STATES OF JERSEY

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BUDGET 2007

Lodged au Greffe on 24th October 2006
by the Minister for Treasury and Resources

STATES GREFFE

PROPOSITION

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

(a) to approve the estimate of total taxation revenue in 2007 of £479,200,000 as set out in summary table A on page 35 of the Budget Statement, with the sum to be raised through existing taxation measures and the proposed changes to income tax, impôts duty and stamp duty for 2007 as set out in the Budget Statement;

(b) to agree that £10,000,000 should be transferred from the Consolidated Fund to the Strategic Reserve in 2007.

MINISTER FOR TREASURY AND RESOURCES

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1. FOREWORD

MINISTER OF TREASURY AND RESOURCES

I am pleased to present my first Budget as Minister for Treasury and Resources which is also the first Budget Statement produced in accordance with the Public Finances (Jersey) Law 2005. The new procedures require that the Budget only considers measures for taxation and borrowing, and any proposals for transfers to or from the Strategic Reserve. All decisions on expenditure allocations were taken in the Annual Business Plan debate in September, and it remains for me to take account of those decisions and the revised financial forecasts when presenting the tax and funding proposals in this Budget.

In addition I am required to present to the States, alongside the Budget Statement, the required taxation drafts in the form of the draft Finance Law 200- and the draft Income Tax (Amendment No. 26) (Jersey) Law 200- to give effect to the new tax and duty measures and changes that are being proposed.

This Budget includes a further phase in the implementation of the Fiscal Strategy with the confirmation of the proposals to withdraw tax allowances from higher earners (20% Means 20%), together with the associated amendments to the Income Tax Law. I am pleased to say that the Budget also includes proposals to transfer £10 million to the Strategic Reserve, the first transfer for five years, and the Budget also includes draft proposals for a new fiscal framework. This new framework includes proposals for a Stabilisation Fund, as agreed in the States Strategic Plan, and I am presenting a separate proposition alongside the Budget Statement which will enable this Fund to be established. The initial funding is coming from a transfer of £32 million surplus funds in the Dwelling House Loans Fund.

The Strategic Plan has determined our vision and direction. We have taken the first steps in determining how that vision will be delivered by agreeing the objectives for 2007 and the associated allocation of expenditure in the Annual Business Plan. The States now needs to consider the taxation measures in this Budget which are necessary if there is to be sufficient funding for 2007. These decisions are likely to become more challenging in the next few years, but the States must deliver the measures identified and agreed in the Fiscal Strategy in accordance with the timetable if we are to continue to deliver a balanced and sustainable financial position.

In conclusion I should like to record my appreciation for the support of the Council of Ministers in bringing together the Strategic Plan, the Annual Business Plan and now this Budget in a corporate and responsible manner and within the constraints of the agreed financial framework. I should also like to thank the Comptroller of Income Tax, the Director of Customs and Excise, the Economic Adviser, the Law Draftsman and a small but dedicated team of officers working under the aegis of the Treasurer of the States, without whom this Budget Statement could not have been produced so timely and so effectively.

Senator Terry Le Sueur
Minister for Treasury and Resources **October 2006**

2. EXECUTIVE SUMMARY

Key features of the 2007 Budget are as follows:

Financial Forecasts

- There are no significant changes in the forward forecasts since the draft Annual Business Plan was presented to the States in July;
- The forecasts of income tax revenues have marginally improved following the completion of the current tax assessments;
- In 2006, two items of exceptional income have been received representing special payments from the JEC and Jersey Telecom; and
- The forecasts show that the States will achieve balanced budgets over the five-year planning cycle provided that the Fiscal Strategy measures are implemented in accordance with the agreed timetable.

Income Tax Proposals

The Minister's income tax proposals in the 2007 Budget are:

- In accordance with the States decision in July 2006, the agreed proposals to withdraw tax allowances for high earners (20% Means 20%) are brought forward together with the necessary amendments to the Income Tax Law in respect of:
    - The phased withdrawal of allowances over a five-year period beginning with year of assessment 2007 through to 2011;
    - An increase in exemption thresholds of 2.5% p.a. for three years beginning with year of assessment 2007.
- Tax exemptions and allowances are frozen for year of assessment 2006.

In addition to these measures, the Minister will also pursue the following measures in 2007 in furtherance of the agreed Fiscal Strategy:

- Goods and Services Tax;
- The 0/10% corporate tax structure and related provisions, including ongoing debate with the UK / EU to ensure continuing co-operation with the EU Code of Conduct on Business Taxation; and
- High level options for environmental taxes.

Impôts Duty Proposals

The Minister's impôts duty proposals are to:

- Increase alcohol and tobacco duties at or above the level of inflation, which is in accordance with the Alcohol and Tobacco Strategies representing:
    - 29 pence on a litre of spirits;
    - 3 pence on a bottle of wine;
    - 1 penny on a pint of ordinary beer; and
    - 13 pence on a packet of 20 cigarettes.
- Increase to 50% the rebate of duty for small breweries, to encourage local producers;
- In respect of Fuel Duty and Vehicle Registration Duty:
    - Increase duty on all road fuel by just over 1 penny a litre; and
    - Maintain the underlying rates of Vehicle Registration Duty.

Stamp Duty Proposals

The Minister's main proposals for stamp duty are:

- To maintain the existing stamp duty rates on property purchases;
- To introduce further anti-avoidance measures in respect of:
    - First-time buyer entitlement;
    - Clarification of “net value” in relation to property; and
    - Provisions for re-financing existing borrowing.
- To introduce provisions for fees required for Planning Appeals.

In addition to these measures the Minister will also progress the project to look at a tax or stamp duty on share transfer property transactions. The objective is that proposals will be produced in advance of next year’s budget.

Strategic Reserve Transfer
The Minister is proposing a transfer of £10 million from the Consolidated Fund to the Strategic Reserve in 2007.

Consolidated Fund
The balance on the Consolidated Fund is estimated to be £32 million at the end of 2007, after allowing for the proposed transfer to the Strategic Reserve.

The balance in future years is forecast to increase based on the timely introduction of a Goods and Services Tax ahead of the move to the 0/10% corporate tax structure.

Financial and Manpower Implications
The proposals within the Budget Statement 2007 will be implemented without any increase to current manpower levels.

The financial implications of the budget proposals are summarised in the financial forecast at Table 4.1 and in detail are as follows:
- Income Tax
    - Freezing of exemptions and allowances for 2006 is estimated to generate additional tax revenues of about £3 million in 2007;
    - The 20% Means 20% proposal is estimated to generate additional tax revenues of £10 million p.a. by 2012. This effect will be phased in affecting tax revenues from 2008 to 2012.
- Impôts Duty
    - The effect of the proposals to increase impôts duties is to generate additional States income in 2007 of an estimated £1.6 million. This estimate is net of the proposal to increase the rebate for small breweries to 50% of duty rates in 2007.
- Stamp Duty
    - There are no financial implications forecast as a result of this year’s proposals for stamp duty.
- Strategic Reserve
    - The proposed transfer of £10 million to the Strategic Reserve would reduce the estimated balance on the Consolidated Fund at the end of 2007 by that amount.

