STATES OF JERSEY

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

Lodged au Greffe on 15th September 2014
by the Minister for Treasury and Resources

STATES GREFFE

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

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For the words “over the age of 55” substitute the words “over the age of 67”.

MINISTER FOR TREASURY AND RESOURCES

REPORT

NOTE: this amendment is being lodged as a precautionary measure. Subject to taking soundings on how the debate on the underlying amendment may proceed, this amendment may be withdrawn. It is designed to give members a further option in the debate that could otherwise not be considered.

Deputy J.H. Young of St. Brelade's first amendment to the Budget sought to create income tax relief for private health insurance premiums paid by those over the age of 55. As has been made clear in the Treasury comment, there seems to be no justification for why the cut-off point for relief has been set at 55.

The Deputy makes reference to the UK's introduction of a similar income tax relief in 1989, which was restricted to the over-60s because "it was successfully argued that relief for premiums would encourage people to continue to pay premiums after they lose the benefits of employer-funded health insurance, and at an age when their premiums increased considerably." Back in 1989 the UK determined that 60 was the appropriate age at which to set the cut-off. Since then life expectancy has grown, healthcare has improved and people stay in the work force until later in life.

Today the average person of 55 is unlikely to be contemplating retirement and I would query whether the Deputy has any evidence to demonstrate that this is the point at which health insurance premiums increase considerably. Based on the Deputy's report the choice of 55 looks somewhat arbitrary.

The main issue is whether tax relief should be available for private health insurance premiums paid by older people. The clear Treasury views is that introduction of the relief is not advisable. However this view may not prevail and this amendment seeks to set a higher age threshold for the relief.

Just 3 months ago this Assembly agreed the Regulations needed to increase the States pension age to 67 by 2031; therefore it would make sense to use the same age threshold for determining whether this form of income tax relief for older people should be available. Some Members will highlight that the States pension age is due to increase incrementally from 2020, whereas this amendment proposes the immediate adoption of 67. Increasing the threshold for availability to the relief by 2 months for every calendar year from 2020, consistent with the States pension age, would be unreasonably complicated for the Tax Office to administer, especially as 67 is the age that has been set. There appears to be little reason not to adopt that age in this context subject to the comments above.

Financial and manpower implications

The Taxes Office advise increasing the cut-off point to 67 would reduce the cost of the proposed tax relief by £650,000 to £1.11 million (which is split £494,000 to marginal rate taxpayers and £619,000 to standard rate taxpayers).