

STATES OF JERSEY



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

Lodged au Greffe on 29th November 2016
by the Deputy of St. John

STATES GREFFE

PAGE 2 –

After paragraph (d) insert the following new paragraph –

- “(d) 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;”.

DEPUTY OF ST. JOHN

REPORT

The Draft Budget Statement for 2017 ([P.109/2016](#)) (pages 15-16) starts a process of aligning the treatment of tax allowances/thresholds for marginal rate taxpayers who are within the band of married or co-habiting assessments.

Although this is a welcome start there is a forgotten piece of the puzzle.

Our current system of allowances and thresholds do not really hold up to many policies that may be in place across the States and when digging deeper into the logic behind many of these well intentioned measures it would appear to create a disparity in what is trying to be achieved and what is actually happening.

This is a minor amendment to what is a complex system.

Without the results of an appropriate assessment of the workings behind the personal tax system against the provisions for income support to protect low-income households, incentivize to work and economic growth it is difficult to make any significant moves to aligning policy and ensuring the correct balance to support household independence.

The purpose of the amendment is to take action (albeit small) on the principle of fairness. The Strategic Plan 2015–18 sets out on page 8, ‘1.1 Sound and sustainable public finances’ (see **Appendix 1**) the desired outcome that taxation should be low, broad, simple and fair.

An example of the current system assuming comparable incomes and circumstances –

Married with 1 child at school age – Persons A & B	
Income	£50,000
Exemption threshold	£23,000
Child Allowance	£3,000
Partners Allowance	£4,500
£50,000 – £30,500	= £19,500
26% of £19,500	= £5,070

Co-habiting or Common-in-law with 1 child at school age – Persons C & D			
Person C with 1 child		Person D (partner of Person C)	
Income	£30,000	Income	£20,000
Exemption Threshold	£14,350	Exemption Threshold	£14,350
Child allowance	£3,000		
Additional Personal Allowance	£4,500		
£30,000 – £21,850	= £8,150	£20,000 – £14,350	= £5,650
26% of £8,150	= £2,119	26% of £5,650	= £1,469
Total owed in tax £3,588			

In this particular scenario, being married requires an additional liability of £1,482 of tax.

By this example you will see that living as a married couple compared to couples cohabiting in equivalent circumstances, pay more tax just by the fact they have a marriage certificate and no other reason.

As already stated, there are well-intentioned reasons for having an additional personal allowance and it specifically states on the gov.uk website (see **Appendix 2**) under the tax allowances and reliefs as a **single parent allowance**.

If we return to the consistency in policy-making and creating fairness within the system, there is an issue when you try to apply the same logic to that of income support.

Under income support rules (see **Appendix 3**) there is a requirement to notify the Social Security Department when there is a change in circumstances. One of these circumstances is when you have a partner living with you. The purpose of this is to ensure the household is not receiving money equivalent to a household who would not have that extra income from a partner. Claimants are penalized for not adhering to these rules and sanctions or even legal action may be taken.

However, under the remit of tax, although it states this is a single parent allowance it can in fact be claimed when living with a partner and therefore creating a disparity in policy being applied consistently across the States.

The provision provided under the standard rate of 20 means 20 is already being phased out during this term of office due to the adoption of the budget 2016.

The consequences of approving this amendment would be equivalent to those cohabiting couples getting married. Just by being married should not mean that more tax should be paid. We have to be cognisant of the fact that individuals will make the right choice for them and their family. If marriage is the right route for them, they should not be financially penalised for that choice equally, if cohabiting couples never wish to get married advantages in tax relief should not be available.

Financial and manpower implications

Increase in revenue and potential to require further information being requested via the tax assessment to ensure compliance.

Desired Outcome	Key Areas of Focus 2015 – 2018
<p>1.1 Sound and sustainable public finances</p>	<p>Allocate resources at a corporate level in light of strategic priorities and in line with the following principles:</p> <p>Spending</p> <ul style="list-style-type: none"> • Be prudent, taking account of the uncertain economic and financial outlook and build flexibility into future plans. • Identify and implement all possible savings and efficiencies. • Challenge existing expenditure in the context of strategic objectives. • Optimise service delivery, to improve service delivery and value for money. • No additional spend unless matched by savings or income. • Support the economy in line with the advice of the Fiscal Policy Panel. • Undertake a comprehensive programme of zero-based budget reviews including consideration of whether there is an obligation to provide a service. • Maintain balanced budgets over the economic cycle. • Actively manage our assets by maximising investment returns within agreed levels of risk. • Plan expenditure on capital and infrastructure over the long term and consider carefully the appropriate sources of funding for major projects, including borrowing. <p>Taxation</p> <ul style="list-style-type: none"> • Taxation must be necessary, justifiable and sustainable. • Taxes should be low, broad, simple and fair. • Everyone should make an appropriate contribution to the cost of providing services, while those on the lowest incomes are protected. • Taxes must be internationally competitive. • Taxation should support economic, environmental and social policy. • We shall develop a new Fiscal Policy Framework and look at ways to promote financial stability.

