32,975)
Other Funding proposals				
- Les Quennevais School	(1,000)	(39,000)	-	-
- Prison Improvement Phase 6	-	-	(8,233)	-
Proposed Transfers from Strategic Reserve				
- Proposed Funding for Committee of Inquiry (CoI)	4,000	-	-	-
- Funding for Annual Capital Programme	25,691	16,273	-	-
- Funding for Les Quennevais School	1,000	39,000	-	-
- Funding for Economic and Productivity Growth Provision	5,000	-	-	-
- Funding for Redundancy Provision	16,000	-	-	-
- Funding for Working Balance on Consolidated Fund	5,000	-	16,000	-
Proposed Transfers to Strategic Reserve	-	-	-	-
- Repayment for Economic and Productivity Growth Provision	-	(5,000)	-	-
- Repayment for Redundancy Provision	-	-	-	(20,000)
Proposed Asset Disposals	3,000	1,000	1,000	1,000
Proposed Transfer from Criminal Offences Confiscation Fund	-	-	8,233	-
Forecast Closing Balance carried forward	**54,638**	**27,101**	**25,092**	**29,508**

The MTFP 2016-2019 proposed the use of the Strategic Reserve as one of the short-term funding measures and the drawdowns and repayments were approved in P76/2015 (as amended) in October 2015. The MTFP Addition 2017-2019 proposed the same net drawdown from the Strategic Reserve in 2017 of £50.273 million but varied the breakdown between withdrawals and repayments to reflect the latest financial position.

Summary Table E shows that £55.273 million is proposed to be withdrawn from the Strategic Reserve with £5 million to be repaid in 2017. Part d) of the Proposition proposes the revised breakdown.

PART G – APPENDICES

Appendix 1 – IFG: Income Tax Forecasts Update 2016-2020

Introduction

This note provides figures to update the IFG's previous (June 2016) income tax forecast from June 2016. The revised forecast is based on:

- Updated Fiscal Policy Panel economic assumptions for 2015-2018.
- Updated information from the Taxes Office on both personal and corporate tax.

It is worth noting that in carrying out the updated forecast, the relationships between economic variables and tax revenues have not been re-estimated – as no new full year tax data is available since the June forecast. For similar reasons, no changes have been made to the assumptions for exemptions, reliefs and allowances - except where these are based on the economic assumptions.

The rest of the note is set out as follows:

- Overview of the Fiscal Policy Panel's ("FPP") revised economic assumptions that have been used to update the income tax forecast, and the reasons for any changes.
- Updated information from the Taxes Office.
- Updated provisional income tax forecast on the basis of new data and new economic assumptions.

Based on initial IFG discussions, the income tax forecast would be £4m higher in 2016, but £6m lower in each subsequent year – falling to £9m lower by 2020.

Revised economic assumptions

The FPP's updated economic assumptions have been used in the tax model to update the income tax forecast. The economic assumptions were published on 30 August 2016.

The changes in these assumptions have had knock-on effects on the nominal and real economic growth ("GVA") assumptions, with real growth expected to be slightly slower in 2015-2017 (please see footnote 1 on page 5 for an explanation of the implications of the actual 2015 GVA data released in September after the forecast was complete). The fall in real growth in 2015 is primarily due to the lower outturn for financial services GVA (1% lower than expected) while the lower forecasts for 2016 and 2017 are primarily due to higher expected inflation (due to the depreciation of sterling).

The FPP has not made any change to forecasts for GVA growth in 2018 or 2019, though 2020 has now been added to the forecast range.

Updated information from Taxes Office

Personal assessments completed to date

Around $^2/_3$ of YOA15 personal tax returns had been assessed as at 15 August 2016. Analysis of these returns shows that the growth in tax payable on this income is 4.7%. This 4.7% increase is higher than the IFG's March forecast of around 4.0% growth in personal tax[2].

However, this is based only on an unrepresentative sample, and early indications are that the impact is likely to be relatively small, i.e. £2m-£3m if this growth was extrapolated across all personal tax. Given the uncertainty, no increase to personal tax has been incorporated into the new forecast although the latest trend appears positive.

ITIS data for 2015

At the time of the June 2016 forecast, ITIS data suggested that employment income would be approximately 3.6% higher than in 2014. The most recent estimate shows a variance from this of less than 0.1 percentage points, therefore the forecast for earned income for YOA15 has not changed.

ITIS data for 2016

ITIS data is also now available for the first six months of 2016, which shows growth of only 2.3% in the first six months of the year; compared to the same period a year previous. However, part-year ITIS figures are provisional and have tended to underestimate the total income as not all returns are received on time. This time last year ITIS data indicated a reduction was needed to personal tax forecasts however, the 2015 outturn exceeded these figures. Therefore the ITIS data for the first half of 2016 has not been included in the forecast.

Data on corporate tax

Based on the assessments completed to date, tax payable is flat in YOA15, when compared to YOA14. This is a significant improvement on the data at the time of the June IFG forecast; which suggested that corporate income tax would be 4% down.

The June 2016 forecast included a £3m negative impact from 2017 onward as a result of significant anticipated changes for individual corporate taxpayers; this is still anticipated to be the case. However, new information from the Taxes Office indicates there may be a further (unrelated) one-off negative impact in 2017 of approximately £7m and a recurring £3m negative impact from 2018 onward.

[2] While the IFG forecast relates to tax collectable, it has been chosen to consider the difference in tax payable for the assessments completed to date. This is because only a very small amount is non-collectable to date, given that many of the assessments have only recently been completed.

Updated income tax forecast

Personal tax

The new economic assumptions and the in-year information from Taxes Office have been used to update the income tax forecasting model. The forecast for personal income tax has fallen by £9m by 2020.

FIGURE 37 – Updated personal tax forecast

	Outturn	Forecast (Sep 2016)	Draft Budget 2017 (September 2016)			
	2015	2016	2017	2018	2019	2020
	£m	£m	£m	£m	£m	£m
Personal Tax						
June 2016 Forecast	361	375	395	420	441	465
New FPP economic assumptions[1]		0	-3	-6	-7	-9
Tax collectable	361	375	392	414	435	456

Some columns may not sum due to rounding

Notes:

[1]Impact of new FPP economic assumptions includes downward impact of lower earnings in 2016, lower employment and interest rate; and upward impact of slightly higher nominal earnings in 2017; and higher inflation in 2016 and 2017.

New economic assumptions

A number of the changes in the economic assumptions have an impact on the personal tax forecast:

- The lower than expected growth in average earnings in 2016 has resulted in an expectation of around £3m less tax in 2017; which will be built into the base and therefore occur in each subsequent year.
- Earnings are forecast to grow 0.2 percentage points faster in 2017 in nominal terms, due to expected upward pressure on wage demands as a result of higher inflation expectations. This adds just over £½m to the forecast for tax on earned income in 2018 - which is carried forward into subsequent years.
- The lower forecast for employment growth in 2017 results in a £2m reduction in tax from earned income in 2018; which is also carried forward into future years.
- The most significant impact of the new economic assumptions is felt through the lower expectations for interest rates throughout the period – resulting in £2m less tax in 2018 from unearned income; rising to £5m by 2020.
- Higher inflation has a positive impact on income tax forecasts, with the IFG assumption being that shareholder income increases in line with inflation. This results in less than £1m additional tax in each year from 2017.

Corporate tax

In summary, the forecast for corporate tax has increased slightly for 2016, but fallen for next year; with the remainder of the forecast period being relatively unchanged, when compared to the June 2016 forecast.

