2018.07.10

3.4 Deputy R.J. Ward of St. Helier of the Minister for Treasury and Resources regarding Income Tax provisions in place to assist those people who faced significant drops in their income: [OQ 92/2018]

What provisions exist for members of the public, who face significant drops in income, to be able to manage their income tax liability, in particular, those facing retirement in the coming years with only the state pension as their income?

[10:00]

Deputy S.J. Pinel of St. Clement (The Minister for Treasury and Resources):

The Taxes Office routinely assists Islanders facing income reductions to manage their income tax liability. From 2006, most employees paid tax through I.T.I.S. (Income Tax Instalment System) on a current year basis; effectively pay as you go. So changes in circumstances are addressed immediately. However, many more still pay tax on a previous year basis, where they pay last year's tax liability this year. Approaching retirement is particularly difficult for people paying tax on the previous year basis, as they may have a large tax bill relating to their last year of employment in their first year of retirement. The Taxes Office provides helpful advice on the States website, gov.je, for those who wish to plan their income tax payments around retirement. This could involve an increase in the person's effective rate to accelerate tax payments, or help with setting up a direct debit to pay their tax once they retire. I can confirm that people, who are wholly reliant on the States pension, are well below the exemption threshold for paying income tax and, hence, do not pay it.

3.4.1 Deputy R.J. Ward:

The issue is that those who are going to work in their final year and then go into just a state pension, face a relatively small tax bill, but it still affects them because they have such a low income. So would the Minister consider a move to move those people to a P.A.Y.E. (pay as you earn) system as they approach retirement and take on the nominal loss in taxation?

Deputy S.J. Pinel:

This is already being done. Individuals who are nearing retirement are encouraged, by increasing the I.T.I.S. rate, to put themselves in the current year basis payment position.

3.4.2 Deputy M. Tadier:

Could I ask the Minister what assessment has been done on impact where a point in time be chosen to move people automatically from P.A.Y.E. to I.T.I.S. and would the Treasury be in a position to be able to take that nominal hit?

Deputy S.J. Pinel:

We are doing a consultation alongside this year's budget, 2018 Budget, to review how this can be done. We are, in the department, very keen to get as many people as possible on a current year basis.

3.4.3 Deputy G.P. Southern:

The Minister has just mentioned consultation. Who is being consulted in this particular aspect of transfer from last year to the present year?

Deputy S.J. Pinel:

It is a general consultation put out to the public, as are most.

3.4.4 Deputy R.J. Ward:

I just wanted to confirm: would you consider looking for those who are going purely on to state pension as to, in a way, writing off any liability they have not managed to overpay in the previous years? Because, some of the people affected, perhaps, are not particularly skilled in developing their own tax affairs in a way that others may be and just need that assistance. They are very small amounts of money, but large amounts for them on low income.

Deputy S.J. Pinel:

I am not convinced that we can simply write off debts, but what we do offer from the Taxes Office is very considered help and there is a way to defer the payment to help people out, to have a payment plan, but not to write off tax debts.