

**QUESTIONS TO BE ASKED OF THE PRESIDENT OF THE FINANCE AND ECONOMICS  
COMMITTEE ON TUESDAY, 16th MARCH 2004 BY DEPUTY G.P. SOUTHERN OF ST. HELIER**

**Question 1**

In response to a question on 2nd March 2004, on the phasing out of allowances for households with high earnings, the President stated that the level of proportional reductions in allowances for single-person households had not been decided. Would the President inform members –

- (a) why, in the Committee's paper 'Facing the Future', the table on page 6 indicates clearly that extra income tax for a single person would start at £40,000 p.a., producing an additional £345 of tax payable on an income of £50,000?
- (b) whether these reductions in allowances will totally remove all mortgage interest relief on those single person households with income over £75,000 and couples with joint incomes of £150,000?
- (c) whether he considers these measures on mortgage interest relief will effectively negate the measures adopted by the Assembly in the Budget 2004 on capping mortgage interest relief at £300,000?

**Answer**

- (a) The level of proportional reductions in allowances for single-person households has not been formally decided. This is an indicative proposal. Indeed, even the £150,000 proposed for a two person household is still only a suggestion put out for consultation. The 'Facing the Future' paper gave an indication of the additional tax that would be paid by single-person households should this proposal be formally adopted and agreed by the States Assembly. I appreciate that there are potential anomalies and if the Deputy, or anybody else, has proposals for a more appropriate level at which the allowances for single-person households should be phased out, without creating the anomaly and inequity of an unmarried couple living together having a higher level of phase out for allowances than a married couple, I should be happy to receive them.
- (b) Yes.
- (c) No. Relief, on up to £300,000, remains wholly or partly available for those households with incomes below £150,000.

**Question 2**

Will the President produce for members a table showing the gross household income over the range £40,000 to £150,000, in £10,000 intervals, the additional tax that would be paid by a single person, a couple with no children and a couple with two children with, in each case –

- no mortgage
- a mortgage of £120,000
- a mortgage of £200,000
- a mortgage of £300,000?

**Answer**

On the basis of the Committee's current draft proposals the additional tax payable would be as follows –

a single person with –

no mortgage

|         |       |
|---------|-------|
| 40,000  | nil   |
| 50,000  | 343   |
| 60,000  | 686   |
| 70,000  | 1,029 |
| 80,000+ | 1,200 |

a mortgage of £120,000

|         |       |
|---------|-------|
| 40,000  | nil   |
| 50,000  | 686   |
| 60,000  | 1,373 |
| 70,000  | 2,059 |
| 80,000+ | 2,400 |

a mortgage of £200,000

|         |       |
|---------|-------|
| 40,000  | nil   |
| 50,000  | 915   |
| 60,000  | 1,830 |
| 70,000  | 2,745 |
| 80,000+ | 3,200 |

a mortgage of £300,000

|         |       |
|---------|-------|
| 40,000  | nil   |
| 50,000  | 1,201 |
| 60,000  | 2,402 |
| 70,000  | 3,603 |
| 80,000+ | 4,200 |

a couple with no children –

no mortgage

|              |       |
|--------------|-------|
| up to 80,000 | nil   |
| 90,000       | 246   |
| 100,000      | 492   |
| 110,000      | 738   |
| 120,000      | 984   |
| 130,000      | 1,230 |
| 140,000      | 1,476 |
| 150,000      | 1,720 |

mortgage of £120,000

|              |       |
|--------------|-------|
| up to 80,000 | nil   |
| 90,000       | 418   |
| 100,000      | 836   |
| 110,000      | 1,254 |
| 120,000      | 1,672 |
| 130,000      | 2,090 |
| 140,000      | 2,508 |
| 150,000      | 2,920 |

mortgage of £200,000

|              |       |
|--------------|-------|
| up to 80,000 | nil   |
| 90,000       | 532   |
| 100,000      | 1,064 |
| 110,000      | 1,596 |
| 120,000      | 2,128 |
| 130,000      | 2,660 |
| 140,000      | 3,192 |
| 150,000      | 3,720 |

mortgage of £300,000

|              |       |
|--------------|-------|
| up to 80,000 | nil   |
| 90,000       | 675   |
| 100,000      | 1,350 |
| 110,000      | 2,025 |
| 120,000      | 2,700 |
| 130,000      | 3,375 |
| 140,000      | 4,050 |
| 150,000      | 4,720 |

a couple with 2 children –

no mortgage

|              |       |
|--------------|-------|
| up to 80,000 | nil   |
| 90,000       | 389   |
| 100,000      | 778   |
| 110,000      | 1,167 |
| 120,000      | 1,556 |
| 130,000      | 1,945 |
| 140,000      | 2,334 |
| 150,000      | 2,770 |

a mortgage of £120,000

|              |       |
|--------------|-------|
| up to 80,000 | nil   |
| 90,000       | 561   |
| 100,000      | 1,122 |
| 110,000      | 1,683 |
| 120,000      | 2,244 |
| 130,000      | 2,805 |
| 140,000      | 3,366 |
| 150,000      | 3,920 |

a mortgage of £200,000

|              |       |
|--------------|-------|
| up to 80,000 | nil   |
| 90,000       | 675   |
| 100,000      | 1,350 |
| 110,000      | 2,025 |
| 120,000      | 2,700 |
| 130,000      | 3,375 |
| 140,000      | 4,050 |
| 150,000      | 4,720 |

a mortgage of £300,000

|              |       |
|--------------|-------|
| up to 80,000 | nil   |
| 90,000       | 818   |
| 100,000      | 1,636 |
| 110,000      | 2,454 |
| 120,000      | 3,272 |
| 130,000      | 4,090 |
| 140,000      | 4,908 |
| 150,000      | 5,720 |

These answers assume that the wife is not working and that the two children are not in further education. It also assumes an interest rate of 5% on the mortgages.

### **Question 3**

Would the President give an estimate of what proportion of mortgage interest relief will be affected by these measures at the levels suggested by the Committee?

### **Answer**

It is not possible to give an accurate answer to this question because the Comptroller of Income Tax only collates and produces statistics which fall naturally out of the tax assessing and tax collection processes. It would require very significant research and an analysis of every single personal and corporate tax file at the Income Tax Office to give an accurate answer to this question. The time and resources that would be required are not available.

My personal view, which I must stress is not backed by any statistical evidence, is that on the basis that most mortgages over £300,000 are taken out by married couples, and that the household income survey shows an income profile predominately below £80,000 per annum, only a small proportion of the total figure of mortgage interest tax relief will be affected.