FIGURE 38 – Updated corporate tax forecast

	Outturn	Forecast (Sep 2016)	Draft Budget 2017 (September 2016)			
	2015	2016	2017	2018	2019	2020
	£m	£m	£m	£m	£m	£m
Corporate Tax						
June 2016 Forecast	91	87	87	90	93	96
New FPP economic assumptions[2]			0	-1	-1	-1
Updated information from Taxes Office		+4	-3	+1	+1	+1
Tax collectable	91	91	84	90	93	96

Some columns may not sum due to rounding

Notes:

[2]Includes £3m downward adjustment for significant changes for individual corporate tax payers from 2016.

New assumptions

The new economic assumptions are for financial services profits to grow by 0.5% less in 2016 and 0.5% less in 2017. It has been assumed that corporate tax growth falls by a similar amount, resulting in approximately £½m less tax in 2017 and £1m less in each year from 2018.

New data

The increase in the latest data on YOA15 corporate tax (i.e. that it is now expected to be flat, rather than fall by 4% as the previous data suggested) is likely to add around £4m to the forecast for 2016 income. Assuming this is built into the base, this would result in £4m additional tax revenues in future years also.

However, the £7m one-off negative adjustment to YOA16 (as a result of Taxes Office in-year data) reduces this to a net impact of -£3m in 2017, while the £3m negative adjustment from YOA17 reduces the net impact to +£1m in subsequent years.

Summary of updated forecast

The updated forecast suggests that income in 2016 will be £4m higher than previously expected, due to the in-year corporate tax data from the Taxes Office.

However, the lower earnings growth in 2016 will result in £3m lower personal tax next year, while data from the Taxes Office suggests that corporate tax may also be £3m lower than previously forecast – resulting in a forecast £6m lower than previous.

Further downgrades mean that personal tax is expected to be £6m lower in 2018, rising to a £9m downgrade by 2020. Corporate tax is relatively unchanged over 2017-2019 as the lower economic assumption is offset by in-year data from the Taxes Office.

The net impact is that the income tax take in 2020 is now expected to be £9m (1.6%) lower than the June 2016 forecast.

Draft Budget 2017 proposed measures

The income tax forecast update does not include the impact of any measures to be proposed in the draft Budget 2017 by the Minister for Treasury and Resources. These will be separately presented in the income forecasts for the draft Budget 2017 Statement.

FIGURE 39 – Updated income tax forecast

Income Tax	Outturn	Forecast (Sep 2016)	Draft Budget 2017 (September 2016)			
	2015	2016	2017	2018	2019	2020
	£m	£m	£m	£m	£m	£m
Personal tax						
June 2016 Forecast	361	375	395	420	441	465
New FPP economic assumptions		0	-3	-6	-7	-9
Tax collectable	***361***	***375***	***392***	***414***	***435***	***456***
Corporate Tax						
June 2016 Forecast	91	87	87	90	93	96
New FPP economic assumptions			0	-1	-1	-1
In Year Taxes Office information		4	-3	1	1	1
Tax collectable[2]	***91***	***91***	***84***	***90***	***93***	***96***
Bad Debts	-1	-2	-2	-3	-3	-3
Provisional updated income tax forecast	***451***	***464***	***474***	***501***	***525***	***549***
CYB adjustment (unchanged from June 2016 Forecast)	+7	+7	+7	+7	+7	+7
Total Provisional updated income tax forecast	***458***	***471***	***481***	***508***	***532***	***556***
June 2016 Forecast - including CYB adjustment	458	467	487	514	538	565
Overall difference to June 2016 Forecast		+4	-6	-6	-6	-9

Some columns may not sum due to rounding

Forecast range

The IFG previously agreed a forecast range starting at +/-2% in the first year of the forecast, rising to +/-9% by the fifth and final year of the forecast. While the IFG feels that considerable uncertainty remains, this uncertainty was built into the previous range and therefore the decision was taken to use the same range for the updated forecast.

FIGURE 40 – Forecast range 2016-2020

Income Tax	Outturn	Forecast (Sep 2016)	Draft Budget 2017 (September 2016)			
	2015	2016	2017	2018	2019	2020
	£m	£m	£m	£m	£m	£m
Upper	458	480	500	533	569	606
Tax collectable	**458**	**471**	**481**	**508**	**532**	**556**
Lower	458	462	462	483	495	506
Range as a % of central		**4%**	**8%**	**10%**	**14%**	**18%**

Appendix 2 – IFG: GST and ISE Fee Forecast Update 2016-2020

Introduction

There are three components of the GST forecast:
- GST on purchases of goods and services on Island,
- GST on imports, and
- International Service Entity Fees ("ISE") fees paid by businesses exempt from GST.

GST on purchases on Island

Good & Services Tax ("GST") was introduced in 2008 and is collected by the Taxes Office. GST is collected from purchases of goods and services on the Island. Initially introduced at 3% the GST rate was increased to 5% in 2011.

The Group considered as part of its draft MTFP 2016-2019 (June 2015) forecasts the forecast modelling of GST. The previous assumptions to increase GST forecasts by RPI were replaced by assumptions reflecting information on general trends in GST relative to the overall economic situation.

Consideration has also been given to trends by individual market sector but there were no obvious correlations identified that would improve the forward forecasts.

The proposal agreed was that for any period where economic growth is forecast a 2% increase trend be applied based on past experience. For the period beyond 2017 where the FPP are forecasting the long term trend of no real economic growth the lower trend average of 0.8% is used.

2015 GST receipts were higher than originally forecast in the MTFP 2016-2019 but there were one-off factors in 2015, including the Island Games, which the Group considered in September 2015 and in the latest review.

2016 GST receipts are expected to reach forecast and work will continue for the remainder of the year to identify and estimate the impact of similar events and activities in 2016 and future years to improve the in-year and future forecasts.

However, whilst there is no recommendation to change the in-year forecast for GST, the recent FPP report forecasts economic growth in 2017 to be flat as the impact of Brexit takes hold. Therefore in line with the policy adopted by IFG to increase GST 0.8% in years where no growth is predicted, 2017 has been reduced from 2.0% to 0.8%. The impact on the 2017 to 2020 forecast can be seen in **Figure 41** below.

GST on imports

Import GST outturns have increased in recent years reflecting an increase in online purchases. However, the yield is quite sporadic and there is not yet enough information to produce a solid trend. 2015 was a particularly good year in terms of yield converting to an unusual increase over 2014 outturn. The unusual increase in yield was assisted by two high value imports.

Income for the year to July 2016 is slightly ahead of the 2015 curve. The 2016 outturn is expected to reach 2016 forecast. Therefore, there is no reason to depart from the 2016 forecast at this stage.

ISE Fees

ISE Fees are a relatively stable income stream for the States and have consistently been around £9 million per annum.

The 2015 outturn was £9.21 million, broadly in line with previous forecasts. 2016 is expected to be slightly lower than 2015 at £9.03 million, with the forecast for 2016 of £9.0 million. The Group has no reason to increase this forecast, particularly as there are indications that the number of such companies which pay ISE fees may reduce slightly over the next year or two.

