

STATES OF JERSEY



PERSONAL TAX REFORMS (P.119/2019): COMMENTS (P.119/2019 Com.) – COMMENTS

**Presented to the States on 3rd February 2020
by the Minister for Treasury and Resources**

STATES GREFFE

COMMENTS

1. The Minister for Treasury and Resources is pleased that the Corporate Services Scrutiny Panel (“CSSP”) supports the Council of Ministers in its determination to avoid the negative financial impacts which the swift introduction of Independent Taxation could bring, if efforts are not made to protect lower-income couples.
2. The Minister is committed to reforming the present system of “married man’s taxation” for 2021 and then introducing Independent Taxation from 1st January 2022. She will present a detailed Proposition for Independent Taxation in 2021.
3. Issues regarding Independent taxation are for another day. The current Proposition [P.119/2019 \(re-issue\)](#) seeks the Assembly’s support for immediate work to reform so-called “married-man’s taxation”.

Independent Taxation

4. The Minister notes that the Panel’s comments make references to “independent” (e.g. paragraphs 5 and 27) where the Panel is presumably referring to the existing option for “separate assessment” which is not the same as Independent Taxation. It is incorrect (in paragraph 5) to say that a married person can currently elect to be taxed on an individual basis: a couple can file separate tax returns but they are still then taxed as a couple on their joint income with access to the tax exemption threshold for married people (currently £25,550).
5. The financial impacts of independent taxation, whilst not being debated as part of this proposition, have been described in detail to the Panel and are elaborated upon in the report accompanying the Minister’s current Proposition to modernise the worst aspects of the current system of “married-man’s taxation”, transforming it into “married couples’ taxation”. Those impacts could affect over 8,000 lower income couples, many of whom will be pensioners and parents with young families. The Minister is determined to ensure this does not occur.

The Case for Reforming Married-Man’s Taxation Now

6. It is for this reason that the Minister is currently not asking the Assembly to support Independent Taxation until work to mitigate its negative impacts have been developed and further consulted upon with islanders. It is also for this reason, that the Minister considers it imperative that reforms of the current system of married-man’s taxation do take place now because the lead option for mitigating the impacts of Independent Taxation will, in due course, involve the retention of that older regime for some years (so-called “grandfathering”).
7. The Minister has worked collaboratively with a number of States Members (including members of the CSSP) to develop these proposals and is disappointed that the Panel seems in its conclusions (paragraph 46) effectively to suggest deferring the current proposition which transforms our archaic system of married-man’s taxation into a more liberal form of married-couple’s taxation.

8. The Minister firmly believes that the current system of married-man's taxation must be reformed. It is not right to leave wives in the predicament of having no voice in the tax system – nor male and female “Spouses B” in same-sex marriages; nor Civil Partners B¹.
9. The recent successful introduction of Online Tax Filing has clearly disappointed some married women because it, inevitably, follows our existing archaic law.
10. So change is needed now to give people in marriages and civil partnerships equal rights –
 - equal rights to file tax returns;
 - equal rights to speak to Revenue Jersey and access information; and
 - equal responsibilities to pay taxes.
11. For those who do not want these rights and responsibilities, a form of Separate Taxation already exists. But this is not Independent Taxation.
12. In Separate Taxation both spouses can file their own tax return and discuss their own affairs with Revenue Jersey: but, behind the scenes, Revenue Jersey still has to marry up their returns and treat them as a married couple with one shared tax-exemption threshold (currently £25,550 – not twice the single-person's allowance which is currently £15,900).
13. In Independent Taxation, each individual is taxed as a single person against their own personal tax-exemption threshold.
14. Many islanders have told us in consultation that they want Independent Taxation. Many islanders – better understanding the financial impacts of its introduction – will probably want the option to stay in the existing regime for some time. It is right therefore that that old regime of married-man's taxation is reformed to remove its most archaic elements.

Joint and Several Responsibility to Pay Taxes

15. The Minister has noted concerns from a small number of commentators around part three of the proposition.
16. For the avoidance of doubt, married women and male Spouses B and Civil Partners B will, under these proposals, become responsible with their life partners for paying the couple's tax bill. Since 1928 that has been the husband's (and more recently male Spouses A and Civil Partners A) sole prerogative.
17. The Minister recognises that this can – as it does now – create potential issues of hardship where a marriage or Civil Partnership breaks down. In rare circumstances, a low-earning spouse may be left with a big tax bill by an absconding high-earning partner. In drafting legislation, the Minister will seek to address these extreme cases and ensure that Revenue Jersey has sufficient

¹ In a same-sex marriage, Spouse A is the older partner and Spouse B is the younger partner: Spouse A takes the role of “primary taxpayer” – the husband's role in an opposite-sex marriage. In a civil partnership, Civil Partner A is usually the primary taxpayer.

discretion to apportion debt appropriately. It is also worth noting that the Treasury now has mechanisms in place to recover tax debts overseas (in particular in the UK) which makes this issue less problematic than in earlier years.

Conclusion

18. The Minister wishes to stress that the debate on proposition P.119/2019 is simply seeking approval to present legislation to reform married man's taxation, transforming it into married couple's taxation. The Assembly will consider this legislation later in 2020. The reformed tax regime would take effect from 1st January 2020: couples would have joint access to Revenue Jersey from 1st January 2021, with the first tax returns being lodged from January 2022.
19. The Minister aims to present legislation for Independent Taxation – with associated proposals to mitigate the impacts on lower-income married couples and civil partnerships – during 2021. It is her aim to introduce Independent Taxation from 1st January 2022, with the first tax returns being lodged from 1st January 2023.