

**WRITTEN QUESTION TO THE MINISTER FOR TREASURY AND RESOURCES  
BY DEPUTY M. TADIER OF ST. BRELADE  
ANSWER TO BE TABLED ON TUESDAY 16th JULY 2019**

**Question**

Will the Minister advise –

- (a) what would be the annual cost of exempting Social Security contributions from Income Tax;
- (b) what would be the annual cost of making the rent paid by a tenant on their primary home tax deductible and what work would the Minister's department need to undertake to implement such a measure; and
- (c) how much revenue would be raised each year by abolishing the policy of '20 means 20' and putting everyone on the Marginal Rate at (i) 26% and (ii) 27% (presuming no change in behaviour)?

**Answer**

- (a) Based on contributions and income tax data, a rough estimate suggests that exempting Social Security contributions could reduce income tax revenue by between £20 million and £30 million a year.

This change would help households with employed or self-employed people that earn enough money to pay income tax – including those with high incomes.

However, it would not help some other households, such as:

- Single people with low earnings, or families with low-medium earnings that do not pay income tax.
- Pensioner households, low or high income, that do not work and pay contributions

The foregone income tax revenue would need to be replaced with lower government spending or increased revenue. This would also affect households and need to be considered.

- (b) It is not possible to provide an accurate figure in respect of the annual cost of making the rent paid by a tenant on their primary home tax deductible. This is mainly because taxpayers are not required to provide any details of rent paid on their personal tax returns. However, by reference to information provided by Statistics Jersey (the estimated rent paid in respect of private households excluding social housing in 2017 being £206m) and adjusting this figure by reference to non-liable households and proportions of taxpayers that pay tax at the marginal and standard rates of tax, it is estimated that the cost of the relief would be unlikely to exceed £40m.

In line with (a) above this additional relief will not help households, such as single people with low earnings, or families with low-medium earnings that do not pay income tax, whilst it would benefit those on the highest incomes.

The final comment in (a) above would equally apply to this measure.

It is also of relevance that the Assembly agreed to phase out mortgage interest tax relief over 10 years starting from the year of assessment 2016 and finishing in the year of assessment 2025. This will ensure that taxpayers that pay rent will be on an equal footing with those that pay interest on mortgages with effect from 2026.

(c) Additional revenue would be raised each year by abolishing the policy of ‘20 means 20’ and putting everyone on the Marginal Rate at (i) 26% and (ii) 27% (presuming no change in behaviour) as follows<sup>1</sup>:

(i) Single rate of 26% (based on 2017 year of assessment)

<b>Rate</b>	<b>2017 Marginal 26% and Standard at 20%</b>	<b>2017 all at marginal 26%</b>	<b>Difference</b>
Marginal	£241m	£241m	£0m
Standard	£155m	£178m	£23m
<b>Grand Total</b>	<b>£396m</b>	<b>£419m</b>	<b>£23m<sup>ii</sup></b>

The introduction of the single marginal rate of 26% would result in an increase of tax payable of an estimated £23m. Taxpayers that pay tax at the marginal rate would pay no additional tax whilst taxpayers that pay tax at the standard rate would pay an estimated additional £23m.

(ii) Single tax rate of 27% (based on 2017 year of assessment)

<b>Rate</b>	<b>2017 Marginal 26% and Standard at 20%</b>	<b>2017 all at marginal 27%</b>	<b>Difference</b>
Marginal	£241m	£250m	£9m
Standard	£155m	£185m	£30m
<b>Grand Total</b>	<b>£396m</b>	<b>£435m</b>	<b>£39m</b>

The introduction of the single marginal rate of 27% would result in an increase of tax payable of an estimated £39m. Taxpayers that pay tax at the marginal rate would pay an estimated additional £9m and taxpayers that pay tax at the standard rate would pay an estimated additional £30m.

<sup>i</sup> The figures in the tables exclude entirely the High Value Resident (HVR) population on the basis that they are subject to different rates of tax above certain income thresholds.

<sup>ii</sup> Currently standard rate taxpayers are not incentivised to claim certain reliefs such as Child Care Tax Relief and Mortgage Interest Tax Relief because they are aware that the relief will not be available to them on their level of income. A change to this alternative system would incentivise them to make the relevant claims as relief would become due. No information is available to Revenue Jersey in respect of these “unclaimed reliefs”, however it has previously been estimated – based on data held by Revenue Jersey and Statistics Jersey – that the adjustment should be circa £3m. This adjustment has been taken into account in both tables above.