Summary of updated forecast

FIGURE 41 – Summary GST draft forecasts 2016-2020 (September 2016)

GST	Outturn	Forecast (Sep 2016)	Draft Budget 2017 (September 2016)			
	2015	2016	2017	2018	2019	2020
	£'000	£'000	£'000	£'000	£'000	£'000
GST	*71,687*	*70,647*	*71,212*	*71,782*	*72,356*	*72,935*
Import GST	*4,154*	*3,687*	*3,908*	*4,142*	*4,391*	*4,654*
ISE Fees	*9,201*	*9,000*	*9,000*	*9,000*	*9,000*	*9,000*
Total GST	***85,042***	**83,334**	**84,120**	**84,924**	**85,747**	**86,589**
Annual Growth %		*-2.0%*	*0.9%*	*1.0%*	*1.0%*	*1.0%*
June 2016 Forecast	*83,757*	*83,334*	*84,968*	*85,779*	*86,609*	-
Variation £	*1,285*	-	(848)	(855)	(862)	86,589

Forecast Range

The forecast range is also largely unchanged and remains based on:

- A lower range 1% below the central assumption and a higher range 1% above the central assumptions is used for forecasting net GST.
- A wider 2% range above and below the central forecast is proposed for import GST reflecting the higher trend growth assumption for this income stream.
- ISE fees are relatively stable between years, and a 0.5% range above and below the central forecast is proposed.

The overall effect of the range of forecasts is shown in **Figure 42**.

FIGURE 42 – GST draft forecast range (September 2016)

GST	Outturn	Forecast (Sep 2016)	Draft Budget 2017 (September 2016)			
	2015	2016	2017	2018	2019	2020
	£'000	£'000	£'000	£'000	£'000	£'000
Higher	*85,042*	*84,159*	*85,799*	*87,488*	*89,228*	*91,022*
Central	***85,042***	***83,334***	***84,120***	***84,924***	***85,747***	***86,589***
Lower	*85,042*	*82,509*	*82,441*	*82,360*	*82,266*	*82,157*
Range £'000	**-**	**1,650**	**3,358**	**5,128**	**6,962**	**8,865**
Range as a % of central	***0%***	**2%**	**4%**	**6%**	**8%**	**10%**

Appendix 3 – IFG: Impôts Duty Forecast Update 2016-2020

Introduction

Impôts duties are levied on a range of commodities imported to the Island. The duties on the various commodities, principally alcohol, tobacco and fuel are reviewed at the annual Budget. The duty increases for alcohol and tobacco are influenced by the strategies for particular health improvement and reduction in consumption policies rather than a policy to raise additional revenues.

The policies in that regard can be considered fairly successful based on the importation trends. These show that for most alcohol and tobacco commodities, the long-term trend is for reduced importation. There is some evidence from monitoring and feedback from retailers to suggest an increase in duty free for tobacco goods consumption but this is actively policed by Customs.

The basis of the impôts duty forecasts is to take the 2015 outturn and to apply past importation trends to forecast the future duty rates. Customs maintain records going back a number of years and on statistical advice, use a 10 year average of importation trends to forecast future levels.

Increases in impôts duty rates

The IFG has discussed the appropriate uprating of impôts duty rates and received information from Customs on the impact of above and below RPI increases in duty on the following year's importation. The information showed that there was no real correlation and the Customs Director confirmed that this had been looked at previously with a similar outcome.

The Group recommends that it remains appropriate to assume that recent policies in annual Budgets would continue in the absence of any updates to the existing tobacco and alcohol and licensing strategies. Analysis of recent budgets showed that broadly RPI increases for tobacco and alcohol were common and that increases to fuel and other commodities were less likely. Consequently, the forecasts only assume RPI increases for alcohol and tobacco goods.

The Group has considered recent trends which showed that the Budget increases were influenced by the RPI prevailing at the time of the Budget rather than that the year to which the Budget related. The Group recommends that the forecasts should now use the agreed rates for 2016 and apply RPI increase for 2016 for the 2017 duty increases and similarly for future years' assumptions.

Bonded Warehouse

From 2014, a new bonded warehouse scheme was introduced by Customs to deter profiteering around Budget announcements for the following year. The bonded warehouse reduced tobacco taken to duty in 2014 and complicated the calculation of forecasts for tobacco to be taken to duty in 2015. It is now clear that the quantities of tobacco in 2015 were overestimated during 2015 and this has resulted in the 2015 outturn being below the forecasts produced in September 2015 for the 2016 Budget. The

adjustment also meant that the Budget 2016 forecasts for future years were overstated. Appropriate adjustments were made to correct the forecast tobacco importation quantities for the June 2016 forecast.

Variation from June 2016 forecast to draft Budget 2017 (September 2016)

The forecasts have been reviewed and revised and reflect:

- an adjustment to correct the tobacco quantities for 2015 including an appropriate adjustment for the bonded warehouse
- the reduced levels of importation of alcohol goods in 2015 and reduced outturn
- adjustments to the 10 year average trend of all imported goods to include the 2015 outturn
- adjustments to the 2016 forecasts based on the in-year improvements reported to date
- the updated FPP endorsed economic assumptions for RPI (August 2016)

Draft Budget proposals for 2017

The Council of Ministers and Minister for Treasury and Resources are currently considering the proposed increases in duty for the draft Budget 2017.The forecasts presented to IFG include only the RPI increases in alcohol and tobacco duty according to the general forecasting assumptions from the FPP. As decisions are finalised for any additional increases in duty for 2017, ahead of the Budget 2017, these will be reflected separately in the forward forecasts.

FIGURE 43 – Draft Budget 2017 forecast update (pre proposals) impôts duties (September 2016)

Impôts	Outturn	Forecast (Sep 2016)	Draft Budget 2017 (September 2016)			
	2015	2016	2017	2018	2019	2020
	£'000	£'000	£'000	£'000	£'000	£'000
Impôts on Spirits	4,529	4,899	4,807	4,767	4,714	4,638
Impôts on Wine	7,638	7,876	8,050	8,317	8,565	8,779
Impôts on Cider	1,003	1,082	1,126	1,187	1,247	1,304
Impôts on Beer	5,078	5,376	5,330	5,340	5,335	5,305
Impôts on Tobacco	13,606	13,915	13,511	13,259	12,974	12,633
Impôts on Fuel	21,406	22,045	22,045	22,045	22,045	22,045
Impôts on Other Goods	144	145	145	145	145	145
Vehicle Emissions Duty	743	1,449	1,376	1,306	1,242	1,242
Total Impôts Duties	**54,147**	**56,787**	**56,390**	**56,366**	**56,267**	**56,091**
Annual Growth %		*4.9%*	*-0.7%*	*0.0%*	*-0.2%*	*-0.3%*
June 2016 Forecast	54,147	56,106	55,584	55,338	55,332	55,159
Variation £'000	-	681	806	1,028	935	932

The overall variation since June 2016 is a slight improvement in forecasts based on in-year 2016 importation volumes and slight increases in the RPI economic assumptions (August 2016).

Forecast range

The Group is proposing to maintain the provision of a range around the impôts duty forecast which uses the variation around the RPI assumptions compounded by a +/-1% variation on future importation assumptions. The impact on the central forecasts is shown in **Figure 44**.

FIGURE 44 – Impôts forecast range for draft Budget 2017 (September 2016)

Impôts	Outturn	Forecast (Sep 2016)	Draft Budget 2017 (September 2016)			
	2015	2016	2017	2018	2019	2020
	£'000	£'000	£'000	£'000	£'000	£'000
Higher	*54,147*	*57,383*	*58,038*	*59,088*	*60,087*	*60,489*
Central	***54,147***	***56,787***	***56,390***	***56,366***	***56,267***	***56,091***
Lower	*54,147*	*56,270*	*54,847*	*53,822*	*52,748*	*52,067*
Range £'000	-	**1,113**	**3,191**	**5,266**	**7,339**	**8,422**
Range as a % of central	***0%***	**2%**	**6%**	**9%**	**13%**	**15%**

Appendix 4 – IFG: Stamp Duty Forecast Update 2016-2020

Introduction

Stamp duty is charged on property, equity and share transfer transactions according to the value of the transaction. It is also collected on Wills, Probate and Obligations. The stamp duty forecasts are separated into general stamp duty, stamp duty on probate and stamp duty on share transfer property transactions.