3. FINANCIAL FRAMEWORK

In accordance with the Public Finances (Jersey) Law 2005, the draft Budget Statement proposes the tax and borrowing proposals for 2007 with all the States expenditure allocations having been agreed in the Annual Business Plan debate in September. This is the first year under the new finance law whereby separate decisions will be taken, at different times, on expenditure and funding.

The latest forecasts show that the States finances remain in a healthy position and the improvement in the 2005 outturn, returning a surplus of £3 million, was a welcome contribution to balances. Similarly, the exceptional income from special dividends has significantly improved the outlook for 2006. The Strategic Plan, and Annual Business Plan approved earlier this year, outlined the financial framework for the next five years, which showed that forecast budgets were broadly balanced over the five-year planning cycle and, with the current balances on the States Consolidated Fund, its "current account", the financial position was sustainable until 2011.

The five-year forecasts contained in Table 4.1 of this document show that the financial position has marginally improved in the presentation produced for this Budget.

This relatively healthy outlook in the short-term must not lead to complacency and the focus of the States must be to maintain the financial policies which have served it well over the last few years; low inflation, balanced budgets, improvements in efficiency and sustainable growth in priority areas of public spending. These policies are part of the framework within the Fiscal Strategy which, together with the timely introduction of new tax measures, must be pursued to substantially mitigate the impact of the move to 0/10%. All our forecasts are based on a presumption that this will happen and that the underlying policies will be maintained.

This Budget Statement refers to initial proposals for a draft new fiscal framework, arising out of the Economic Growth Plan, the States' decision to create a Stabilisation Fund and a commitment to review the Anti-Inflation Strategy. These proposals are brought alongside the Budget Statement as part of a report and proposition to establish a Stabilisation Fund and a new policy for the Strategic Reserve.

The proposals are to introduce a new fiscal framework that can help contain inflation, improve economic stability and create the conditions for sustainable economic growth in the Island. This requires setting fiscal policy relative to the prevailing economic conditions, ensuring that it is countercyclical. The recommendation is that the Stabilisation Fund be used to achieve these objectives and that its use be guided by an independent Fiscal Policy Panel. An annual report will be published by the Fiscal Policy Panel outlining the current state and future trends in the Island's economy. The report would also include recommendations, based on the economic appraisal, as to the scale and nature of any appropriate transfers to and from the Stabilisation Fund.

The proposed fiscal framework will complement the existing financial framework by providing an expert global and independent perspective to the Island's finances.

The financial framework from the Business Plan includes investment in economic growth and priority services of health, welfare and social benefits. There has been some criticism of the reinvestment or reallocation of efficiency savings to these priority services. But in fact this has already been approved as part of the resource allocation in previous business plans. Furthermore, unless there is a view that we can cut a swathe through our existing services then the only way of achieving real growth in the priority services is by reprioritising these savings. What is important is that this investment is sustainable and the latest forecasts, at Table 4.1, continue to show a balanced financial position over the five year planning period.

Beyond the period of the Strategic Plan, and even beyond 2009, the forecasts can only be indicative. These forecasts will be reviewed at least annually, as part of the annual business planning process, and the underlying assumptions checked and verified. If at these reviews there arises the possibility of deficits in the future years then appropriate measures will have to be considered. The Council of Ministers believes it has presented a fairly cautious resource forecast. The Council also believes it is possible that financial performance may exceed the estimates and has committed itself to reviewing the financial position, at least annually, to ensure that by the end of the period of the Strategic Plan there is no likelihood of a structural deficit.

There is much that can and is being done to contribute to further improvement in States finances in the meantime. It is particularly important that the States keeps its spending within the current financial framework and a number of initiatives and processes will drive the necessary constraint and discipline.

A new framework of financial and performance reporting and monitoring is being established. This starts with the premise of rolling three-year financial allocations for departments and the fact that the new Public Finances (Jersey) Law 2005 makes no provision for a General Reserve contingency. This will improve financial discipline and require departments to plan ahead and work within their financial allocations.

There will be an annual business planning process informed by quarterly reporting to the Council of Ministers. This will identify emerging pressures, prioritise these and, if necessary, determine a reallocation of resources between departments as appropriate. If one-off pressures are identified during the year, then these should first be addressed within each department, but ultimately the Council could consider these pressures as part of the priorities to which to allocate any funds available from the year end carry forward process.

The financial and performance reporting and monitoring can also inform resource allocation. Using performance measures, it should be possible to identify the impact in performance terms of the prioritisation of resources. These outcomes should result in a more effective allocation of resources as part of future processes.

The business planning process must incorporate the capital and legislation programmes and require departments to consider more carefully the revenue and manpower resource implications of their bids. Where these implications are identified then they can form part of the resource prioritisation process, but where departments fail to identify them, that department must expect to meet the requirement from existing allocations. The recent Strategic Plan review specifically required any resource implications of new initiatives to be identified such that they could be included in the proposed financial framework.

The final phase of integrating strategic and business planning with resource allocation is to be able to reflect the full financial implications of specific objectives. This would be achieved in stages, gradually bringing financial allocations more in line with objectives over a period of time. Ultimately, this would require a move to resource accounting; changes to the current accounting and budgeting structures, as well as changes to the financial system.

In summary, the financial framework aims to provide sustainable public services through tight controls on States spending, improved public sector efficiency leading to balanced budgets and contributing to low inflation. The development of the new fiscal framework will also contribute to containing inflation and improved economic stability. Alongside this framework it is essential that the measures approved in the Fiscal Strategy are implemented in accordance with the current timetable.

4. FINANCIAL FORECAST 2005 - 2011

Table 4.1 Revised Financial Forecast (October 2006)

Actual 2005	Probable 2006		<- Estimates				->
			2007	2008	2009	2010	2011
£m	£m		£m	£m	£m	£m	£m
		States Income					
377	390	Income Tax	410	425	440	455	470
50	50	Impôts Duty	50	49	49	49	49
19	19	Stamp Duty	19	20	20	21	22
23	35	Other Income	24	24	24	24	24
-	9	Island Rate	10	10	10	10	11
469	503	**Total States Income**	513	528	543	559	576
		States Expenditure					
423	449	Net Revenue Expenditure	474	492	507	518	532
43	39	Net Capital Expenditure Allocation	42	40	38	41	38
466	488	**Total States Net Expenditure**	516	532	545	559	570
3	**15**	**Forecast Surplus/(Deficit) for the year**	**(3)**	**(4)**	**(2)**	**0**	**6**
		Fiscal Measures to be approved:					
-	**-**	0/10% Corporate Tax Structure	**-**	**(3)**	**(3)**	**(70)**	**(75)**
-	**-**	Goods and Services Tax	**-**	45	45	45	45
-	**-**	Tax/Stamp Duty on Share Transfer	**-**	1	1	1	1
3	**15**	**Revised Forecast Surplus/(Deficit)**	**(3)**	**39**	**41**	**(24)**	**(23)**
-	-	Transfer to Strategic Reserve	(10)	-	-	-	-
29	**44**	**Estimated Consolidated Fund balance**	**32**	**71**	**112**	**88**	**65**

Notes:

There are a number of assumptions behind the Financial Forecast in Table 4.1. These are:

Income Tax

- *2006 tax revenues are now based on the latest tax assessments and 2007 revenues are based on specific assumptions for the increase in taxable profits, earned and unearned income, but for the forecast years a general assumption of 2.5% increase in base income tax revenues is presumed.*
- *The impact of the change to a corporate structure 0/10% has been reassessed within the range £80 million to £100 million between 2008 and 2013, and the mid-point of this range is included in the below the line adjustments.*