2016 tax allowances and reliefs

On this page:

- [Tax allowances](#)
- [Tax exemption thresholds](#)
- [Benefit in kind](#)
- [Notes](#)

Tax allowances

Personal allowances deducted at the 20% standard rate	
Additional personal allowance (also known as single parent allowance) (see note 1 below)	£3,000
Child Allowance	£2,000
Restricted by reference to the excess of child's investment income over £3,000 (see note 3)	£1 for £1
Higher Child Allowance (see note 2)	£6,000
Restricted by reference to the excess of child's investment income over £3,000 (see note 3)	£3 for £2

Tax exemption thresholds

Exemption thresholds deducted using the marginal relief 26% calculation of tax	
Single	£14,350
Married / civil partnership	£23,000
Single (aged 65 or over for the whole of the year)	£15,900
Married / civil partnership (aged 65 or over for the whole of the year)	£26,100

Additions to exemption thresholds	
Wife / civil partner 'B' working	£4,500
Child (see note 3)	£3,000
Child in further education (see notes 2 and 3)	£9,000
Single parent (see note 1)	£4,500
Childcare tax relief	£6,150 (max)
Enhanced childcare tax relief (pre-school age children)	£14,000 (max)
Qualifying mortgage interest relief	£15,000 (max)

Interest tax relief

Mortgage interest relief for your principal private residence, although no longer available at the standard rate of tax, is still available at the marginal rate. This means that if you are in what is sometimes called the lower to middle income bracket, you may still receive a deduction for the interest you pay on your home.

[Marginal relief calculation of personal tax](#)

[Loan and mortgage interest tax relief](#)

Benefit in kind

Benefit in kind deduction

A maximum deduction of £250 against the total of all benefits in the year of an employee or office holder

[About benefits in kind](#)

Notes

1) Additional personal (single parent) allowance is only due if the claimant:

- is not entitled to the married/civil partnership exemption threshold (i.e. a single parent) or if the claimant's spouse/civil partner is totally incapacitated by physical or mental infirmity and;
- is entitled to child allowance

2) A child who is over 17 years of age receiving full time higher education. 'Higher education' is defined in the Education (Jersey) Law 1999. Generally it means a university degree, however, other tertiary courses are accepted, for example a foundation degree or attending a recognised nurses training college. If you are not sure if the higher allowance is due, please contact us with details of the course your child is attending and a prospectus of the college.

The allowance of £6,000 has been enhanced by an additional £3,000 for individuals who pay their tax at the marginal rate.

3) If a child has unearned income (from 2014 earned income is not taken into account) in their own right the amount must be included with the claim for child allowance. Once a child receives more than £3,000 unearned income in the year the child allowance will be restricted on a £1 for £1 basis if child allowance is claimed and £3 for every £2 if higher child allowance is claimed. For example, a child at school has investment income of £4,000 marginal rate child allowance of £3,000 will be reduced to £2,000. The higher allowance for a child at university with the same income will be reduced from £6,000 to £4,500.

Additional personal allowance

On this page:

- [Do I qualify for additional personal allowance?](#)
- [Common-In-law spouse or co-habiting couples](#)
- [Multiple claims](#)

Do I qualify for additional personal allowance?

Additional personal allowance, also known as single parent allowance, is deductible both at the standard and marginal relief calculation of tax.

You may be able to claim additional personal allowance if:

- you are entitled to child allowance, and
- your child has lived with you during the year of assessment

You will not be able to claim additional personal allowance if:

- you are entitled to a married exemption threshold, unless your spouse or civil partner was totally incapacitated by illness or disability throughout the year of assessment
- your child only visits or lives with you for short periods in the year

You can only claim one allowance, irrespective of the number of children who live with you.

