

# STATES OF JERSEY



## **DRAFT INCOME TAX (AMENDMENT – STAGE 2 OF INDEPENDENT TAXATION) (JERSEY) LAW 202- (P.6/2024): CHILDREN’S RIGHTS IMPACT ASSESSMENT**

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**Presented to the States on 16th January 2024  
by the Minister for Treasury and Resources**

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**STATES GREFFE**

## CHILDREN'S RIGHTS IMPACT ASSESSMENT (CRIA)

### PART 1: SCREENING

Name and title of Duty Bearer:	Minister for Treasury and Resources
Type of Duty Bearer: (Minister, Elected Member or States Assembly Body)	Minister
Assessment completed by (if not completed by duty bearer):	Revenue Jersey
Date:	12 December 2023

- 1) Name and brief description of the proposed decision  
The subject of your CRIA may be a proposed law, policy or proposition and in accordance with the Law is referred to in this template as the '**decision**'
- What is the problem or issue the decision is trying to address?
  - Do children experience this problem differently from adults?

#### **Background**

In November 2019, the States Assembly agreed in principle a proposed roadmap for changes to Jersey's personal tax system, ultimately to introduce a system of independent taxation. This proposal was lodged following widespread and varied public consultation in which independent taxation was identified as the preferred option by Islanders. Under independent taxation, all individuals who are currently taxed under the married couple's taxation system are required to file their own return and are responsible for their own tax liability. References in this document to married couples or to marriage should also be taken as references to civil partners and partnerships.

The introduction of independent taxation marks a significant change to the personal tax system and a move towards a more equitable system under which individuals are treated the same, regardless of their marital status. Moreover, independent taxation, alongside the decision in 2020 to abolish the Prior Year Basis of taxation, are the first steppingstones in modernising and simplifying Jersey's personal income tax system.

#### **Current position**

In September 2021, the States overwhelmingly supported the introduction of independent taxation and approved draft legislation to implement the first stage. The proposition made clear that mandatory independent taxation would be phased in and would be in force no later than the tax year of assessment ("YOAs") 2027.

Following a private briefing with the Children's Commissioner in July 2021, to provide information about the policy proposals and discuss the possible impact on children's rights, the Children's Commissioner confirmed, in a letter dated 09 July 2021, that the Minister for Treasury and Resources had met her statutory obligation under the Commissioner for Children and Young People (Jersey) Law 2019 to consult with the Children's Commissioner.

Since January 2022, all newly married couples, and married couples arriving in Jersey, have been independently taxed. The first stage of the legislation made

provision for a pilot group of taxpayers from the married couples' taxation system to volunteer to move to independent taxation for YOA 2022. The aim for the pilot group was to gather feedback on processes and customer support to allow for improvements to be made ahead of the mandatory moves which will involve much larger numbers of people moving at the same time.

The first stage of the legislation also included a provision for married taxpayers to elect to move voluntarily to independent taxation from YOA 2023. A further election for YOA 2024 was included in the 2023 Finance Law.

The elections already made are irrevocable under the existing legislation. Currently, 400 couples have elected to be independently taxed. In addition, 400 couples got married in 2022 and 100 married couples arrived in Jersey.

In total, around 900 couples in legally recognised relationships are independently taxed.

### **Mandatory independent taxation**

The upcoming proposition will enact the mandatory move to independent taxation for YOA 2025. This will mean that the filing requirements and legal responsibility for Islanders' personal tax affairs are aligned for all taxpayers.

For 7,800 couples, there will be no change in their tax liability. Approximately 3,700 couples may see their tax liability as a couple decrease. Around 6,400 couples would see their tax liability increase. This is an ever-decreasing number, as increases to tax allowances and changes to personal circumstances reduce the number of tax-paying couples in this group. The increase will arise for couples where one partner has income below the single person's income tax threshold (£18,550 for 2023). Approximately 2,000 of these couples have children. For completeness, whether a couple has children has no bearing on whether their tax liability will increase as a result of moving to independent taxation.

The Minister for Treasury & Resources has committed to introducing a compensatory allowance for those Islanders who would lose out financially from the move to independent taxation. The compensatory allowance will be in place for at least 10 years and will ensure their tax bill remains broadly equivalent to that under the married couples' taxation system. The allowance will be calculated each year by reference to the lower earner's taxable income. It is proposed that this allowance will be reviewed at the end of year 8. The compensatory allowance will only be available to those who were previously taxed under married couples' taxation.

The compensatory allowance mitigates the financial impact on household finances as a result of the introduction of independent taxation. Most couples with children are unlikely to claim the allowance for the full ten years, as changes to personal circumstances such as one partner returning to work will mean the compensation is no longer required. It's not possible to quantify this using available data.

The proposition also allows couples who currently file a married tax return to be elect to file one joint tax return. The information provide on the return will be split out and

<p>they will receive their own independent tax assessments (i.e. they file a joint return but would be taxed independently).</p>
<p>2) Which groups of children and young people are likely to be affected?  Groups of children could include early years, primary or secondary education; young adults; children with additional learning needs; disabled children; children living in poverty; children from particular ethnic backgrounds; migrants; refugees; care experienced children and LGBTQ+ children</p>
<p>As the Minister has committed to creating the compensatory allowance, no children or young people will be affected by this proposition.</p> <p>The move to independent taxation will only impact those who are currently taxed under the married couples' taxation system (and who have been continuously taxed under that system since 31 December 2021 or an earlier date). It seeks to align the tax treatment of all taxpaying Islanders.</p> <p>An overnight move to independent taxation without mitigation may have caused a sudden change in the amount of disposable household income. This could affect children's rights including the right to play (Article 31) and the right to an adequate standard of living (Article 27). However, the Minister has committed to ensuring that households that would otherwise see their tax liability increase under independent taxation have access to the compensatory allowance to mitigate the increase to their tax bill. As such, the proposition does not directly impact upon any children's rights as set out in the <a href="#">Convention on the Rights of the Child</a>.</p>
<p>3) What is the likely impact of the proposed decision on children and on their rights?</p> <ul style="list-style-type: none"> <li>• Identify any potential positive OR negative impacts and include indirect impacts on children and their rights as described in the UNCRC</li> <li>• Will different groups of children be affected differently by this decision?</li> </ul>
<p>There will be no impact on children or young people following the introduction of independent taxation.</p>
<p>4) Is a full Child Rights Impact Assessment required?  If you have identified impacts on children and their rights, a full CRIA should be completed. If no impacts are identified then a Full CRIA is not required, but please explain your rationale and how you reached this conclusion</p>
<p>A full impact assessment is not required. The proposition introduces a more equitable system of taxation to align the treatment of married couples and civil partners with those not in legally recognised relationships. The compensatory allowance will ensure that any negative financial impact as a result of the move is mitigated – i.e. for those who may otherwise be faced with an increased tax liability. There are no changes to the amount of, nor eligibility for, child-related tax allowances. Existing practices for unmarried couples with regards to the allocation of child allowances will be extended to independently taxed couples. As the move will be fiscally neutral and will have no impact on the rights or obligations of children, a full impact assessment is not required.</p>