Impôts Duty

- *The forecasts reflect the predicted trends in consumption, which include a drop off for some goods, but also include an assumption that there would be annual increases in duty at a level equivalent to the Island RPI. In September the annual increase was 3.6%.*
- *The forecasts and annual duty proposals reflect the currently agreed Alcohol and Tobacco Strategies.*

Stamp Duty

- *The forecasts assume that house prices in particular will continue to increase in future years at approximately 2.5% and that house sales will remain at current volumes.*
- *It has been assumed that proposals for a new tax or duty on share transfer property transactions will be introduced by next year's Budget, potentially adding a further £1 million to forecasts.*

Other Income

- *Within the forecasts are components of other income that may both increase and decrease so a cautious appraisal has been made.*

- *Any exceptional income, such as the £11 million which has been received from the JEC and Jersey Telecom in 2006, would normally be expected to be transferred to the Strategic Reserve or new Stabilisation Fund.*

Island Rate

- *The Island Rate will increase annually according to the Island RPI (March) as prescribed in the Rates Law.*

Total States Net Expenditure

- *The forecasts for total States net expenditure represent the expenditure allocation increases agreed in the Annual Business Plan debate in September.*

Forecast Surplus/(Deficit)

- *The forecasts show the annual financial position based on the fiscal measures currently approved and rely on a number of significant assumptions described above.*

Fiscal Measures still to be approved

- *The forecasts assume the tax measures approved in principle by the States in the Fiscal Strategy will be implemented in accordance with the agreed timescales and budget yields. As these figures are indicative then no adjustments are included for indexation.*

Revised Forecast Surplus/(Deficit)

- *The figures can only be forecasts and are as accurate as the assumptions they are based on. Beyond 2007 the forecasts, in particular of States revenues, can only be considered to be indicative.*

Strategic Reserve

- *A transfer of £10 million is proposed in 2007 to take funds from the Consolidated Fund to the Strategic Reserve. Proposals are included in this Budget, and the accompanying proposition for the establishment of a Stabilisation Fund, that recommend the adoption of a new Fiscal Framework through which transfers to and from these various funds will be informed by an annual economic report by an independent Fiscal Policy Panel.*

Stabilisation Fund

- *Proposals are brought alongside this Budget for the establishment of a Stabilisation Fund, initially set up from the £32 million identified as available from the Dwelling House Loans Fund.*

Estimated Consolidated Fund Balance

- *The Public Finances (Jersey) Law 2005 requires the balance on the Consolidated Fund at the end of 2007 to be estimated, reflecting the effect of the tax and funding proposals in this Budget, and those expenditure allocations agreed in the Annual Business Plan in September.*

FINANCIAL FORECAST 2005 - 2011

Background

The financial forecasts are typically prepared three times a year and in 2006 have been revised at appropriate points to inform the preparation of key States documents.

Budget Statement 2007

The forecasts in the 2006 Budget, as amended, showed deficits in each year from 2005 to 2010. The latest forecasts show an improvement on those figures, which have been affected by movements in the year as reported in the Financial Report and Accounts 2005, draft States Strategic Plan and the draft Annual Business Plan.

The principal changes during the year result from:

- Council of Ministers' proposals for sustainable increases in expenditure in respect of new strategic initiatives from the review of the Strategic Plan, costs of fiscal changes and emerging funding pressures;
- For the first time, the inclusion of the expected revenues from the remaining fiscal strategy measures of GST and 20% Means 20% proposals, starting in 2008; and
- The improvement in the final 2005 financial position compared to that forecast at the 2006 Budget, and the associated improvement in the forward forecasts. Primarily this improvement was in respect of additional revenues from impôts duty and stamp duty.

Since the forecasts published in the draft Annual Business Plan in July the forecasts have been revised and adjustments made in respect of:

- The expenditure allocations agreed in the Annual Business Plan;
- Inclusion of the exceptional income of £11 million now expected from the special payments from JEC and Jersey Telecom in 2006;
- Improvements to the forecast revenues for income tax and impôts duties;
- A change in the profile of the additional tax revenues as a result of the changes to 20% Means 20% proposals to include increases in exemption thresholds for 2007 to 2009; and
- The inclusion of the proposed transfer from the Consolidated Fund to the Strategic Reserve of £10 million in 2007.

Summary

The overall effect of the changes since the draft Annual Business Plan is for an improved financial position in each of the years through to 2009. The change in the profile of the additional revenue from 20% Means 20% offsets this improvement in 2010 and 2011, leaving the financial position in these years relatively unchanged.

The forecast financial position over the five-year planning period remains balanced and sustainable in accordance with the strategic objective and financial framework. However, the forecast beyond 2009 must be considered as indicative due to the assumptions made in respect of the significant fiscal changes.

5. FISCAL STRATEGY

Background
The States is in the course of implementing the Fiscal Strategy and some of the proposals are already in place in relation to an Economic Growth Plan, Income Tax Instalment Scheme and a financial framework for balanced budgets over the five-year planning cycle.

The Minister is proposing the next phase of the strategy in terms of the 20% Means 20% proposals in this budget and these are outlined at Section 6. The Minister for Social Security will be bringing forward the proposals for the required Income Support Scheme for implementation in 2007 ahead of the proposed Goods and Services Tax. The status of the remaining components of the strategy is outlined in the following section.

0/10% Corporate Tax Structure
Due to competitive and international pressures, in order to maintain a prosperous and competitive economy, the States agreed in July 2004 (P106/2004) to move to a 0/10% corporate tax structure by 2009. Extensive research on the detailed design of the 0/10% tax model has been undertaken and proposals for a reformed corporate tax structure were published at the beginning of May 2006. Consultation on these 0/10% proposals concluded at the end of July 2006.

The responses to this consultation exercise have been carefully considered and final proposals for the 0/10% corporate tax structure were presented to the States as an RC during October. Law drafting is currently being finalised and will be presented to the States for approval early in the New Year.

As international obligations separate from the Fiscal Strategy, ongoing work in respect of the EU Savings Directive and OECD Tax Information Exchange Agreements will continue to be progressed.

Goods and Services Tax (GST)
In order to help fill the revenue deficit arising from the move to 0/10% and for the Island to become somewhat less reliant on direct taxation, the States agreed in July 2005 (P44/2005) to introduce a 3% broad-based Goods and Services Tax (GST) in early 2008. The introduction of GST at 3% should raise up to £45 million in taxation revenue. However, this tax yield is based on the assumption that there are very few exclusions from the tax. If further exclusions are approved then the effect would be to raise the rate of tax above 3% in order to generate the same yield (£45 million) and significantly increase the costs of compliance for businesses and administration for the two agencies involved (Income Tax and Customs).

A considerable amount of implementation work is currently taking place, led by the newly appointed Goods and Services Tax Director at the Income Tax Office in conjunction with internationally renowned Crown Agents, in planning for the introduction of GST. Consultation on the enabling legislation (law and regulations) has been undertaken, together with a parallel consultation exercise on how GST might work for the Financial Services industry to ensure that it will contribute some £5 million-£10 million to the GST yield, in addition to a continuing significant contribution in direct profit taxes at the 10% rate under the 0/10% system. Consultation on the GST legislation concluded at the end of August 2006 and it is intended that a draft Law should be lodged in November and debated in January 2007.