Common-in-law spouse or co-habiting couples

If, in the year of assessment, you have lived with someone as their partner, but aren't married to each other or in a civil partnership, you can claim additional personal allowance but can only have one allowance between you. Your partner can relinquish the allowance if they do not require it. The relinquishment must be in writing.

Multiple claims

If two or more people claim for the same child, and they are both entitled to make a claim, the allowance is divided between them in a proportion that they agree on.

If they can't agree, the allowance is split in accordance with the length of time the child is resident with each person making the claim.

Housing payments

What you need to know

Income Support
Social Security Department
P.O. Box 55
La Motte Street
St. Helier
JE4 8PE
Jersey

Tel: +44 (0)1534 445505
Fax: +44 (0)1534 447447
Email: Income.Support@gov.je
www.gov.je/incomesupport

We need this information to update your claim
You must supply the information within 14 days of any change

I have moved address

You must complete an Income Support Change of Address form and give us either a letter/email from your landlord, or a copy of your lease. It needs to show:

- The date you moved in
- The type of property (e.g. 1 bed flat)
- The weekly/monthly rent
- Whether any bills are included (and how much they are)
- Daytime contact details for your landlord
- If you are sharing a property – who lives with you?

If you are a single person you will only receive help with our fair rent for a bedsit/studio flat. Our current rates are available on www.gov.je

Frequently Asked Questions

Why do I need to confirm the type of property?

Income Support pays different amounts of benefit depending on what type of property you live in (e.g. for a bedsit compared to a 3 bedroom house) and whether it is appropriate to your household. Please ask us about what is an appropriate rent.

What if I sell my property and buy a new one?

You will need to complete an Income Support Change of Address form but we will also require evidence of the sale of the previous property, and the purchase of the new one.

I'm 19 and need help with rent?

If you are under 25 you will not receive help with rent costs unless you can prove you have lived independently for at least a year and had a change in your circumstances beyond that was beyond your control.

My partner/child has moved out/in

If someone has moved in or out of your home we will require a signed declaration from you confirming:

- The date they moved out
- Confirmation of their new address
- A daytime contact number for the person who has left

If your partner has moved in you will need to complete a new Income Support form. Please contact us now so that this form can be issued to you.

Frequently Asked Questions

I don't know where my partner/child has moved to, what should I do?

We can still remove them from your claim. Please contact us and sign a declaration of the date they moved out, and your most up to date contact number for them.

I've just had a new child, what should I do?

We will need the child's full birth certificate so that we can register them with the Social Security system. We allow up to 28 days from the date of birth for this to be provided as we know it can be difficult to get this in on time.

My adult child has moved out/in, do I need to inform you?

Yes, as this could have an effect on your Income Support payments. You must always tell us about changes to your household.

I have taken in a lodger

You will need to show us:

- Who is living with you
- When they moved in
- How much they are paying towards the rent and bills

Frequently Asked Questions

What if I sub-let my accommodation, do I have to tell you?

Yes. If you are sub-letting your accommodation it will affect your Income Support payments. If you would like us to estimate your benefit based on the sub-letting then please contact us.

**FAILURE TO NOTIFY INCOME SUPPORT WITHIN 14 DAYS OF A CHANGE MAY AFFECT
YOUR BENEFIT PAYMENTS**

This is NOT a complete list. If you are not sure, ask us for advice. You MUST tell Income Support about any changes and provide official supporting documents.

If you do not tell us about any changes, you may lose benefit that you could be entitled to or you may be overpaid benefit which you may have to repay.

You must make sure you tell Income Support about any changes that affect any member of your household; do not rely on someone else to pass the information on.

**PLEASE NOTE THAT FAILURE TO NOTIFY INCOME SUPPORT OF ANY CHANGES IS A
CRIMINAL OFFENCE. ANY OVERPAYMENT MAY BE RECOVERABLE AND YOU MAY HAVE
TO GO TO COURT**

We can be contacted by email, phone or a visit to the Income Support zone;

Social Security Department
P.O. Box 55
La Motte Street
St. Helier
JE4 8PE
Jersey

Tel: +44 (0)1534 445505
Fax: +44 (0)1534 447447
Email: Income.Support@gov.je

Privacy Statement

The Social Security Department collects information for the purpose of dealing with all matters relating to the benefits and services it administers. We may check information about you with other information we have. We will not give information about you to anyone outside the Department unless the law allows us to or we have your consent. The Social Security Department is the Data Controller for the purposes of the Data Protection (Jersey) Law 2005.