STATES OF JERSEY

DRAFT BUDGET STATEMENT 2016 (P.127/2015): AMENDMENT

Lodged au Greffe on 25th November 2015
by the Deputy of Grouville

STATES GREFFE

DRAFT BUDGET STATEMENT 2016 (P.127/2015): AMENDMENT

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1 PAGE 2, PARAGRAPH (a)–

After the words "as set out in the Budget Statement" insert the words –

> "except that the age enhanced income tax exemption thresholds for taxpayers aged over 65 shall be increased by 0.9% in line with the increase for the standard exemption thresholds and not maintained at their current levels as proposed in the draft Budget Statement".

2 PAGE 2, PARAGRAPH (a) –

After the words "as set out in the Budget Statement" insert the words –

> "except that the age enhanced income tax exemption thresholds for taxpayers aged over 65 shall not be removed from the year of assessment 2018 from taxpayers reaching the age of 65 after 1st January 2017 as proposed in the draft Budget Statement but shall remain in place for all taxpayers reaching that age".

DEPUTY OF GROUVILLE

REPORT

The enhanced thresholds for those aged 65+ is not only 'custom and practice', as it has been in place for many years and was introduced to assist pensioners who pay tax on the marginal rate, to live on reduced and usually fixed incomes once they have retired.

It could be argued it is as much custom and practice as the sacrosanct 20% rate of income tax.

Pensioners who have worked, been prudent and saved for their retirement should be given some certainty by this Government, as to their taxation and how those liabilities will be calculated, because in most cases, once they reach age 65+ their own income is certain.

Let us not forget the people who I am referring to in my amendment are those who could be described as 'Middle Jersey'. Actually they are pensioners who are on low-to-middle incomes. And this Government is targeting them again as a means to make the budget balance.

I am arguing not to single the pensioners out – again – and not to freeze their allowances, but instead to increase them, like everyone else's, by 0.9%.

By referring to analyses of the Household Income Report, which measures how much different types of households are 'surviving on', using an international definition of 'relative low income' or 'at risk of poverty', it states that –

- up to one in 3 pensioners are living in 'relative low income'
- 28% of pensioners are 'at risk of poverty'
- when applied to Jersey, 'survival income' for 2 adults living together is £29,400
- for a single adult, this figure is £19,698.

The current 2015 age 65+ thresholds that the Minister for Treasury and Resources is proposing to freeze in 2016 and into the future, are currently £26,100 for a married couple/civil partnership; and £15,900 for a single adult.

Therefore in proposing to freeze age 65+ thresholds that are already currently below the survival incomes (by £3,300 and £3,798 – married/civil partnership and single respectively), the Minister for Treasury and Resources is actively advocating increasing the poverty of the 7,500 to 8,000 pensioners who pay tax at the Marginal Relief Rate.

In fact, this Household Income Distribution Report goes completely against the grain of the Council of Ministers' austerity measures.

To bring the one in 3 pensioners out of 'relative low income' and eliminate the 28% of pensioners who are currently at 'risk of poverty', it could be argued that the current age 65+ thresholds should not be frozen, but in fact be increased by £3,300 and £3,798 respectively, to the survival incomes they require to live on in Jersey, namely £29,400 (2 adults living together) and £19,698 (a single adult).

By attacking the elderly and freezing their benefits when 28% are ‘at risk of poverty’ and one in 3 pensioners are living on ‘relative low income’ is a very strange approach that the Council of Ministers is taking.

The effect of freezing age 65+ thresholds in 2016 and not applying the 0.9% June R.P.I. increase at current thresholds for the 7,500 to 8,000 pensioners who pay tax at the Marginal Relief Rate is as follows –

Current thresholds

£26,100 for a married couple/civil partnership); and

£15,900 for a single adult.

If these were increased, as other thresholds by 0.9%, these would become –

£26,335 for a married couple/civil partnership); and

£16,043 for a single adult.

By freezing these thresholds as proposed, they will NOT be increased by –

£235 for a married couple/civil partnership); and

£143 for a single adult.

Marginal Relief Income is taxed at 26%. Therefore as a result of NOT applying a 0.9% increase to these thresholds –

A married couple/civil partnership aged 65+ will incur an additional £61.10 tax in 2016 on income above this rate;

A single adult aged 65+ will incur an additional £37.18 tax in 2016 on income above this rate.

Let us not forget that once these pensioners are tipped into the tax bracket, they are then taxed on all of their income.

If the idea behind this is to equalise the 65+ and standard exemption thresholds, then age 65+ pensioners are going to have to endure a long wait and many years of frozen thresholds before this is achieved. For example –

Tax thresholds	**Single**	**Married**
Standard	£14,200	£22,800
65+	£15,900	£26,100

To make the standard exemptions equal the 65+ requires an additional £1,700 and £3,300 respectivley, or in percentage terms + 11.97% and + 14.47%.

Therefore, until standard exemption thresholds for those under 65 have been increased by 11.97% and 14.47% respectively, age 65+ thresholds will remain frozen, requiring marginal relief pensioners to pay more tax year on year.

Imposing an additional annual tax on our pensioners and one ‘through the back door’, which probably will not be picked up until they receive their tax bill, on top of all the other bills and cuts they had not anticipated, is not right at this time and should not be tolerated.

Financial and manpower implications

There is no immediate financial income for 2016 as, if the age 65+ exemption threshold for the 2016 year of assessment were increased by 0.9% in line with the standard exemption thresholds, the financial impact would only be recognized in the 2017 income figures, as the financial impact for income tax changes is ordinarily recognized in the year after the change is made.

In relation to removing the ‘grandfathering’ proposal (Amendment 2), the Minister’s proposal does not have a financial effect until 2019, when the impact would be an increase in tax of £300,000 (see page 33 of the Draft Budget Statement 2016).

There are no manpower implications arising.