A proposition has recently been lodged to exclude certain items from the application of GST, including –

- Foodstuffs
- Children’s clothing
- Education fees
- Books and newspapers
- Child care costs
- Medical services and products
- Life insurance policies
- Domestic fuel

At the time of publication the outcome of that debate is not known but if successful would result in the rate of tax on other taxable goods and services increasing from the proposed 3% to more like 4%.

Whilst the stated intention of the proposed exclusions is to help to protect the lower paid from the effects of GST, the Minister considers that a far better way of targeting assistance to the lower paid is to use the Income Support system.

The States agreed that prior to the introduction of GST a revised Income Support scheme would be introduced. Detailed work in this area has been undertaken, led by the Minister for Social Security, and the enabling legislation (P102/2006) for a revised Income Support scheme was debated and agreed by the States in early October 2006. The details of the scheme will now be worked up through the various regulations and orders in advance of implementation in 2007.

Environmental Taxes

Detailed research work, is also being undertaken on potentially appropriate environmental tax and related expenditure programmes and land development levies. Whilst it is not anticipated that such economic instruments will generate any net tax revenues they could make a substantial contribution to achieving our strategic environmental aims. A high-level options paper will be published by the end of the year outlining specific preferred proposals to deliver beneficial environmental objectives for the Island. These proposals will then go out for a 12 week consultation period.

6. INCOME TAX PROPOSALS

Background

Income tax revenues represent almost 80% of States income but these tax revenues remain relatively volatile as a high proportion are derived from tax on company profits. The States Fiscal Strategy will, over the next five years, begin to broaden the tax base of the Island by introducing a new indirect tax in the form of a Goods and Service Tax. As well as mitigating some of the loss in revenues anticipated from the move to a competitive 0/10% corporate tax structure the change will also increase the stability of tax revenues.

However, even after these planned changes, a significant proportion of States income will still be derived from income tax. Consequently, the figures beyond 2007 must be considered as indicative forecasts, particularly with the scale of the fiscal changes over the next five to ten years.

Latest Forecasts

Following a three-year period where income tax revenues were relatively static 2005 saw an increase of 3.9%. Increases of 3.5% and 5% respectively, are forecast for 2006 and 2007. The forecasts reflect improvements in the economy together with the effects of ITIS and the introduction of the Economic Growth Plan as part of the States Fiscal Strategy. Additional revenues from the impact of the 20% Means 20% proposals are included in the forecasts but do not begin until income tax revenues due to be collected in 2008.

Proposals for 2007

The main proposal in this year's budget is to incorporate the principles of the 20% Means 20% proposals, agreed by the States in P58/2006, into the Income Tax Law, which will take effect from year of assessment 2007.

The Minister is also proposing that, as part of the 20% Means 20% proposals the current exemptions thresholds and allowances remain at 2005 levels for year of assessment 2006, but are due to rise by 2.5% p.a. for each of the years of assessment 2007 to 2009.

20% Means 20%

The States agreed in July 2005 (P44/2005) that in order to raise £10 million in taxation revenue, income tax allowances for higher earners should be phased out. Not only would this proposal assist in filling part of the revenue deficit following the move to 0/10%, it would also make the package of fiscal measures proposed by the former Finance and Economics Committee progressive.

Because of the high level of tax allowances in Jersey it is, at present, not uncommon for households with incomes in excess of £100,000 to be paying an effective rate of tax of less than 15%.

Over the past five years incomes have increased but tax exemption thresholds, apart from an increase for the year of assessment 2003, have remained constant, and the same levels are proposed again for the year of assessment 2006. Consequently recent calculations have shown that the anticipated tax yield, based on the proposals originally put forward for last year's Budget, would have raised significantly in excess of £10 million. Accordingly, if the objective remains one of raising approximately £10 million from taxpayers with higher disposable incomes, this objective can be achieved by more closely targeting those at the higher end of the income spectrum.

During extensive consultation on the 20% Means 20% proposals concerns were expressed by taxpayers about the loss of certain allowances and reliefs to which they had been accustomed and which they had taken account of in their financial planning.

In the light of those concerns, and the higher than anticipated yield, the States resoundingly agreed in July, in P58/2006, that earlier proposals for raising more tax from those on higher incomes should be amended in the following manner:

- Tax relief for children, including those in higher education, will be retained for all taxpayers.
- Relief will continue to be available on the first £1,000 of life assurance premia on all policies in existence as at 31st December 2006.
- Increases in tax exemption thresholds for all taxpayers of 2.5% per annum will be included in this Budget, in respect of the three years of assessment 2007 to 2009.

Retaining tax relief for children will ensure that all taxpaying families will continue to receive allowances in respect of their children. Furthermore, bearing in mind the growing cost of higher education, tax relief will continue to be provided for all taxpayers with children receiving full time higher education at universities or colleges of further education.

Retaining relief on the first £1,000 of life assurance premiums recognises the commitments that individuals may have entered into in advance of the move to these proposals.

The biggest change to the original proposals, however, is to combine the introduction of the phasing out of allowances with a commitment to increase exemption thresholds for all taxpayers by 2.5% a year in 2007, 2008 and 2009. Raising exemption thresholds will remove a significant number of households entirely from the payment of tax and benefit those on so called “middle incomes”. Generally this effect will be to reduce the impact of 20% Means 20% on “middle incomes”. Many previously affected by the proposals will now find no change in their tax bills and, in certain circumstances, the raising of exemption limits will result in tax bills actually reducing.

Examples of the effect of the revised proposals, once fully in place, are as follows:

- A married man, wife not working with no children and no mortgage, earning £40,000, will benefit from a tax cut of £367 compared to his current 2005 tax bill.
- A married man, wife working, one child at school and one child at university with a mortgage of £240,000, earning £70,000, will receive a tax cut of £251 compared to his current 2005 tax bill, rather than a tax increase of £116 under the former proposals.
- A married couple, earning £100,000, wife working, two children at school, with a mortgage of £360,000 capped at £300,000 for qualifying tax relief, will pay additional tax of £1,801 under these revised proposals rather than £2,168 under the former proposals.
- A single person earning £30,000 with one child at school and a mortgage of £120,000, will receive a tax cut of £230 compared to his/her current 2005 tax bill.

In addition it is proposed that the phasing out of allowances for higher earners will take place over a five-year period commencing year of assessment 2007. The result is that the proposals will not impact on tax paid until 2008 and, for many, the full impact will not be felt until 2012.

Exemptions and Allowances

Exemptions

The Minister is proposing that tax exemption thresholds remain at 2005 levels for year of assessment 2006, but gives notice that as part of the 20% Means 20% proposals, exemption thresholds will be increased by 2.5% p.a. for three years starting in 2007.

The proposal to freeze the exemptions and allowances in 2006 is estimated to increase tax receipts by some £3 million. For illustrative purposes the proposed exemption thresholds for year of assessment 2007, as proposed under 20% Means 20%, are shown in Table 6.1 alongside those proposed for year of assessment 2006.

