STATES OF JERSEY

PROPOSED GOVERNMENT PLAN 2023-2026 (P.97/2022): THIRTEENTH AMENDMENT

ENHANCED CAPITAL ALLOWANCE

Lodged au Greffe on 28th November 2022
by Deputy S.G. Luce of Grouville and St. Martin
Earliest date for debate: 13th December 2022

STATES GREFFE

PROPOSED GOVERNMENT PLAN 2023-2026 (P.97/2022): THIRTEENTH AMENDMENT

PAGE 2, PARAGRAPH (i) –

After the words "Appendix 3 to the Report" insert the words –

", except that, on page 33 of Appendix 3, after the words "relatively short period of time." a new section should be inserted as follows –

"**Enhanced capital allowances**

Currently businesses are able, under part 12A of the Income tax (Jersey) Law 1961, to claim capital allowances on qualifying capital expenditure to offset against allowable profits at a rate set at 25% per annum on a reducing balance basis.

From 1st January 2024 a new capital allowance will be introduced for small and medium sized businesses, allowing them to offset 100% of capital expenditure for investment in the fiscal year that it is incurred."

Note: After this amendment, the proposition would read as follows –

THE STATES are asked to decide whether they are of opinion −

to receive the Government Plan 2023–2026 specified in Article 9(1) of the Public Finances (Jersey) Law 2019 ("the Law") and specifically –

(a) to approve the estimate of total States income to be paid into the Consolidated Fund in 2023 as set out in Appendix 2 – Summary Table 1 to the Report, which is inclusive of the proposed taxation and impôts duties changes outlined in the Government Plan, in line with Article 9(2)(a) of the Law;

(b) to approve the proposed Changes to Approval for financing/borrowing for 2023, as shown in Appendix 2 – Summary Table 2 to the Report, which may be obtained by the Minister for Treasury and Resources, as and when required, in line with Article 9 (2)(c) of the Law, of up to those revised approvals;

(c) to approve the transfers from one States fund to another for 2023 of up to and including the amounts set in Appendix 2 – Summary Table 3 in line with Article 9(2)(b) of the Law;

(d) to approve each major project that is to be started or continued in 2023 and the total cost of each such project and any amendments to the proposed total cost of a major project under a previously approved Government Plan, in line with Article 9(2)(d), (e) and

(f) of the Law and as set out in Appendix 2 - Summary Table 4 to the Report;

(e) to approve the proposed amount to be appropriated from the Consolidated Fund for 2023, for each Head of Expenditure, being gross expenditure less estimated income (if any), in line with Articles 9(2)(g), 10(1) and 10(2) of the Law, and set out in Appendix 2 – Summary Tables 5(i) and (ii) of the Report;

(f) to approve the estimated income, being estimated gross income less expenditure, that each States trading operation will pay into its trading fund in 2023 in line with Article 9(2)(h) of the Law and set out in Appendix 2 – Summary Table 6 to the Report;

(g) to approve the proposed amount to be appropriated from each States trading operation's trading fund for 2023 for each head of expenditure in line with Article 9(2)(i) of the Law and set out in Appendix 2 – Summary Table 7 to the Report;

(h) to approve the estimated income and expenditure proposals for the Climate Emergency Fund for 2023 as set out in Appendix 2 – Summary Table 8 to the Report; and

(i) to approve, in accordance with Article 9(1) of the Law, the Government Plan 2023-2026, as set out at Appendix 3 to the Report, except that, on page 33 of Appendix 3, after the words "relatively short period of time." a new section should be inserted as follows –

"**Enhanced capital allowances**

Currently businesses are able, under part 12A of the Income tax (Jersey) Law 1961, to claim capital allowances on qualifying capital expenditure to offset against allowable profits at a rate set at 25% per annum on a reducing balance basis.

From 1st January 2024 a new capital allowance will be introduced for small and medium sized businesses, allowing them to offset 100% of capital expenditure for investment in the fiscal year that it is incurred.".

REPORT

Currently businesses (regardless of their legal structure) are able, under our Income Tax rules, to claim capital allowances on qualifying capital expenditure to offset against allowable profits at a rate currently set at 25% per annum on a reducing balance basis.

This amendment will encourage and stimulate investment, not just in reducing our carbon footprint by replacing old and inefficient plant, but across the economy as a whole, by enhancing the capital allowances available to small and medium-sized businesses (SME's) from the current 25% per annum on a reducing balance basis to 100% in the fiscal year that the qualifying capital investment is made.

There would be no reduction in the tax received overall from this measure merely a different cash flow profile of tax collected.

Such an enhancement to the rules for capital allowances should incentivise businesses to invest in improving productivity and in strengthening their asset base.

Financial and manpower implications

There are no financial and manpower implications associated with this amendment.