General Stamp Duty

The main component is duty on property and in addition the forecasts allow for a relatively fixed forecast of stamp duty on Obligations and Wills. The duty on property transactions has been particularly volatile over the last five years, falling from over £14 million in 2009 to £10.7 million in 2013, a fall of 25%, and then increasing to over £17 million in 2014, an increase of 64% and in 2015 income of £20 million. The 2015 outturn was again heavily influenced by transactions of property over £2 million.

The forecast for the MTFP 2016-2019 and Budget 2016 was based on a considerable analysis of the past years' data. This identified some key trends which informed the assumptions by the Group for the forward forecast, in particular to identify an approach which separates the forecasts for properties under £2 million and those for higher value properties over £2 million. The forward forecasts are then produced in two parts for these two sets of data with the economic assumptions only applied to the under £2 million property transactions.

The specific stamp duty economic assumptions for the draft Budget 2017 have been updated for house prices, which have reduced slightly, but housing market turnover is unchanged from the draft MTFP 2017-2019 forecasts. The 2016 in-year forecasts have been reduced slightly to reflect the current in-year position. No change, except to reflect the lower house price assumption in 2017, is proposed to the forward forecast at this stage until the 2016 outturn is known.

Stamp Duty on Share Transfer – Land Transaction Tax ("LTT")

The majority of share transfer property transactions are for flats and apartments, and likely to be lower value properties (on average) than non-share transfer property transactions. Therefore they are less likely to be subject to the anomalies and volatility seen on general property transactions.

The June 2016 forecasts were based on an adjusted 2015 outturn and the same economic assumptions have been applied as for general stamp duty. The 2016 in-year forecasts have been adjusted marginally to reflect the current in-year position but no change to the forward forecasts are proposed.

Probate duty

Probate duty is historically difficult to forecast. It is the result of duty payable from individuals who die and are domiciled in Jersey, or where the individual is not so domiciled but has Jersey moveable property. Between 2009 and 2015 however, the number of transactions have remained steady at broadly 2,000. Anomalies in income were seen in 2009 and 2012 due to one-off large transactions, but changes in the 2013 Budget have capped probate duty to £100,000 per estate as a competition measure to attract greater investment in the Island, so these anomalies will not be seen in future.

With three years data since this change a revised forecast has been proposed based on the three-year average of £2.3 million. There are no economic assumptions applied to this forecast. There are minor changes to the 2016 in-year forecasts to reflect the current in-year position but no change to the forward forecasts are proposed.

Draft Budget 2017 Forecast update for 2016-2020 (September 2016)

The resulting draft Budget 2017 forecast update in **Figure 45** show a slight reduction in 2016 but at this stage no change is proposed to the base of the forward forecasts. There is also a slight reduction for the reduced economic assumptions for house prices.

FIGURE 45 – Draft Budget 2016 forecast update for Stamp Duty (September 2015)

Stamp Duty	Outturn	Forecast (Sep 2016)	Draft Budget 2017 (September 2016)			
	2015	2016	2017	2018	2019	2020
	£'000	£'000	£'000	£'000	£'000	£'000
Stamp Duty	25,821	21,817	23,740	25,119	25,668	26,233
Probate	1,883	2,168	2,300	2,300	2,300	2,300
Stamp Duty on Share Transfer (LTT)	1,328	1,408	1,523	1,647	1,697	1,748
Total Stamp Duty	***29,032***	**25,394**	**27,563**	**29,066**	**29,664**	**30,281**
Annual Growth %		*-12.5%*	*8.5%*	*5.5%*	*2.1%*	*2.1%*
June 2016 Forecast	29,032	26,216	27,968	29,504	30,115	30,745
Variation £'000	-	(822)	(405)	(438)	(451)	(464)

The 2015 stamp duty actual reflects a high volume of >£2 million property transactions, as a result this skews the forecast profile of growth in stamp duty in the years to 2016. In 2017 to 2019 the annual growth in stamp duty, excluding probate duty, reflects the economic assumptions for the increase in market turnover and house prices for these years.

Forecast range

The Group has maintained the current approach to providing a range around the Stamp Duty forecast. This uses the variation around the economic assumptions on house prices. The impact on the central forecasts is shown in **Figure 46**.

FIGURE 46 – Stamp Duty draft forecast update range (September 2016)

Stamp Duty	Outturn	Forecast (Sep 2016)	Draft Budget 2017 (September 2016)			
	2015	2016	2017	2018	2019	2020
	£'000	£'000	£'000	£'000	£'000	£'000
Higher	*29,032*	*25,458*	*28,622*	*30,825*	*32,127*	*33,507*
Central	***29,032***	***25,394***	***27,563***	***29,066***	***29,664***	***30,281***
Lower	*29,032*	*25,083*	*26,534*	*27,405*	*27,405*	*27,405*
Range £'000	**-**	**376**	**2,088**	**3,420**	**4,722**	**6,103**
Range as a % of central	***0%***	**1%**	**8%**	**12%**	**16%**	**20%**

Appendix 5 – Other Income Forecast Update 2016-2020

Introduction

There are a number of areas of States income for which forecasts are prepared which fall outside the scope of the IFG. The majority of this income arises from agreed formula such as rates of return or are based on agreed investment strategies.

These forecasts are prepared by the officers responsible for managing these areas and reviewed in total by the Treasury and have been updated for the draft Budget 2017 and in general use the same FPP endorsed economic assumptions from August 2016.

The areas included within 'Other Income' are summarised as:

- Island Wide Rate,
- Income from Dividends and financial returns,
- Income other than from Dividends and financial returns, and
- Returns from Andium Homes and Housing Trusts.

The forecasts of other States income were reviewed fully and updated in the preparation of the MTFP Addition in June 2016. The forecasts have all been revisited to reflect the latest in-year 2016 figures and to model the effect of the updated FPP economic assumptions (August 2016), as appropriate.

Island Wide Rate

The 12 parishes collect an Island Wide Rate which is levied by the States. It provides a contribution to parish welfare costs which were incorporated into the new Income Support system in 2006.

The Island Wide Rate is increased annually based on the March RPI, which is proposed to the States by the Comité des Connétables.

There are small variations in the forecast income based on the variations in forecast RPI between March 2016 and August 2016.

Income from Dividends and returns

The principal contributions to this area of income arise from the dividends paid by those utility companies in which the States has shareholding voting rights of:

- Jersey Telecom 100%
- Jersey Post 100%
- Jersey Electricity 86.4%
- Jersey New Waterworks 83.3%
- SoJDC 100%
- Ports of Jersey 100%

The dividends are paid according to the defined dividend policies and forecasts are prepared in line with the company's latest business model. In most cases the dividends are directly related to trading performance but can be affected by particular projects being undertaken i.e. Gigabyte Jersey at Jersey Telecom.

The current forecasts reflect the latest business models and there are only minor variations to the forecasts prepared in June 2016 for the draft MTFP Addition 2017-2019.

The only significant change since the June 2016 forecast is in relation to the delay in the receipt of an anticipated £5.5m dividend from SoJDC on the completion of the College Gardens development from 2018 to 2019. There are also some minor changes to the Jersey Post dividend.

Other income – Dividends would now include any financial return forecast from the Ports of Jersey, following their incorporation in October 2015. However, in the early years of their trading the strategic business model indicates no net return for the MTFP period 2016-2019 as a result of forecast investment in commercial projects post incorporation and reduced taxation returns as the loss relating to the payment of the PECRS pre-1987 debt is offset against tax.

