STATES OF JERSEY

DRAFT BUDGET STATEMENT 2017 (P.109/2016): FIFTH AMENDMENT (P.109/2016 Amd.(5)) – AMENDMENT

Lodged au Greffe on 6th December 2016
by the Minister for Treasury and Resources

STATES GREFFE

DRAFT BUDGET STATEMENT 2017 (P.109/2016): FIFTH AMENDMENT (P.109/2016 Amd.(5)) – AMENDMENT

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In paragraph (d) for the word "removing" substitute the words "phasing out".

MINISTER FOR TREASURY AND RESOURCES

Wording of the original amendment:

After paragraph (d) insert the following new paragraph –

"(e) to agree that the estimate of income from taxation during 2018 and subsequent years shall be increased by removing 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;"

Wording of amendment amended

After paragraph (d) insert the following new paragraph –

"(e) to agree that the estimate of income from taxation during 2018 and subsequent years shall be increased by phasing out ~~removing~~ 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;".

REPORT

The Minister for Treasury and Resources is broadly supportive of the Deputy's proposal to more closely align the income tax analysis applying to married couples and cohabiting couples. Indeed, the Deputy's proposal builds on the step taken by the Minister in his Budget proposals to increase the second earner's allowance by £500 in order to reduce the differential between married couples and cohabiting couples where both partners are working.

However, the Minister is concerned by the potential impact on low-income households of the immediate removal of £4,500 of tax relief (equating to £1,170 of additional tax). The Minister therefore proposes that the Deputy's amendment is altered so that when the Treasury brings forward the required legislative changes, they can consider the introduction of an appropriate phase-out period.

In this context it is worth noting that in his 2016 Budget, the Minister commenced the phase-out of the availability of the additional personal allowance from the standard rate calculation (i.e. removing this allowance from higher income taxpayers); this phase-out is taking 3 years and the allowance is due to be fully removed by the 2018 year of assessment.

Further details of the Minister's concerns will be provided in Comments to be presented to the States later this week.

Financial and manpower implications

This amendment will result in a reduction to the tax revenues raised from the Deputy's amendment over the period of the phase-out of the allowance. The precise financial implications are not known at this time.

There are no manpower implications arising from this amendment.