

STATES OF JERSEY



DRAFT BUDGET STATEMENT 2015 (P.129/2014): AMENDMENT (P.129/2014 Amd.) – AMENDMENT

**Lodged au Greffe on 15th September 2014
by Deputy J.H. Young of St. Brelade**

STATES GREFFE

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After the words “paid by taxpayers” insert the words “paying tax at the marginal rate and who are”.

DEPUTY J.H. YOUNG OF ST. BRELADE

REPORT

Many people have had private health insurance paid by their employers for many years, an arrangement which ends on retirement when premiums increase and secondary healthcare needs increase. The intention of my first amendment to the draft Budget Statement 2015 (P.129/2014 Amd.) is to provide an incentive to all holders of private health insurance over 55 to take on, and maintain, those policies in later years as they approach retirement.

I have since looked closer at an analysis of the effect of my amendment. The income tax reductions for basic rate taxpayers would cost £1 million and marginal rate taxpayers £708,000, a total of £1.76 million. This is based on the tax returns for 2006 which was the last year when health insurance premiums were declared by taxpayers. I have also reviewed the income tax reliefs applicable to the over-55's and the income levels at which the standard 20% rate becomes payable.

I have concluded that the incentive for taxpayers to take on and maintain their health insurance policies would have most effect on the marginal taxpayers and less effect on standard rate taxpayers. Limiting the tax relief to marginal taxpayers would reduce the cost very significantly.

Therefore this amendment to my amendment is intended to limit tax relief for private health insurance to marginal taxpayers over 55.

Financial and manpower implications

The cost estimated by the Income Tax Department is £708,000. This figure assumes all taxpayers who had private health policies in 2006, still have them 8 years later. I believe many people will already have discontinued their health policies since tax relief was removed and therefore this is an overestimate. I would expect the actual cost to be approximately £550,000 per annum.

I believe the tax relief will be cost neutral in the short term and should result in net cost savings in the medium to longer term.