Income – Non-Dividends

A number of income streams contribute to this area, many of which are fairly small and relatively simple to forecast i.e. income tax penalties, crown revenues and miscellaneous interest, fees and fines.

Larger streams of income arise from:

- Investment returns from the Consolidated Fund
- Investment returns from the Currency Fund
- Returns from the JFSC
- Returns from Jersey Car Parking Trading Account

The investment returns from the Consolidated Fund and Currency Fund benefit from the pooled investments in the Common Investment Fund ("CIF"). The returns are based on the investment strategies of the two funds and the holding balance available to be invested.

The forecast returns can be quite volatile to the extent they are invested in equities, but a proportion of the balances need to be held in cash on which returns are generally lower but more stable. Return on cash with interest rates at all-time lows will remain fairly small for some time and there are no significant

changes in interest rates predicted in the near future.

There is likely to be some improvement in the investment returns in 2016, since the June 2016 forecast, based on the recorded in-year gains to August 2016. However, with much uncertainty in the outlook the forecasts have not been adjusted as part of this interim update until the outlook for investments becomes clearer.

The June 2016 forecasts were prudent and these are being maintained for the draft Budget 2017. The States investment advisers continue to recommend that future returns should be based on long term trends rather than the higher returns achieved in recent years.

The MTFP Addition includes proposals for the Minister for Infrastructure to bring forward proposals for a Concessionary travel scheme for people with disabilities to be funded from the Car Parking Trading Fund from 2017 and for the fund to be used in accordance with P147/2004 and P104/2010 to fund other transport initiatives to ease the pressure on the department for infrastructure cash limit as the Department undertakes significant transformation over the MTFP period 2016-2019, gradually reducing the return to general revenues.

Returns from Andium Homes and Housing Trusts

The returns from Andium Homes and the Housing Trusts arise from the incorporation of the housing function in July 2014. Andium is obliged to make a return based on the transfer agreement and an agreed rental and return policy.

The return is influenced by the prevailing RPI and the small variations in the latest FPP economic assumptions produce a small increase in the forecasts. Agreements are well advanced with Housing Trusts to deliver a return tracking each Trusts proposed transition to the 90% market rent levels.

This income stream is intended to broadly offset the increases that would be required to the housing component of income support for those claimants in Andium or Housing Trust properties.

There is a small variation between the latest update and the June 2016 forecasts due to changes in RPI assumptions.

Economic assumptions for Other States Income

The common economic assumptions endorsed by the FPP in August 2016 have been applied for the other income forecasts where appropriate. Where more specific assumptions are required relating to particular investment returns these have been drawn from the States external investment advisers.

Other Income Forecasts for 2016-2020

The resulting draft Budget 2017 forecasts in **Figure 47** show that, with the exception of the delay in receipt of the anticipated SoJDC dividend, compared to the June 2016 forecasts there is a slight reduction in income which continues to reflect the prudent approach to investment income and the changes to the RPI assumptions.

FIGURE 47 - Draft Budget 2017 forecasts for Other Income Update for September 2016

Other Income	Outturn	Forecast (Sep 2016)	Draft Budget 2017 (September 2016)			
	2015	2016	2017	2018	2019	2020
	£'000	£'000	£'000	£'000	£'000	£'000
Island Wide Rate	11,928	12,142	12,543	12,919	13,346	13,786
Other Income - Dividends	14,023	11,149	8,703	9,017	14,937	9,872
Other Income - Non Dividends	12,506	9,710	10,151	9,697	10,284	11,330
Other Income - Returns from Andium and Housing trusts	27,483	27,785	28,337	29,264	30,186	31,215
Total Other Income	**65,940**	**60,786**	**59,734**	**60,897**	**68,753**	**66,203**
June 2016 Forecast	65,940	61,118	59,682	66,220	63,403	66,244
Variation	-	(332)	52	(5,323)	5,350	(41)

Forecast range

A forecast range has been provided for those areas of other income that are appropriate relating to business models and investment returns. The impact on the central forecasts is shown in **Figure 48.**

FIGURE 48 – Other Income draft forecast update range (September 2016)

Other Income	Outturn	Forecast (Sep 2016)	Draft Budget 2017 (September 2016)			
	2015	2016	2017	2018	2019	2020
	£'000	£'000	£'000	£'000	£'000	£'000
Higher	65,940	61,142	60,708	62,638	71,369	69,421
Central	**65,940**	**60,786**	**59,734**	**60,897**	**68,753**	**66,203**
Lower	65,940	59,855	58,346	58,743	65,656	62,403
Range £'000		**1,287**	**2,362**	**3,894**	**5,713**	**7,018**
Range as a % of central		**2%**	**4%**	**6%**	**8%**	**11%**

Appendix 6 – Analysis of longer-term economic trends (August 2016)

Economic assumptions August 2016

FPP central scenario

	2014	2015	2016	2017	2018	Return to trend 2019	2020
Real GVA	4.9	0.9	0.4	0.0	0.0	0.0	0.0
RPI	1.6	0.6	2.2	3.3	3.0	3.3	3.3
RPIY	1.6	0.6	2.3	3.4	3.0	3.0	3.0
Nominal GVA	6.6	1.5	2.7	3.4	3.0	3.0	3.0
Company profits	12.3	-2.7	2.8	2.9	3.0	3.0	3.0
Financial services profits	19.4	-7.5	2.6	2.8	3.0	3.0	3.0
Compensation of employees	2.1	5.3	2.6	3.8	3.0	3.0	3.0
Employment	2.3	1.9	0.5	0.0	0.0	0.0	0.0
Average earnings	2.6	1.8	2.1	3.8	3.0	3.0	3.0
Interest rates (%)	0.5	0.5	0.4	0.1	0.1	0.2	0.4
House prices	3.0	4.0	4.0	3.0	3.0	3.0	3.0

FPP central scenario - upper range

	2014	2015	2016	2017	2018	Return to trend 2019	2020
Real GVA	4.9	1.9	1.9	1.5	1.5	1.5	1.5
RPI	1.6	0.6	3.7	4.8	4.5	4.8	4.8
RPIY	1.6	0.6	3.3	4.4	4.0	4.0	4.0
Nominal GVA	6.6	2.5	5.3	6.0	5.5	5.5	5.5
Company profits	12.3	-1.7	4.3	4.4	4.0	4.0	4.0
Financial services profits	19.4	-7.5	5.6	5.8	4.0	4.0	4.0
Compensation of employees	2.1	6.3	6.1	7.3	6.5	6.5	6.5
Employment	2.3	1.9	2.0	1.5	1.5	1.5	1.5
Average Earnings	2.6	1.8	2.1	5.8	5.0	5.0	5.0
Interest rates (%)	0.5	0.5	0.6	0.8	0.8	0.9	1.1
House prices	3.0	7.0	7.0	6.0	6.0	6.0	6.0

FPP central scenario - lower range

	2014	2015	2016	2017	2018	Return to trend 2019	2020
Real GVA	4.9	-0.1	-1.1	-1.5	-1.5	-1.5	-1.5
RPI	1.6	0.6	0.7	1.8	1.5	1.8	1.8
RPIY	1.6	0.6	1.3	2.4	2.0	2.0	2.0
Nominal GVA	6.6	0.5	0.1	0.8	0.5	0.5	0.5
Company profits	12.3	-3.7	1.3	1.4	1.5	1.5	1.5
Financial services profits	19.4	-7.5	-0.4	-0.2	1.5	1.5	1.5
Compensation of employees	2.1	4.3	-0.9	0.3	-0.5	-0.5	-0.5
Employment	2.3	0.4	-1.0	-1.5	-1.5	-1.5	-1.5
Average Earnings	2.6	1.8	2.1	1.8	1.0	1.0	1.0
Interest rates (%)	0.5	0.5	0.3	0.1	0.1	0.1	0.1
House prices	3.0	1.0	1.0	0.0	0.0	0.0	0.0

