STATES OF JERSEY ORDER PAPER

Tuesday 7th & Wednesday 8th December 2004

A. COMMUNICATIONS BY THE BAILIFF

B. TABLING OF SUBORDINATE LEGISLATION

(Explanatory note attached)

Community Provisions (Implementation of the mandate of the International Criminal Tribunal for the former Yugoslavia) (Jersey) Order 2004. — R&O 146/2004.
Policy and Resources Committee.

C. MATTERS RELATING TO COMMITTEE MEMBERSHIP

D. PRESENTATION OF PAPERS

(a) Papers for information

Matters presented under Standing Order 6A(1)(a)

States Members' parking (P.199/2004): comments. — P.199/2004. Com.
Privileges and Procedures Committee.

Matters presented under Standing Order 6A(1)(b)

(b) Notification of Standing Order decisions

25th November 2004

Decisions under delegated functions.
Finance and Economics Committee.

(c) Notification of acceptance of tenders

(d) Papers to be lodged "au Greffe" under Standing Order 17A(1)(a)

Draft Medicines (Amendment No. 2) (Jersey) Law 200-. — P.214/2004.
Health and Social Services Committee.

(e) Notification of Papers lodged "au Greffe" under Standing Order 17A(1)(b)

(f) Papers for consideration by the States in Committee under Standing Order 38A

E. STATEMENTS AND PROPOSITIONS RELATING TO THE ARRANGEMENT OF PUBLIC BUSINESS AT THIS OR ANY SUBSEQUENT MEETING

THE STATES are asked to agree that the following matters lodged “au Greffe” be considered at their next meeting on 14th December 2004 -

Sites of Special Interest and Buildings of Local Interest: financial implications. Lodged: 28th September 2004. *Deputy of St. John.*	P.166/2004
Sites of Special Interest and Buildings of Local Interest: financial implications (P.166/2004) – comments. Presented: 23rd November 2004. *Environment and Public Services Committee.*	P.166/2004. Com.
Development of a Cultural Strategy for the Island. Lodged: 12th October 2004. *Education, Sport and Culture Committee.*	P.172/2004.
Development of a Cultural Strategy for the Island (P.172/2004): comments. Presented: 30th November 2004. *Finance and Economics Committee.*	P.172/2004. Com.
Draft Electricity Links with France (Protection of Submarine Cables) (Jersey) Regulations 200-. Lodged: 26th October 2004. *Harbours and Airport Committee.*	P.184/2004.
Fields 89, 89A, 90, 92 and 93, Le Marais, St. Clement: redevelopment – approval of drawings. Lodged: 16th November 2004. *Housing Committee.*	P.200/2004.
Maritime House, La Route du Port Elizabeth, St. Helier: transfer of administration. Lodged: 16th November 2004. *Policy and Resources Committee.*	P.201/2004.
Draft Planning and Building (Amendment) (Jersey) Law 200-. Lodged: 23rd November 2004. *Environment and Public Services Committee.*	P.210/2004.
Share transfer property: stamp duty. Lodged: 23rd November 2004. *Deputy of St. Martin.*	P.211/2004.
Draft Health Insurance (Medical Benefit) (Amendment No. 60) (Jersey) Regulations 200-. Lodged: 30th November 2004. *Employment and Social Security Committee.*	P.213/2004.

F. PRESENTATION OF PETITIONS

G. QUESTIONS

(a) Written Questions

The President of the Health and Social Services Committee will table an answer to a question asked by the Deputy of St. John regarding the services of General Practitioners.

The President of the Policy and Resources Committee will table an answer to a question asked by the Deputy of St. John regarding public sector employees with outside financial interests.

The Shadow Chairman of the Shadow Public Accounts Committee will table an answer to a question asked by Deputy G.C.L. Baudains of St. Clement regarding a possible review of Jersey Heritage Trust's management of Mont Orgueil Castle.

The President of the Economic Development Committee will table an answer to a question asked by the Deputy of St. John regarding Vehicle Registration Duty claimed back by the farming industry.

The President of the Policy and Resources Committee will table an answer to a question asked by the Deputy of St. John regarding the proposed States Business Plan.

The President of the Employment and Social Security Committee will table an answer to a question asked by Deputy G.P. Southern of St. Helier regarding benefits.

The President of the Finance and Economics Committee will table an answer to a question asked by Deputy G.P. Southern of St. Helier regarding the effects of proposed tax rate rises.