Table 6.1
Proposed Exemption Thresholds for Year of Assessment 2006 and 2007

Exemptions	Year of Assessment 2006	Year of Assessment 2007
- Single Person	£11,020	£11,300
- Single Person (aged 63+)	£12,300	£12,610
- Married Couple	£17,680	£18,130
- Married Couple (aged 63+)	£20,250	£20,760

The allowances for year of assessment 2006 are proposed to be frozen again at current levels and, in common with the then Finance and Economics Committee's policy, the effect will be to increase the proportion of persons on the Comptroller's database who actually pay tax and gradually widen the tax net. However, this still means that about a quarter of the Island's taxpayers are not liable to pay any income tax.

Table 6.2
Proposed Allowances for Year of Assessment 2006 and 2007

Allowances	*Year of Assessment* 2006	*Year of Assessment* 2007 (at Marginal 27% rate)	*Year of Assessment* 2007 (20% Means 20%)
- Single Person	£2,600	N/A	£2,080
- Married Person	£5,200	N/A	£4,160
- Earned Income (max)	£3,400	N/A	£2,720
- Wife's Earned Income (max)	£4,500	£4,500	£3,600
- Child Allowance	£2,500	£2,500	£2,000
- Child Allowance (higher education)	£5,000	£5,000	£4,000
- Additional Allowance*	£4,500	£4,500	£3,600

**for people with single-handed responsibility for children*

The allowances for year of assessment 2007, as proposed under the 20% Means 20% measures, are shown in Table 6.2 for illustrative purposes. This illustrates that for taxpayers under the 20% rate of tax the allowances reduce by one fifth in year of assessment 2007. The allowances are then further reduced by one fifth each year through to year of assessment 2011. However, for the purposes of assessment of taxpayers under the marginal rate, those allowances which are claimable remain frozen at current levels under the 20% Means 20% proposals.

TAX FACTS

The following **Tax Facts** provide an illustration of the existing personal tax structure and also provide relative comparisons against other jurisdictions.

The tax threshold, i.e. the point above which an individual starts to pay income tax, is determined by the individual's personal circumstances. For example, a married couple, who are both working and have two children (one at university) paying mortgage interest of £7,500, do not become liable to income tax in 2006 until their income exceeds £37,180, calculated as follows:

Married Couple Exemption	£17,680
Wife's Earned Income (max)	£4,500
Child Allowance	£2,500
Child Allowance (higher)	£5,000
Mortgage Interest	£7,500
	£37,180

COMPARISONS

The historically generous tax thresholds in Jersey mean that despite the freezing of most allowances and exemptions for several years, many Islanders still pay less tax than in most neighbouring territories. It should also be noted that 17.5% VAT is an additional tax burden in the Isle of Man and the UK.

The **income tax payable by a married couple** in 2006 with a joint income of £30,000 is as follows:

Isle of Man	£1,300
Jersey	**£2,111**
Guernsey	£2,700
United Kingdom	£4,282

The **income tax payable by a married pensioner** in 2006 (aged 63+) with an income of £20,000 is as follows:

Jersey	**£NIL**
Guernsey	£100
Isle of Man	£300
United Kingdom	£2,053

The figures in respect of the Isle of Man reflect its competitive policy for direct taxation which this jurisdiction is able to adopt because of its significant indirect tax revenue.

7. IMPÔTS DUTY PROPOSALS

Background
The Minister is continuing the policy of including the proposed duty increases in the Budget Statement ahead of Budget Day, and the proposals for 2007 are indicated in Table 7.1.

The Minister continues with the consistent policy adopted in recent years by the then Finance and Economics Committee in relation to increases in duty, and importers now expect increases at budget time and make any decision regarding extra stocks accordingly.

As it is now customary it is proposed that this year's increases in duty will not take effect until midnight on 31st December 2006.

Latest Forecasts
The forecasts of revenues from certain commodities of impôts duty can be unpredictable. A combination of the impact of duty free sales and the twin Health strategies, aimed at reducing consumption of alcohol and tobacco, results in fluctuating revenue from these commodities.

The Customs and Immigration Service employs long-term trends to attempt to average out these fluctuations and produce more robust forecasts. Further work is being undertaken to consider if the methodology can be improved. Currently the forecasts show an improvement in the revenues forecast in last year's Budget and a further slight improvement since the Annual Business Plan in July. It should however be noted that the long-term forecast of revenue from impôts duty is still declining, which reflects the balance between the objectives of the twin Health strategies to reduce consumption and that of raising additional revenue.

Alcohol
The Alcohol Strategy for Jersey was adopted by the States in 2004. The States agreed that, in an attempt to reduce per capita consumption of alcohol, impôts duties on alcohol may be increased annually over and above the level of inflation if deemed advisable, following consultation between the Health and Social Services Committee and the Finance and Economics Committee and the Economic Development Committee, having regard to:

- the economic interests of the Island, with particular reference to any local brewing or distilling businesses;
- the impact on the Island's hospitality industry;
- the impact upon consumers of alcohol within the Island as a whole; and
- concerns for public health.

A further objective of the Strategy is to equalise taxation rates on alcohol. This will address the anomaly that currently exists whereby the impôts duty rate on a unit of alcohol in beer and cider is approximately half the duty rate on a unit of alcohol in spirits.

To support the Alcohol Strategy and also to help address the price anomaly, following consultation with the Minister for Economic Development and the Minister for Health and Social Services, the Minister for Treasury and Resources proposes that the full rate of duty for beer and cider is increased slightly above the latest increase in the Retail Price Index of 3.6% at September 2006.

Accordingly **the Minister proposes that the duty on beer and cider should rise by 4**%.

However, to help negate the impact on the Island's economy, hospitality industry or upon consumers of alcohol within the Island as a whole the Minister proposes that the rate of duty for beer produced by small breweries is reduced to 50% of the full rate

In 1994 a reduced rate of duty for beer produced by small breweries was introduced. The current reduced rate is approximately 83% of the full local rate. In 2005 a reduced rate of duty for small cider and spirit producers was agreed at 50% of the full local rate.

These reduced rates apply to all small producers both in and out of the Island but the principal effect is to assist local businesses that produce such alcoholic products.

Notwithstanding these new rates of duty on beer and cider the Minister has taken note of the aims of the Alcohol Strategy and believes that for 2007 the correct basis for the duty increases on all other alcohol should be an increase broadly equivalent to the rise in the Retail Price Index.

Accordingly **the Minister proposes that the duty on alcoholic beverages other than beer and cider should rise by 3.5**%

The percentage increase on the retail price would be significantly lower than the duty increases. The current differentials between duty and retail price can be seen in Table 7.3.

Tobacco

The policy of increasing duty on tobacco at a level above the cost of living is being continued. The 'Tobacco Strategy for Jersey 2003 – 2007' has as an objective; "to ensure that the cost of tobacco products increases annually over and above the level of inflation". The **proposed new duty rates are 4.5% higher** than the current rates, and are thus above inflation. This is consistent with the Minister's policy, as while the short-term effect is a small increase in the Retail Price Index, in the medium to long-term increases in indirect taxation reduce inflationary pressures.

The increase in tobacco duty is intended to discourage consumption and the Health and Social Services Department believes that the policy is having success.

Undoubtedly the high cost of tobacco is playing an important part in reducing consumption but there is also evidence to show that locals and tourists are increasingly turning to duty free sources for their tobacco supplies. The Customs and Immigration Service are monitoring this activity and personal importations in excess of the allowance continue to be detected. There is, however, no evidence or intelligence to suggest that there has been a marked increase in passengers evading impôts duty by exceeding their statutory allowances or that commercial quantities of cigarettes are being smuggled into the Island.

