

STATES OF JERSEY



REMOVAL OF COMPULSORY INDEPENDENT TAXATION FOR EXISTING MARRIED COUPLES AND CIVIL PARTNERSHIPS

Lodged au Greffe on 23rd May 2023
by Deputy L.J. Farnham of St. Mary, St. Ouen and St. Peter
Earliest date for debate: 13th June 2023

STATES GREFFE

PROPOSITION

THE STATES are asked to decide whether they are of opinion –

- (a) that independent taxation should not be mandatory for married couples and civil partners who currently complete a joint tax return and who chose not to elect for independent taxation prior to 29th July 2022; and
- (b) to request the Minister for Treasury and Resources to take the necessary steps to ensure that joint taxation remains available for any such married couples and civil partners.

DEPUTY L.J. FARNHAM OF ST. MARY, ST. OUEN AND ST. PETER

REPORT

Background

This Proposition respects the previously agreed position of independent taxation as the default position for all new married couples and civil partners but seeks to allow **existing** tax-paying married couples and civil partners to continue to file joint tax returns should they choose to.

In November 2019, the then Minister for Treasury and Resources, Deputy Susie Pinel, lodged a proposition ([P.119/2019](#)) to begin reform of the personal taxation system. In February 2020, the States Assembly agreed, in principle, to introduce a new system of Independent Taxation.

The States Assembly agreed the first law changes on 15th September 2021 requiring, from 2022, anyone who gets married or becomes a civil partner or anyone arriving in Jersey to be independently taxed.

The current system of married couple's taxation is well established and has been a part of Jersey's tax law since 1928 when Income Tax was first introduced.

Compulsory Change 2025

However, legislation being presented to the States this year will require **all** married couples and civil partners to be independently taxed from the year of assessment (YOA) 2025.

When islanders are Independently taxed, they will be legally responsible for filing their own return and paying their own bill throughout their life, whether single, co-habiting, in a civil partnership or married.

This law will apply to **all** existing tax-paying married couples and civil partners.

The legislation also provided for elections to be made by a small pilot group who chose to move into Independent Taxation from 2022, with a further election process available for all married couples from 2023.

In an answer to an [oral question](#) in the States Assembly on 2nd May 2023, Deputy Elaine Millar confirmed that, out of approximately 19,000 tax-paying married couples and civil partners, only 121 couples from a pilot group and 282 others had opted for independent taxation for the YOA 2022 and 2023 with only 60 couples so far opting for independent taxation for the YOA 2024.

Despite extensive public consultation and engagement, this data establishes that so far only 2.4% of existing married and civil partnership tax-paying couples have chosen to move to independent taxation.

Deputy Millar was unable to explain why there had been such a low take up. It is, however, clear from those statistics that the move to force individuals on to compulsory independent taxation, many of whom have been completing joint returns for all of their married lives, is proving most unwelcome.

Increased Tax Liability for Approximately 7000 couples

If approved by the Assembly, mandatory Independent Taxation will be imposed upon all Islanders from YOA 2025 and while there is no financial impact for some couples, approximately 7,000 couples would see their tax liability increase.

The increase will arise for couples where one partner has income below the single person's income tax threshold - £18,550 for 2023.

For couples married or in a civil partnership where one has income less than £18,550 per year and the other partner's income is more, the two independent tax bills added together may be more than was paid with the current allowances. The couple will be able to claim the compensatory allowance (for the difference) when Independent Taxation is made compulsory.

It is proposed the compensatory allowance will be in place for only 10 years with a statutory review at year 8. The logistics of this, particularly for the older generation, pose more of a problem where the husband, or the wife, will never have completed a tax return prior to this.

Many islanders cannot see the rationale of having to complete two forms instead of one. In addition, where one individual may have become ill or incapacitated and physically unable to complete a form there are no exemptions to allow a joint return.

There is a valid issue about the unsettling effect these changes may have on as many couples, especially for the older generation, and similar concerns have been raised at the Personal Tax Community Helpdesk events, which have taken place in Parish Halls and other locations across the Island since September 2022.

It appears that new tax systems and the accompanying software have been put in place and citizens are having to adapt accordingly when really it should be the other way around.

The Minister for Treasury and Resources has confirmed ([Written Question 195/2023](#)) that Revenue Management System has been customised for use in Jersey to accommodate joint returns. He has also stated that quantifying the future costs, resources and complexity is difficult. Allowing couples married before 2022 to remain in the Married Couples' Taxation regime is likely to increase the costs of Revenue Jersey by at least £500,000 yearly.

I ask members to consider this in the context of the hundreds of millions of pounds collected annually in personal taxes together with putting the best interests of islanders first, especially our older generation.

Financial and manpower implications

Allowing couples married before 2022 to remain in the Married Couples' Taxation regime is likely to increase the costs of Revenue Jersey by at least £500,000 yearly. The costs of calculating the additional returns upon the change to individual taxation, and the cost of calculating the reimbursement over ten years, does not appear to have been calculated by the Minister for Treasury and Resources.