(b) Oral Questions

H. MATTERS OF PRIVILEGE

I. PERSONAL STATEMENTS

J. COMMITTEE STATEMENTS

K. PUBLIC BUSINESS

Budget 2005.
Lodged: 9th November 2004.
Finance and Economics Committee.

Budget 2005: amendments. P.203/2004.
Lodged: 16th November 2004. *(re-issue)*
Senator M.E. Vibert.

Budget 2005: second amendments. P.208/2004.
Lodged: 23rd November 2004.
Deputy G.P. Southern of St. Helier.

Budget 2005: third amendments. Lodged: 23rd November 2004. *Connétable of St. Helier.*	P.212/2004.
Budget 2005: fourth amendment. *Deputy R.G. Le Hérissier of St. Saviour.* *(attached)*	P.215/2004.
Budget 2005: fifth amendments. *Deputy G.P. Southern of St. Helier.* *(attached)*	P.216/2004.
Budget 2005: sixth amendments. *Senator E.P. Vibert.* *(attached)*	P.217/2004.
Budget 2005: seventh amendment. *Senator S. Syvret.* *(attached)*	P.218/2004.
Draft Finance (Jersey) Law 200-. Lodged: 23rd November 2004. *Finance and Economics Committee.*	P.209/2004.
Draft Income Tax (Amendment No. 24) (Jersey) Law 200-. Lodged: 23rd November 2004. *Finance and Economics Committee.*	P.205/2004.
Draft Income Tax (Amendment No. 24) (Jersey) Law 200- (P.205/2004): amendments. *Deputy G.P. Southern of St. Helier.* *(attached)*	P.205/2004. Amd.
Draft Income Tax (Prescribed Limit and Rate) (Jersey) Regulations 200-. Lodged: 23rd November 2004. *Finance and Economics Committee.*	P.206/2004.
Draft Harbours (Amendment No. 38) (Jersey) Regulations 200-. Lodged: 26th October 2004. *Harbours and Airport Committee.*	P.183/2004.
Draft Harbours (Amendment No. 38) (Jersey) Regulations 200- (P.183/2004): comments. Presented: 30th November 2004. *Finance and Economics Committee.*	P.183/2004. Com.
Draft Amendment (No. 29) to the Tariff of Harbour and Light Dues. Lodged: 26th October 2004. *Harbours and Airport Committee.*	P.185/2004.

Draft Amendment (No. 29) to the Tariff of Harbour and Light Dues (P.185/2004): comments. P.185/2004. Com.
Presented: 30th November 2004.
Finance and Economics Committee.

Draft Family Allowances (Jersey) Regulations 200-. P.188/2004.
Lodged: 2nd November 2004.
Employment and Social Security Committee.

States Members' parking. P.199/2004.
Lodged: 11th November 2004.
Environment and Public Services Committee.

States Members' parking (P.199/2004): comments. P.199/2004. Com.
Presented: 7th December 2004.
Privileges and Procedures Committee.

States Members' parking (P.199/2004): amendment. P.199/2004. Amd.
Lodged: 16th November 2004.
Senator J.A. Le Maistre.

States Members' parking (P.199/2004): amendment (P.199/2004 Amd.)– comments. P.199/2004. Amd.Com.
Presented: 23rd November 2004.
Environment and Public Services Committee.

M.N. DE LA HAYE
Greffier of the States

2nd December 2004.

Explanatory Note regarding subordinate legislation tabled at this meeting.

R&O 146/2004

The purpose of this Order is to impose certain restrictive measures in support of the effective implementation of the mandate of the International Criminal Tribunal for the former Yugoslavia (ICTY).

The Order was made on 1st December 2004, and comes into force on 2nd December 2004.

NOTIFICATION OF STANDING ORDER DECISIONS - FINANCE AND ECONOMICS COMMITTEE (delegated functions)

25th November 2004

(a) as recommended by the Environment and Public Services Committee, the lease to Mr. John Jackson of a three-bedroom house with garden known as No. 3 Howard Davis Farm, Trinity, for an initial period of 12 months at an annual rent of £13,000, subject to annual review at the discretion of the Committee in line with the Jersey Retail Price Index thereafter, with the agreement to be terminable by either party upon three month's notice, on the basis that the lease was to be granted upon tenant's internal repairing terms with the public to be responsible for the structural items, external repair and decoration, and the tenant to be responsible for the payment of occupier rates and utility invoices;