Fuel

The Minister continues to consider all issues regarding the duty for fuel and in particular the need to address environmental issues and also the high margins which appear to exist in the retail price of fuel in Jersey.

The proposed increase in fuel duty is 3.5% or just over 1 penny per litre.

The Minister remains keen to investigate, together with the Economic Development Minister, the issue of high price margins in monopoly markets. There still appears to be significant scope to encourage competition to reduce the retail price and offset the effects of the duty increases.

The relative margins within the retail price between Jersey and the UK can be seen in Table 7.3.

There is no impôts duty imposed on any hydrocarbon oils used for the propulsion of marine vessels. This relief is subject to certain conditions imposed by the Agent of the Impôts (the Head of the Customs and Immigration Service).

The Minister wished to explore the issues concerning the application of Impôts duty to fuel used by marine pleasure craft. In order to inform any decision as to whether there should be a proposal to include the duty in this year's budget the States of Jersey Customs and Immigration Service conducted a public consultation.

The consultation attracted both local and national media attention with news items in the local press and UK boating publications. It was also the subject of discussion forums on the internet and public meetings. There were a total of 104 responses to the consultation, 101 against the application of duty to marine fuel and 3 in agreement that duty should be applied.

It is clear that there are wider economic implications to the withdrawal of the present marine fuel duty rebate, and these will be the subject of further research and ongoing discussions with the Minister for Economic Development in the context of the promotion of the marine leisure industry.

The Minister therefore does not propose any changes in the existing duty concession for marine pleasure craft for 2007.

Duty Increases for 2007

Table 7.1
Proposed Duty Increases for 2007

	Current Duty		Proposed Duty		Increase
Litre of Whisky	£8.25		£8.54		£0.29
Bottle of Table Wine	£0.99		£1.02		£0.03
Pint of beer <5% alcohol	£0.25		£0.26		£0.01
Pint of beer >5% alcohol	£0.37		£0.39		£0.02
20 King Size cigarettes	£2.83		£2.96		£0.13
Litre of unleaded petrol	£0.38		£0.39		£0.01

Comparisons with neighbouring jurisdictions

Table 7.2
A Comparison of Typical 2006 Tax and Duty Levels for a Range of Commodities

	Jersey		Guernsey		UK[1]		France[1]
Litre of Whisky @ 40%	£8.25		£5.53		£10.18		£5.55
Bottle of table wine	£0.99		£1.18		£1.79		£0.43
Pint of beer < 5% alcohol	£0.25		£0.22		£0.67		£0.59
Pint of beer > 5% alcohol	£0.37		£0.22		£0.79		£0.82
20 King Size cigarettes	£2.83		£2.21		£3.88		£2.34
Litre of unleaded petrol	£0.38		£0.07		£0.61		£0.56
Litre of Diesel	£0.38		£0		£0.61		£0.41
1800 cc family car	£625		£0		£2,316		£2,550

[1] The figures for UK and France include VAT and TVA respectively as well as impôts duty.

The higher rates of duty in Jersey, compared to Guernsey, reflect our strategies against alcohol and tobacco and similarly those increases in road fuel in support of environmental initiatives.

Table 7.3
2006 Retail Price Margins – Comparisons with the UK

	Jersey Retail Price	Jersey Duty	**Price net of Duty**	Duty as % of price		UK Retail price	UK Duty	UK VAT	**Price net of Duty and VAT**	Duty and VAT as % of price
Litre of Whisky	£16.59	£8.25	**£8.34**	50%		£15.84	£7.82	£2.36	**£5.66**	64%
Pint of Beer <5%	£2.14	£0.25	**£1.89**	12%		£2.20	£0.34	£0.33	**£1.53**	30%
20 King Size Cigarettes	£4.64	£2.83	**£1.81**	61%		£4.81	£3.16	£0.72	**£0.93**	81%
Litre of Unleaded Petrol	£0.89	£0.38	**£0.51**	43%		£0.95	£0.47	£0.14	**£0.34**	64%

The above retail price figures are drawn from the Household Expenditure Survey (June 2006) and are before the impact of this year's budget proposals.

Table 7.3 illustrates that in all the above examples of dutiable products the proportion of price made up by duty is significantly lower in Jersey than the UK. Even allowing for other cost factors in Jersey there would appear to be a much greater margin in the retail price of products in Jersey than exists in the UK. It is the level of these price margins which needs to be further investigated and addressed.

Vehicle Registration Duty (VRD)

Vehicle Registration Duty was introduced on 1st January 2003 and applies to all vehicles when they are first registered in Jersey, except for certain specific exemptions. Hire cars have a reduced rate of 15% of the full rate. In 2005 new rates of VRD were introduced for previously registered vehicles to take into account the reduced value of these vehicles.

The current rates for previously registered vehicles are 65% of the full rate for vehicles between one and two years old, 50% of the full rate for vehicles between two and three years old and 40% of the full rate for vehicles over three years old. Vehicles up to one year old pay the current full rates of VRD.

The Minister is proposing no change in the levels of VRD for 2007

In May 2005 the States approved the Finance and Economics Committee's Fiscal Strategy which, inter alia, proposed a Goods and Services Tax (GST) to be introduced in 2008. The Committee announced that Vehicle Registration Duty would be repealed upon the introduction of GST. The revenue that would be lost when VRD is repealed is intended to be replaced by a new environmental tax on motor vehicles. The issue of environmental taxes is being dealt with in a separate piece of work and is referred to in Section 5, page 15.

8. STAMP DUTY PROPOSALS

Background
The budget proposals in the last two years have focussed on closing loopholes in the existing legislation. With the significant changes taking place in other aspects of the tax framework, changes to the underlying stamp duty rates have not been considered this year.

Once again the proposals are aimed at clarifying the interpretation of the existing legislation and closing other loopholes which have become apparent.

The Treasury and Resources department is making progress with the project to consider options for capturing tax or duty from share transfer property transactions which should be concluded next year.

Latest Forecasts
Unlike impôts duty which is consumption or volume based, stamp duty benefits in the current economic climate from the increase in house prices. The House Price Index has shown increases in each of the last few quarters. The forecasts of stamp duty assume that these increases will continue in the short to medium term.

Proposals for Stamp Duty in 2007
The Minister is proposing that Stamp Duty rates are frozen for the third consecutive year, recognising the significant changes in other aspects of the tax structure.

Proposed Amendments to Stamp Duties and Fees (Jersey) Law 1998
A number of amendments are proposed to improve the interpretation and close loopholes in the existing law:

- The terms of first time buyer entitlement are modified to exclude those owning a reversionary interest in dwelling accommodation;
- The term “net value” is amended to ensure that life interests, leases or licences to which property might be subject do not reduce its value for stamp duty purposes; and
- To avoid potential abuse of the provisions to re-finance or change lender the wording is clarified to ensure that all the parties to the old and the new borrowing documents must be the same.