OUTTURNS

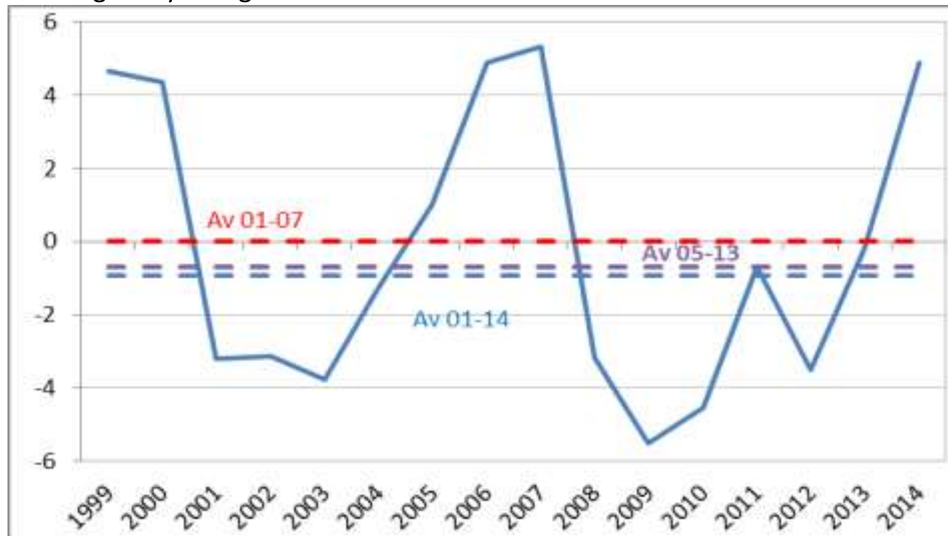
This section was produced using economic data available up to August 2016 and also draws on the final FPP economic assumptions published in August 2016 to compare changes with similar forecasts in the UK.

GVA

GVA has fallen significantly from 2008, with six consecutive years of falling output. As a result, output had fallen by 17% by 2013, back to a level last seen in the mid-1990s, with much of this fall due to a fall in profits for the financial services sector. 2014 saw some recovery in GVA, again driven by changes in finance sector profits, though finance profits remained 40% below their 2007 level while GVA excluding finance profits had grown by 4% over the same period.

FIGURE 49 – GVA

% change on year ago



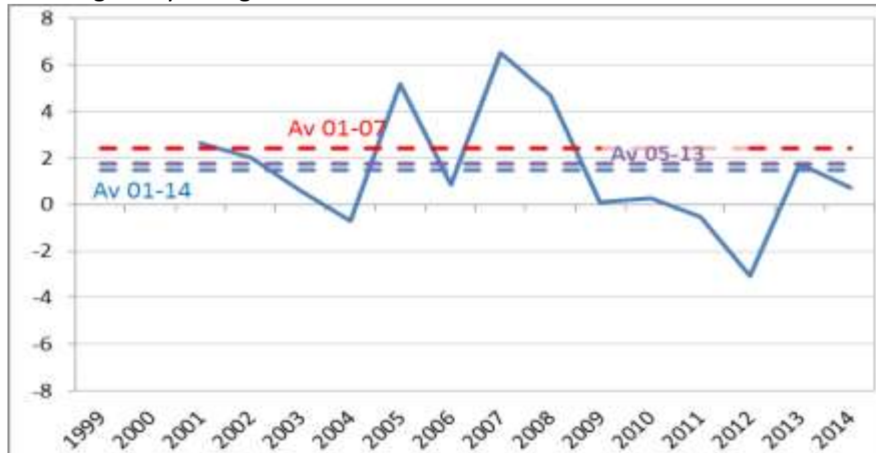
Source: States of Jersey Statistics Unit

GVA excluding finance profits

Figure 50 below shows that if the profit from financial services is excluded from overall GVA (i.e. non-finance GVA plus compensation of employees for finance) the overall trend is relatively flat in real terms since 2008, lower than the longer-term average. The only year of any significant decline (i.e. greater than ½%) was 2012 but this has largely been recovered in 2013 and 2014.

FIGURE 50 – GVA excluding finance profits

% change on year ago



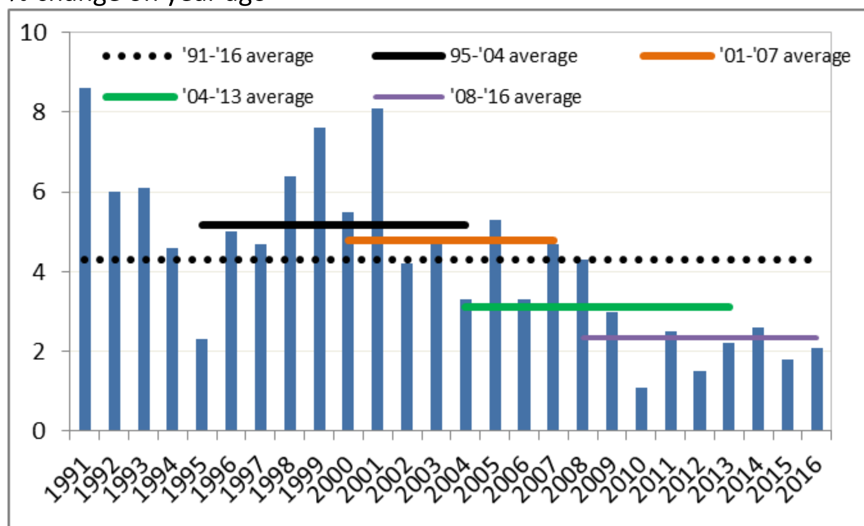
Source: States of Jersey Statistics Unit

Average earnings

The long-term trend in average earnings growth has been 4.3% over the 1991-2016 period. More recently over the 2008-2016 period the average has been 2.3% which was less than half the rate of 4.8% over the 2000-2007 period. While these periods do not directly correlate with the economic cycle, **Figure 51** below shows that more recent periods have seen significantly slower growth. It is difficult at this stage to judge whether recent trends are purely cyclical, structural or a combination of the two.

FIGURE 51 – Average earnings growth

% change on year ago



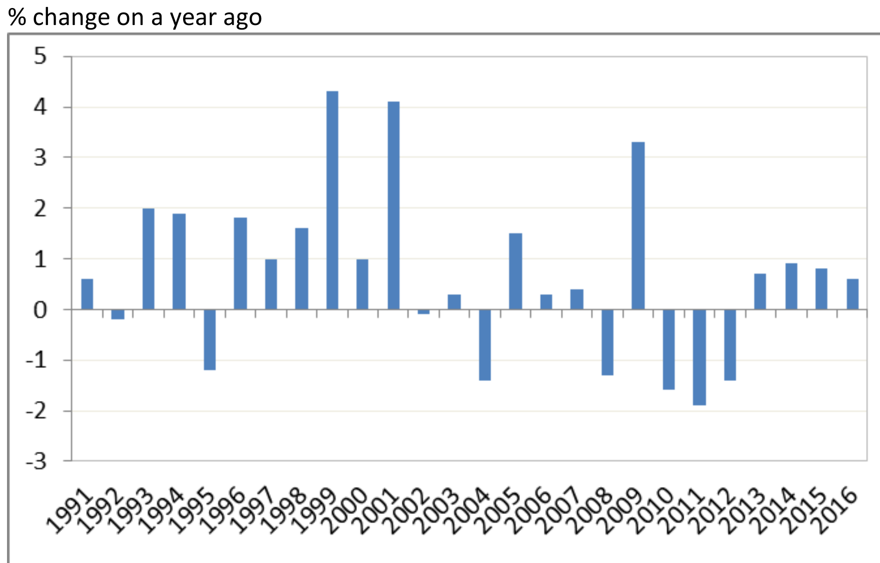
Source: States of Jersey Statistics Unit

In understanding trends in average earnings it is also important to consider trends in inflation as often the wage-bargaining process uses them as a reference point. **Figure 52** below shows the long-term trend in average earnings relative to RPI. In the long-term (1991-2016), earnings growth has averaged 0.7%

above RPI and this is similar to the 0.8% above RPI achieved over the recent economic cycle (2000 to 2007). However, over 2008-2016 real earnings have been flat on average.