(b) as recommended by the Housing Committee, the sale to Mr. David Dorgan and Mrs. Patricia Joan Dorgan, née Feltham (owners of Dale Cottage, No. 106 St. Saviour's Road, St. Helier), an area of land (measuring 50 square metres) adjacent to Dale Cottage (as shown on Drawing No. M701/03 dated 11th June 200 prepared by the Public Services Department), for a consideration of £5,000, with the terms of the sale of land to be as set out in a report, dated 9th November 2004, prepared by the Director of Property Services. Each party would be responsible for its own legal costs in relation to this transaction. (The Committee accordingly rescinded its Act No. A2(i) of 29th November 2002);

(c) as recommended by the Environment and Public Services Committee, the assignment to Mr. Attilio Pirozzolo and Mrs. Brenda Ann Pirozzolo, née Evans, by Mr. Peter Gibbins and Mrs. Ann Huelin, née Gibbins of the property known as Le Braye Café, St. Ouen's Bay, St. Brelade, for the remaining term of the current six-year lease, the assignment to take effect from 30th November 2004, with the Lessee to be responsible for the payment of the reasonable costs of the transaction;

(d) as recommended by the Environment and Public Services Committee, the renewal of the lease to Mr. Vernon Stuart Pallot of Field No. 724, Le Pré de la Reine, Grouville (measuring approximately 3.30.0 vergées), to b used for agricultural purposes only, for a period of three years from 25th December 2004, at an annual rent of £150, (payable on 24th June each year), on the basis that each party would be responsible for its own legal costs arising from the transaction; and,

(e) as recommended by the Environment and Public Services Committee, the entering into of a Deed of Arrangement with Dandara Jersey Limited for the undermentioned land exchange and counter-exchange in respect of the Rex Hotel site, Pleasant Street, St. Helier –

(i) the acquisition by the public of a strip of land (measuring approximately 70.66 square metres- as shown on Drawing No. PHT 678 01) along the length of the site and bordering Pleasant Street in order facilitate the creation by the company at its cost of a 2 metre-wide pavement to the satisfaction of the Public Services Department, including making good the carriageway surface as required adjacent to the new pavement (whilst maintaining a 4 metre-wide carriageway), for a consideration of £10;

(ii) the acquisition by the company of a parcel of land to the rear of No. 35 St. Saviour's Road (adjoining Pleasant Street - measuring approximately 28.78 square metres, as shown on Drawing No. PHT 678 0 for a consideration of £10.

Dandara Jersey Limited would be responsible for both parties' legal costs arising from the transaction.

WRITTEN QUESTION PAPER

(See Item G)

The President of the Health and Social Services Committee will table an answer to the following question asked by the Deputy of St. John -

“Would the President inform members –

(a) whether the Committee intends to validate General Practitioners (GPs), as currently done in the U.K., and, if so, how this will be achieved in the light that most of the Island’s GPs are in private practice and have invested heavily in these practices?

(b) whether the Committee is considering taking over the various practices, and, if so, how this will be achieved and whether this includes reimbursement of those GPs’ financial investment in those practices? and,

(c) whether the Committee will undertake to bring to the States any proposals for the implementation of revised GP’s service before any new scheme is put in place, if any, given the concerns of current GPs in the Island?”

The President of the Policy and Resources Committee will table an answer to the following question asked by the Deputy of St. John -

“Would the President inform members whether any Civil Servants or other public sector employees have been permitted to resign from their posts or leave on health grounds for having outside financial interests and if so whether these involved trade with other States’ departments, and, if so, would he provide details of the number of personnel involved in the last five years?”

The Shadow Chairman of the Shadow Public Accounts Committee will table an answer to the following question asked by Deputy G.C.L Baudains of St. Clement -

“In the light of recent public comment regarding the Jersey Heritage Trust’s management of Mont Orgueil Castle, including such things as the commissioning and placing of statues, would the Shadow Chairman agree to undertake a review of this Body as soon as possible to ensure that public monies are being used efficiently and effectively?”

The President of the Economic Development Committee will table an answer to the following question asked by the Deputy of St. John -

“Would the President advise members how much money has been claimed back by the farming industry on Vehicle Registration Duty since the scheme began, the number of claimants and the number of and types of vehicles registered?”

The President of the Policy and Resources Committee will table an answer to the following question asked by the Deputy of St. John -

"Will the President inform members whether the Committee intends to include the judicial departments and the Law Officers' Department in the proposed States Business Plan in support of the States Strategic Plan, to ensure a level playing field exists in relation to the even administration of public money in respect of matters such as the £10.7m., which is currently retained in the Criminal Offences Confiscation Fund, and, if not, the reasons why?"

