

**WRITTEN QUESTION TO THE MINISTER FOR TREASURY AND RESOURCES
BY DEPUTY S.S.P.A. POWER OF ST. BRELADE
ANSWER TO BE TABLED ON TUESDAY 9th SEPTEMBER 2014**

Question

In light of the fact that the Jersey all-items RPI (annual averages for each year) shows that in the 5 years from 2008-2013 prices have risen by 13%, an annual average of 2.5% per annum, and that figures provided to me over the summer period by the Statistics Unit show that a person receiving no pay increases over that period will have seen a real-term fall in earnings of -13%, a person receiving a 1% increase per year a real-term fall in earnings of -8% and a person receiving a 2% increase per year a real term fall in earnings of -2%, does the Minister consider that he any scope for a tax increase in any area in the forthcoming Budget when a person would have had to have received a 3% increase in pay every year to have seen a real increase in earnings?

Answer

As indicated in Section 7 of the Draft Budget Statement 2015, taken as a whole, the proposed tax measures are broadly neutral when compared to the MTFP. Where tax increases have been proposed these are modest and targeted.

Alcohol duties

The Draft Budget proposes:

- duties on spirits, wines and strong beer are increased by 1.7% (the March 2014 RPI figure) so as to maintain the value of the applicable duties in real terms;
- duties on lower strength beers are frozen; and
- cider duties are increased in order to harmonise them with the corresponding beer duties, resulting in a simplification of the impôts regime

Tobacco duties

Consistent with the established policy of increasing tobacco duties at a rate above the cost of living, the Draft Budget proposes an increase of 4.7%, an increase of 3% over the March 2014 RPI figure.

Fuel duties

The Draft Budget proposes an increase in fuel duties that would equate to an additional 1p on a litre of unleaded petrol.

Vehicle emissions duty

The Draft Budget proposes an increase in vehicle emission duty of 1.7% across all bands in order to maintain the value of the duty in real terms.

Stamp duty

The Draft Budget proposes increases in stamp duty on properties costing £1m+, this measure, targeted at higher end of the property market, is proposed in order to fund the proposed reduction in stamp duty on mortgage debt which is targeted at the lower end of the market (i.e. where the property on which the debt is secured is worth no more than £400,000).

Mortgage interest tax relief

Based on the data available the proposed £15,000 cap on deductible mortgage interest tax relief will affect approximately 250 taxpayers out of around 8,500 who benefit from the relief currently raising an estimated £100,000.

The Deputy's question also highlights the importance of keeping inflation under control. The rates of increase in RPI for every quarter of 2013 and 2014 to date have been below 2%, this relates favourably to the longer-term behaviour (across the period of 1990-2012) of increases of 3.9% per annum on average. This highlights the importance of the recent focus on the development of a competitive, open economy, where new entrants to markets are welcomed, competition between businesses is encouraged and a strong competition authority addresses unfair pricing.