New Section Required for Planning Appeals
As provided for in the Practice Direction RC 06/03, there will need to be a new section inserted in the Schedule for Planning Appeals. The new section should read as follows:-

PLANNING APPEALS

ITEM	STAMP DUTY	CHARGEABLE DOCUMENT	DESIGNATED OFFICER
For Planning Appeals dealt with by the Greffier without the need for an oral hearing under the provisions of	£200	Notice of Appeal	Greffier

Rule 15/3C of the Royal Court Rules, 2004			

Further Proposals

The project to look at stamp duty on share transfer property transactions is now under way. The current preferred option is likely to take the form of a new tax rather than stamp duty, with the amount payable on share transfer transactions equal to that which would have been payable if stamp duty applied. The objective is to produce proposals which are simple to administer and which can be implemented in a timely manner. The expectation is that proposals will be completed in advance of next year's budget and as such, a forecast of £1 million per annum additional duty has been included "below the line" in the latest financial forecasts from the year 2008.

9. TRANSFER TO STRATEGIC RESERVE

A new fiscal framework

A separate Report and Proposition is being brought alongside the Budget Statement for consideration by the States which, if approved, would establish a Special Fund of the States in the form of a Stabilisation Fund and approve the policy for the Strategic Reserve.

As support for this proposal a detailed report has been produced that identifies initial proposals for a new fiscal framework. This framework will help to contain inflation, improve economic stability and create the conditions for sustainable economic growth in the Island. This requires setting fiscal policy relative to the prevailing economic conditions, ensuring that it is countercyclical. The recommendation is that the Stabilisation Fund be used to achieve these objectives and that its use be guided by an independent Fiscal Policy Panel. An annual report will be published by the Fiscal Policy Panel outlining the current state and future trends in the Island's economy. The report would also include recommendations, based on the economic appraisal, as to the scale and nature of any appropriate transfers to and from the new Stabilisation Fund.

The report also reviews the purpose and required level of the Strategic Reserve and concludes that:

- The overall aim of the Strategic Reserve is to provide the Island with some insulation from a major external shock such as severe structural decline or a major natural disaster.
- The aim in the medium and long-term should be to continue to grow the Reserve through re-investing the return in the fund and paying in part or all of surpluses when the economy is performing strongly.
- A suitable long-term aspiration is to grow the Reserve by another £100 million-£150 million to equate to about 20% of GDP.

These conclusions have informed the Minister's decision to propose a transfer to the Strategic Reserve in 2007, which is the first transfer for five years.

Transfer to the Strategic Reserve in 2007

The Minister proposes a transfer of £10 million is made to the Strategic Reserve in 2007. In making this proposal the Minister recognises that:

- a suitable long-term aspiration is to grow the Reserve by another £100 million-£150 million to equate to about 20% of GDP;
- there is a relatively healthy balance in the Consolidated Fund at the end of 2006; and
- there is exceptional income in 2006 of just in excess of £10 million.

Based on further advice, possibly from the new Fiscal Policy Panel, subject to the forecasts of the balances in the Consolidated Fund coming to fruition, and further development of the fiscal framework, then further transfers may be possible in next year's Budget.

SUMMARY TABLES

SUMMARY TABLE A:
STATES INCOME 2007

States Income Analysis - Sources of Income

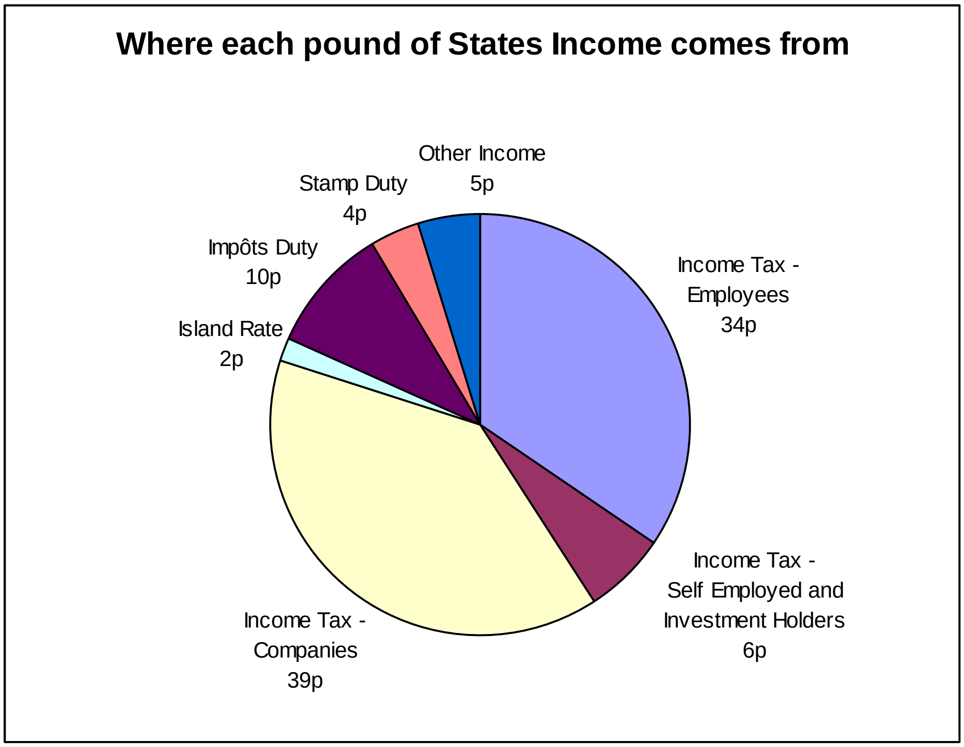
2005 Actual (Restated) £	2006 Estimate (Restated) £		2007 Estimate £
		Income Tax	
154,000,000	169,000,000	Employees	177,000,000
38,000,000	33,000,000	Self Employed and Investment Holders	33,000,000
185,000,000	188,000,000	Companies	200,000,000
377,000,000	**390,000,000**	**Total Income Tax**	**410,000,000**
		Impôts Duty	
4,057,960	3,900,000	Impôts on Spirits	3,830,000
5,272,067	5,300,000	Impôts on Wines	5,540,000
575,244	630,000	Impôts on Cider	670,000
4,766,584	5,020,000	Impôts on Beer	5,040,000
12,508,443	12,130,000	Impôts on Tobacco	11,540,000
18,451,540	19,070,000	Impôts on Motor Fuel	19,540,000
173,551	100,000	Impôts on Goods Imported	100,000
4,033,553	3,460,000	Vehicle Registration Duty	3,460,000
49,838,942	**49,610,000**	**Total Impôts Duty**	**49,720,000**
19,035,502	**19,000,000**	**Stamp Duty**	**19,480,000**
445,874,444	**458,610,000**	**Total Taxation Revenue**	**479,200,000**
-	**9,370,000**	**Island Rate**	**9,600,000**
		Other Income	
2,253,000	4,250,000	Interest on Cash Balances	4,250,000
10,482,000	21,560,000	Dividends	10,910,000
4,100,000	4,100,000	Financial Services Commission	4,100,000
1,881,000	400,000	Income Tax Penalties	400,000
2,165,000	2,200,000	Currency and Coinage Surplus	2,260,000
1,967,000	1,820,000	Interest and Repayments on Loans	1,680,000
413,000	250,000	Financial Returns from States Trading Operations	370,000
535,000	450,000	Miscellaneous Income	450,000
23,796,000	**35,030,000**	**Total Other Income**	**24,420,000**
£ 469,670,444	**£ 503,010,000**	**Total States Income**	**£ 513,220,000**