FIGURE 52 – Real growth in average earnings

% change on a year ago

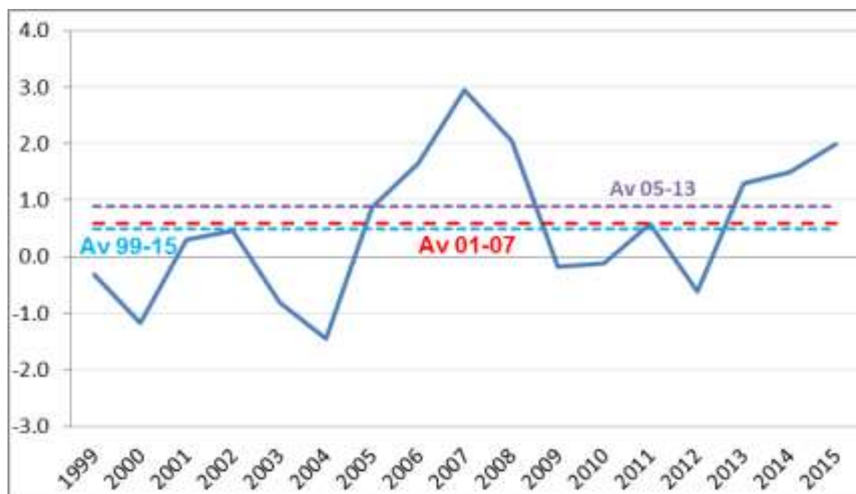


Source: States of Jersey Statistics Unit

Employment

Employment growth (in FTE terms) has averaged around 0.5% per year since 1999. Recent economic cycles have seen growth of 0.6% during 2001-2007 and 0.9% during 2004-2013 (chart below). This has been influenced by external economic conditions, and productivity, demographic and migration trends. Looking forward, it is difficult to see how any of these are going to be more supportive of employment growth given the weak global economy, concern about levels of inward migration and the ageing population (i.e. a risk that the working-age population becomes smaller).

FIGURE 53 – Trends in employment - % change on a year ago, FTE



Source: States of Jersey Statistics Unit

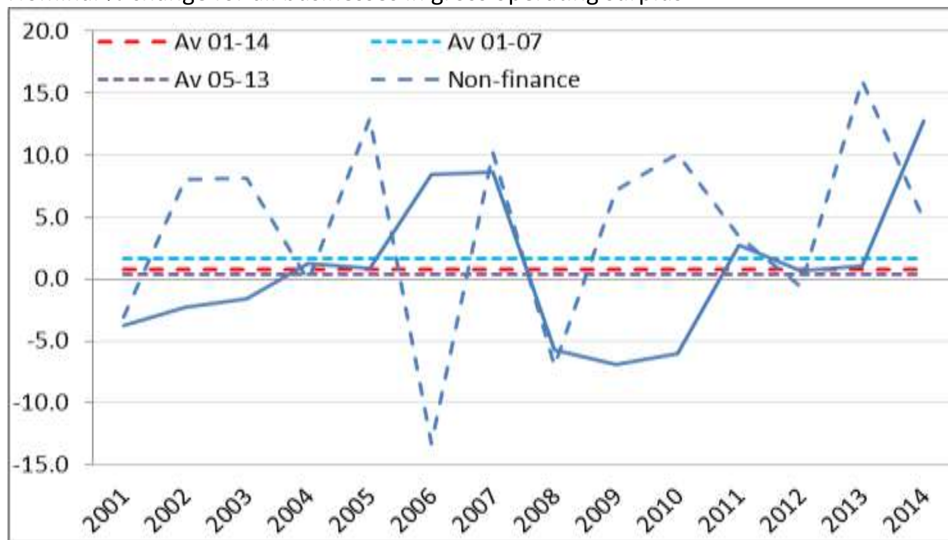
Company profits

Company profits have increased by an average of 0.7% a year between 2001 and 2014 in nominal terms (see **Figure 54** below). The 2001-2007 economic cycle saw much faster growth averaging 1.6% while the 2005-2013 economic cycle saw only 0.4% average annual growth.

This is influenced by profits of the finance sector (which make up more than half of the total) but non-finance profits have also been volatile in the past.

FIGURE 54 – Company profits

Nominal % change for all businesses in gross operating surplus



Source: States of Jersey Statistics Unit

Financial services GVA

GVA of the financial services sector fell by 1% in 2015, in real terms. While the salary element of GVA increased by 8%, this was outweighed by an 8% fall in profits. More than half of the GVA of the finance sector is generated in banking, which saw a fall of 5% in real terms. Trust and company administration grew by 3% and the legal sub-sector by 5%.

The Business Tendency Survey in December 2015 included questions on profit and employment expectations for 2016. Weighting each of these responses results in an aggregate expectation of flat employment and approximately 3% growth in profits. Both were lower than projections at the end of 2014, when finance firms expected employment growth of 1% and growth in profits of almost 4%.

However, when finance firms were asked again in June 2015, their in-year expectation for profits was much lower, at 2%.

FIGURE 55 – Finance profit expectations

Survey	Decrease	No change	Increase	Weighted change
Dec14 (for 2015)	12%	18%	70%	**3.7%**
Jun15 (for 2015)	29%	26%	45%	**2.1%**
Dec15 (for 2016)	18%	10%	73%	**3.1%**

Source: Jersey Statistics Unit

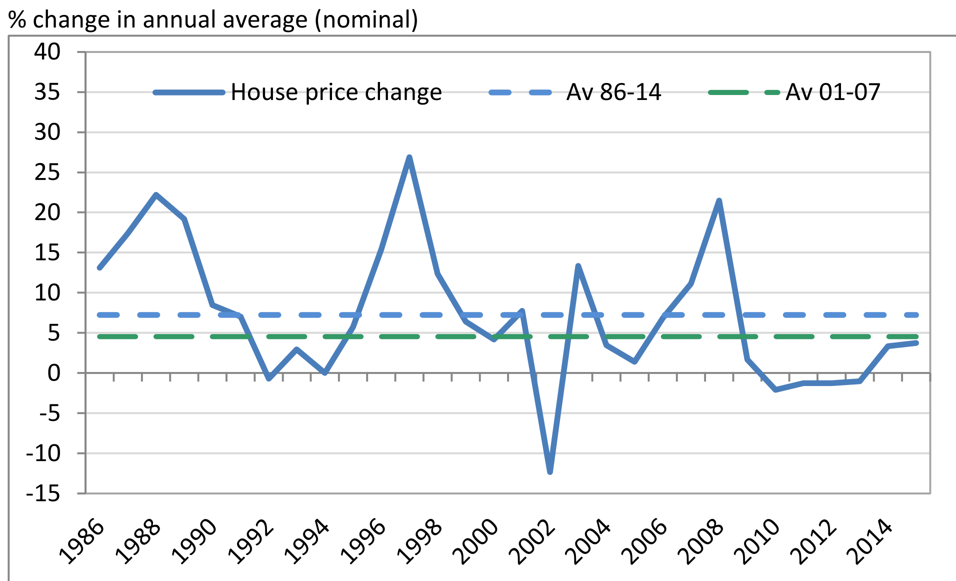
House prices

The long-term average increase in house prices is 7.2% a year (1986-2014) although both the 2001-07 and 2005-13 cycles have seen slower annual average growth of between 4% and 5%.

