

STATES OF JERSEY



BUDGET 2007 (P.130/2006): AMENDMENT

**Lodged au Greffe on 21st November 2006
by Deputy G.P. Southern of St. Helier**

STATES GREFFE

BUDGET 2007 (P.130/2006): AMENDMENT

- (a) *At the end of paragraph (a), after the words “as set out in the Budget Statement” insert the words –*
- “except that the estimate of total taxation revenue shall be reduced by £2,200,000 by increasing all income tax exemptions by 2.5% for the year of assessment 2006”; and*
- (b) *in paragraph (b), reduce the proposed £10,000,000 transfer from the Consolidated Fund to the Strategic Reserve by £4,640,000.*

DEPUTY G.P. SOUTHERN OF ST. HELIER

REPORT

The Minister for Treasury and Resources has at last accepted that I may be correct when I say that the freezing of income tax exemptions is a regressive measure which serves only to bring some 500 workers with relatively low incomes into taxation. Freezing exemptions brings in between £3 and £5 million additional taxation, depending upon the rate of wage inflation, mainly from those on the marginal rate of tax, the low- to middle-earners. The Minister has agreed with me that for the tax years 2007 to 2009 exemptions should rise by 2.5% each year, thereby reducing (but perhaps not eliminating, depending on inflation rates) his aim to take more and more tax from the least well-off.

However, in pressing for the indexation of exemptions in the equivalent budget debate in 2004 over the 2005 exemptions, I pointed out that the number of those not paying income tax was hovering around the 25/26% mark, and that the Income Distribution Survey of 2002 revealed that 24% of our population was living below the relative poverty line. I warned then that within 2 years, without indexation, we would be taxing those who were within that 24%, those who are in poverty. There was no indexation in 2005, and the Minister wishes to freeze exemptions for 2006. If we allow him to do so, we shall be taxing the poor, officially.

Part (a) of this proposition will prevent this. It will cost us £2.2 million of additional revenue.

The second part of this proposal allows us to balance this by reducing the sum to be transferred to the Strategic Fund. Do members really wish to put money away in the Rainy Day Fund that has been taken from low-earners at this time? I believe we should not.

Members will recognise that, in addition, the Minister wishes to allow a deficit of £2.44 million whilst transferring £10 million to the Strategic Fund. This proposal actually proposes a better-balanced budget by removing the deficit from the transfer. Thus in Table 4.1, whilst the figure given in the row labelled revised forecast deficit goes up, it is the figure in the bottom row, estimated Consolidated Fund balance, that is the better measure of budgets "*in balance over the period of the five-year economic cycle*" in the words of the Minister for Treasury and Resources.

There are no manpower and resource implications in this amendment.