

# **STATES OF JERSEY**



## **BUDGET 2007 (P.130/2006): SECOND AMENDMENT (P.130/2006 AMD.(2))– COMMENTS**

---

**Presented to the States on 4th December 2006  
by the Minister for Treasury and Resources**

---

**STATES GREFFE**

## COMMENTS

This amendment is opposed.

Although the amendment identifies that there is no revenue effect in 2007, it will increase tax exemptions from the year of assessment 2007 and so will reduce States tax revenues from 2008 onwards.

The cost of this amendment in terms of lost tax revenue in 2008 is estimated to be £1 million and as no compensatory tax measures are proposed this will translate directly into an increased deficit of an equivalent amount in each and every subsequent year. This is at a time when the States is attempting to establish a sustainable financial position from which to address the changes to the corporate tax structure.

In essence this is really a further attempt by the Deputy to frustrate the Fiscal Strategy, and specifically the “20% means 20%” proposals, which were only approved by the States a few months ago.

### Who would benefit from the Amendment?

Without repeating all the detail from the first amendment of the Deputy, those that would benefit from this amendment are the 24,500 middle income earners who pay tax at the marginal rate and which include taxpayers with income in excess of £60,000.

### Why Oppose the Amendment?

This amendment should be opposed on the following grounds –

1. The proposed increase in tax exemptions of 2.5% for years of assessment 2007 to 2009 is part of the approved “20% means 20%” package of measures, developed through a long consultation process, to deliver £10 million additional tax revenues. The increases reflect the States target level of inflation and are also consistent with the current States pay policies.
2. The amendment, if accepted, will increase the States deficit by £1 million in 2008 and every year thereafter.
3. Increasing States deficits will add to inflationary pressures on the Island.
4. It does little or nothing to help the poor. The main beneficiaries will be middle income earners.