

3.15 Deputy M. Tadier of the Chief Minister regarding changes to the 20% maximum Income Tax rate as a result of the proposed 1% increase to pay for the long-term care of the elderly:

Will the Minister explain whether the proposed 1 per cent increase to pay for the long-term care of the elderly represents a departure from the 20 per cent maximum income tax rate?

Senator B.I. Le Marquand (Deputy Chief Minister - rapporteur):

The proposed initial 1 per cent long-term care contribution rate is not an increase in income tax. It is a new contribution specifically set up to meet long-term care costs. It could be viewed as a kind of insurance against future residential care costs. I want to make it absolutely clear, it is not a departure from the 20 per cent maximum income tax rate. The Minister for Social Security has explained the proposed long-term care contribution rate of 1 per cent will become an additional liability under the Social Security Law. The long-term care of contributions will be paid into a long-term care fund and used to meet the future costs of long-term care benefit. The Social Security and Treasury and Resources Departments are working very closely together to use existing collection methods to collect the new contribution that will be levied on contributors of both working age and pensionable age. As the Taxes Office already collects money from both of these groups it is a sensible and cost-effective solution to collect the new contribution through these existing taxes office processes.

3.15.1 Deputy M. Tadier:

Will the Minister confirm that, despite his statement that it is not an increase in income tax, will he acknowledge that there is to be up to a 1 per cent levy and which is paid on the basis of income? Is that correct?

Senator B.I. Le Marquand:

Initially 1 per cent, yes, that is indeed my understanding. I have made inquiries from the Treasury in relation to this who tell me that, effectively, people will have one bill but with 2 parts to it; one which is an income tax liability and the other which is their liability under this, with the 2 being added together as to the total sum due.

[11:45]

3.15.2 Senator L.J. Farnham:

Could the Deputy Chief Minister confirm from where currently long-term funding for the elderly comes from?

Senator B.I. Le Marquand:

This is not just long term. The scheme is not just for the elderly. It is available to any adult age 18 and above who has long-term care needs; that is the new scheme. The current situation is, of course, that those who can afford to pay, pay, those who cannot afford to pay it is effectively paid for, I am trying to remember, from income support. Thank you very much to the Minister for Social Security.

3.15.3 Deputy M. Tadier:

Can the Minister see how it could quite easily be confused that this is an increase in income tax, given that it is not appearing on anyone's social security contributions as a separate item, it is appearing on their income tax form as a separate item and it is being collected by income tax? Will the Minister perhaps respond to that first?

Senator B.I. Le Marquand:

It is very difficult for me to comment as to what may or may not confuse people as some people are extremely easily confused as is readily seen in this Assembly by some of the questions and

possibly by some of the answers. I think that every effort will be made to make it clear on the forms that this is a separate sum being collected for a separate purpose.

3.15.4 Deputy M. Tadier:

So essentially, Minister, you are saying that 1 per cent of income tax will be ring-fenced for a separate purpose. Do you acknowledge that just because it is ring-fenced in itself does not make it not an income tax as far as those who have been charged are concerned?

Senator B.I. Le Marquand:

I am not 100 per cent certain that the calculation of the 1 per cent will be done on exactly the same basis as income tax is done. I am afraid I do not have that level of detail but essentially it is a 1 per cent levy which is based upon income but which is being collected for a separate purpose and not as part of the collection of income tax.

3.15.5 Deputy M. Tadier:

I appreciate the Minister ... it is not his immediate domain. Nonetheless, he has stepped-up to the plate. Will the Minister advise what the implications would be, both positive and negative, were there to be no upper limit earning cap on the one per cent non income tax levy that is being proposed?

Senator B.I. Le Marquand:

The difficulty I have, of course, is that the detail of this is in the area of the Minister for Social Security and not in the area of the Minister for Treasury and Resources. I do not feel able to answer detailed questions on the exact charging method. I do not have a brief for that.