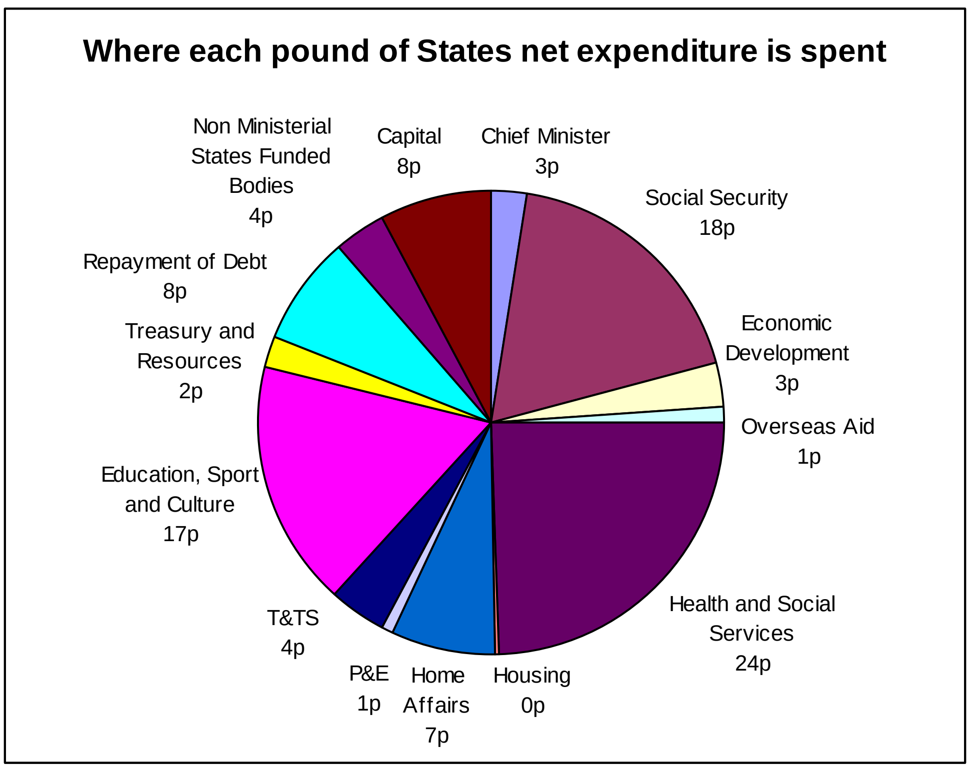
SUMMARY TABLE B:
STATES NET EXPENDITURE 2006-2011
(as approved in the Annual Business Plan P92/2006)

States Funded Bodies	2006 Expenditure Allocation (restated) £'000	2007 Expenditure Allocation £'000	2008 Expenditure Allocation £'000	2009 Expenditure Allocation £'000	2010 Expenditure Allocation £'000	2011 Expenditure Allocation £'000
Ministerial Departments						
Chief Minister	11,134	14,403	14,539	14,903		
- Grant to the Overseas Aid Commission	5,686	6,331	6,673	7,107		
Economic Development	15,257	16,004	16,007	16,395		
Education, Sport and Culture	91,690	96,094	98,150	100,544		
Health and Social Services	132,469	137,095	143,329	148,816		
Home Affairs	38,942	39,644	40,808	41,802		
Housing	1,581	1,856	2,133	2,426		
Planning and Environment	5,897	5,719	5,598	5,732		
Social Security	92,530	102,828	110,691	113,950		
Transport and Technical Services	21,245	21,241	21,463	21,975		
Treasury and Resources	49,599	55,096	54,708	55,014		
Non Ministerial States funded bodies						
- Baliff's Chamber	1,175	1,179	1,203	1,232		
- Law Officers' Department	5,059	5,097	5,197	5,324		
- Judicial Greffe	3,712	3,738	3,809	3,901		
- Viscount's Department	1,336	1,339	1,364	1,397		
- Official Analyst	560	564	575	589		
- Office of the Lieutenant Governor	693	695	710	727		
- Office of the Dean of Jersey	21	21	22	22		
- Data Protection Commission	208	209	214	219		
- Probation Department	1,315	1,444	1,476	1,512		
- Comptroller and Auditor General	577	696	709	726		
States Assembly and its services	4,729	4,782	4,870	4,988		
Net Revenue Expenditure Allocation	**£ 485,415**	**£ 516,075**	**£ 534,248**	**£ 549,301**	**£ 560,000**	**£ 574,000**
Capital Expenditure Allocation	**£ 38,694**	**£ 43,499**	**£ 42,162**	**£ 41,551**	**£ 45,116**	**£ 42,464**
Total States Net Expenditure Allocation	**£ 524,109**	**£ 559,574**	**£ 576,410**	**£ 590,852**	**£ 605,116**	**£ 616,464**
Less:						
Repayment of Capital Debt (revenue)	*(£ 36,496)*	*(£ 42,214)*	*(£ 42,214)*	*(£ 42,214)*	*(£ 42,000)*	*(£ 42,000)*
Property Capital Receipts (capital)		*(£ 700)*	*(£ 2,300)*	*(£ 4,000)*	*(£ 4,000)*	*(£ 4,000)*
Trf from Land Acquisition (capital)		*(£ 1,000)*				
Total States net expenditure allocation (as shown in financial forecasts)	*£ 487,613*	*£ 515,660*	*£ 531,896*	*£ 544,638*	*£ 559,116*	*£ 570,464*

Note:
The Overseas Aid Commission expenditure allocation appears as a grant from the Chief Minister's department, solely for the purpose of the expenditure allocations, as it has not yet been established as a States funded body under the new Finance Law.

SUMMARY TABLE C: SUMMARY GRAPHS





SUMMARY TABLE D:
CONSOLIDATED FUND 2007

	£	2006 Estimate £	£	2007 Forecast £
Estimate of Unallocated Consolidated Fund Balance brought forward - 1st January		**28,782,000**		**44,179,000**
Movements in Year				
Income				
Income Tax	390,000,000		410,000,000	
Impôts Duties	49,610,000		49,720,000	
Stamp Duty	19,000,000		19,480,000	
Island Rate	9,370,000		9,600,000	
Other Income	35,030,000		24,420,000	
Income to the States		503,010,000		513,220,000
Repayment of Capital Debt		36,496,000		42,214,000
Capital Receipts and Vote Transfers				1,700,000
Unallocated Funds Available		**568,288,000**		**601,313,000**
Expenditure				
Revenue Expenditure Allocation	448,919,000		473,861,000	
Repayment of Capital Debt	36,496,000		42,214,000	
Capital Expenditure Allocation	38,694,000		43,499,000	
Total Net Expenditure Allocation to States Funded Bodies		**524,109,000**		**559,574,000**
Transfer to or from Strategic Reserve		-		(10,000,000)
Estimated Unallocated Balance in Hand at 31 December		**44,179,000**		**31,739,000**
Unallocated Consolidated Fund Balance brought forward - 1st January		**28,782,000**		**44,179,000**
Forecast surplus/(deficit for the year)		15,397,000		(2,440,000)
Transfer to or from Strategic Reserve		-		(10,000,000)
Estimated Unallocated Balance in Hand at 31 December		**44,179,000**		**31,739,000**