Prices were largely flat between 2008 and 2014, but 2015 saw strong growth of around 4%. A similar level of growth is expected in 2016, based on the strong performance in the first two quarters. For the following years, followed by the longer term trend rate of 3% a year afterwards - similar to the longer term assumption for average earnings growth. This is equivalent to 0% real growth each year, after taking into account the assumptions for future inflation.

FIGURE 56 – Trends in house prices

% change in annual average (nominal)

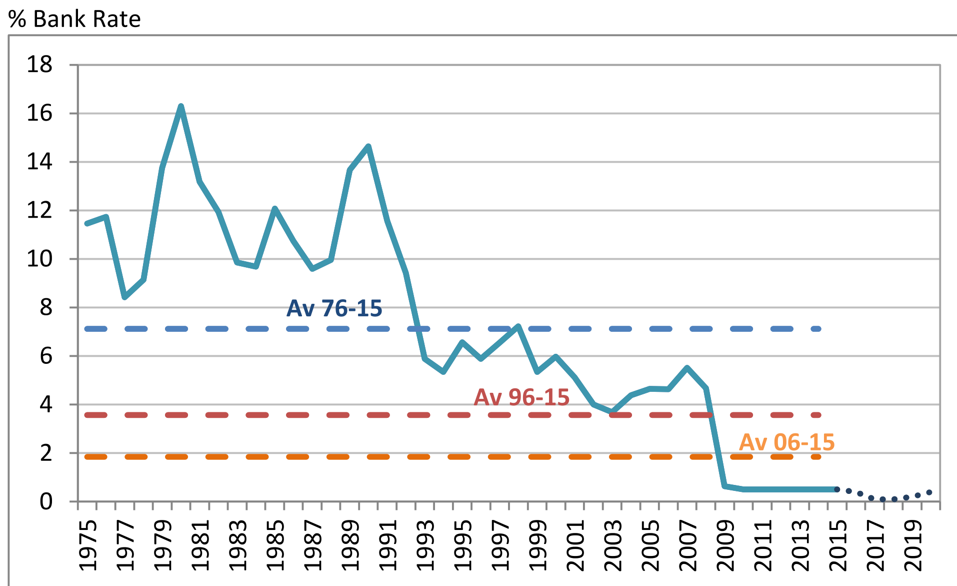


Source: Jersey Statistics Unit / Economics Unit calculations

Interest rates

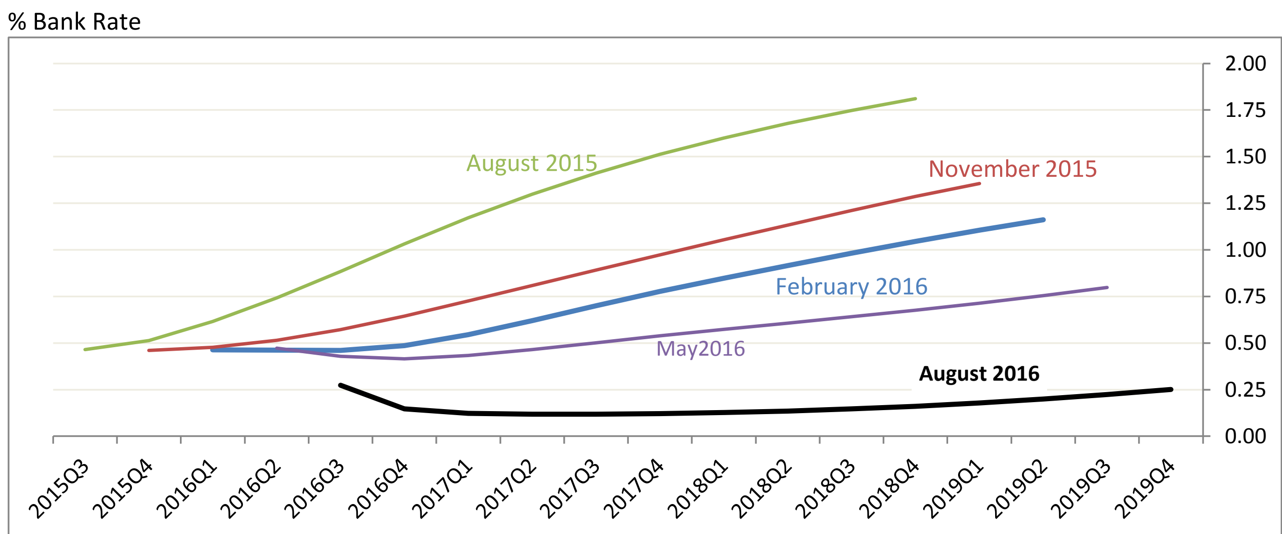
The Bank of England Bank Rate in the UK has been at historically low levels since 2009 (see **Figure 57** below), significantly below longer-term averages. Following the result of the UK referendum on membership of the EU, Bank Rate was cut further to 0.25% - a new record low. Expectations for a rate increase have shifted significantly over the last year, with rates expected to stay close to current levels out to at least 2019.

FIGURE 57 – Interest rates



Source: Bank of England (and forecast assumptions 2016+)

FIGURE 58 – Market interest rate expectations



Source: Bank of England Inflation report August 2016

Comparison of FPP economic assumptions with UK forecasts

The FPP's current (August 2016) and previous (March 2016) economic assumptions have been compared with independent forecasts of the UK economy from the same months, taken from the UK Treasury's published summary of recent independent forecast.
This shows that both the Jersey assumptions and the average forecast for the UK have decreased for both 2016 and 2017. While the change for 2017 is of a similar size, Jersey's GVA growth assumption for 2016 has fallen by more than the UK's average forecast; partly due to the published data for June 2016 average earnings being lower than previously expected.

UK real GDP	2016	2017
Old (March)	2.0	2.2
New (August)	1.6	0.7
Difference	-0.4	-1.5

Jersey real GVA	2016	2017
Old (March)	1.4	1.4
New (August)	0.4	0.0
Difference	-1.0	-1.4

UK Employment	2016	2017
Old (March)	1.1	0.7
New (August)	1.0	0.0
Difference	-0.1	-0.7

Jersey Employment	2016	2017
Old (March)	0.5	0.5
New (August)	0.5	0.0
Difference	0.0	-0.5

UK real earnings	2016	2017
Old (March)	0.5	0.2
New (August)	0.4	-0.4
Difference	-0.1	-0.6

Jersey real earnings	2016	2017
Old (March)	1.0	1.0
New (August)	-0.1	0.5
Difference	-1.1	-0.5

UK RPI	2016	2017
Old (March)	2.1	3.0
New (August)	2.0	2.9
Difference	-0.1	-0.1

Jersey RPI	2016	2017
Old (March)	1.8	2.6
New (August)	2.2	3.3
Difference	0.4	0.7

Source: FPP Economic Assumptions, March and August 2016; UK Treasury comparison of independent forecasts March and August 2016.