The President of the Employment and Social Security Committee will table answers to the following questions asked by Deputy G.P. Southern of St. Helier –

"1. Further to answers provided by the President to written questions on 9th November 2004, would the President –

(a) confirm that the figures provided in response to question 1(b) show a marked decrease from 18 per cent to 6.6 per cent in those claiming a dependency increase for Short Term Incapacity Allowance (STIA) and that if this reduction were indicative of the year it would produce a saving on annual STIA spending of around £1.2 million?

(b) explain the meaning of the answer to question 2(a) that "if the CRSP research set the level of contributory benefits, this would mean substantial reductions in benefits" given the fact that the CRSP figures contain no housing element?

(c) explain, if there is to be no connection between the CRSP minimum budget standards and contributory benefit levels, how and when these levels were set, and whether they are to be reviewed in the future?

2. (a) Will the President undertake to produce for members estimates of the following annual figures in January, based on the 4th quarter of 2004 -

(i) the numbers claiming dependency increase for STIA as in question 1(b) of 9th November 2004?

(ii) the numbers moving to Long Term Incapacity Allowance (LTIA) with wives, working and non-working, now unable to claim dependency increase as in question 2(c)?

(iii) the numbers claiming LTIA now assessed at a percentage of benefit who previously would have claimed invalidity benefit at the full rate, and the consequent reduction in this budget?

(b) Will the President confirm whether LTIA does not only apply to those with 'permanent loss of faculty' as implied by his answer to question 3(a) on 9th November 2004, but to those persons who have a long-term illness and who are receiving treatment and who may recover sufficiently to return to work?"

The President of the Finance and Committee will table an answer to the following question asked by Deputy G.P. Southern of St. Helier –

"Would the President inform members whether the Committee's own calculations support the conclusions set out in the figures produced by the Institute of Directors relating to the Committee's '20 per cent means 20 per cent' process which suggest that tax rate rises will be greater for the middle earners than for the highest earners, and if not, will he explain why?"

BUDGET 2005: FOURTH AMENDMENT
P.215/2004

PAGE 37 –

In the estimates of revenue expenditure of the Health and Social Services Committee –

> Increase the estimate for 'Grants and Subsidies' by £79,000 from £7,359,700 to £7,438,700 in order to increase the amount of grant to Family Nursing and Home Care (Jersey) Inc. by reducing the estimate for Administration Costs from £4,166,400 to £4,087,400.

DEPUTY R.G. LE HERISSIER OF ST. SAVIOUR

P.215/2004.

REPORT

Introduction

The contribution of Family Nursing and Home Care (FNHC) is well known to all Islanders and it essentially runs the bulk of the community support services which enable Islanders (who might otherwise be in hospital or care) to stay at home, or to leave Health and Social Services Committee facilities, secure in the knowledge that appropriate support services exist.

Rather than go through detailed arguments, key questions are posed and answered, while more detailed data is contained in the Appendices and will be drawn upon in the debate.

What is the proposed cut?

1.6% (£79,000) of next year's proposed grant (£5.6 million) It should also be noted that there are further pressures on the budget. In 1993 £120,000 was granted for a free urinary/colostomy scheme. It currently costs £180,000 (2004). FNHC have subsidised it over 7 years by £270,000.This matter is the subject of separate negotiations between Health and Social Services (HSS) and FNHC.

How was the cut arrived at?

The Health and Social Services Committee proposed a series of cuts at the FSR process, with cuts to voluntary grants being offered up, in the early stages.

Did consultation occur with FNHC, prior to the FSR?

No.

Was a value-added analysis done of the impact of the cuts?

Not evident. FNHC saves massive amounts of money because it means people are not kept in the Hospital and other very expensive care facilities.

**Why should FNHC be treated differently to other voluntary agencies?
Do they not have to take a similar cut?**

It should not be treated differently except in the sense that, while classed as a charity, it operates as by far the biggest charity working with HSS and is its biggest provider of services.

Furthermore, because of the sheer size and complexity of its operations, cuts not only impact on FNHC but also on other statutory, parish and voluntary services with whom it is linked, e.g. the Hospice, Age Concern, Les Amis, Brook Advisory Service.

The bigger question is that of why the agencies' grants were considered for cuts in the first place. For example, the Hospital Car Service has had its grant cut. Given that it represents enormous value for money with free drivers and cars, it seems a strange cut.

It should be asked, given the comparatively small sums involved, why cuts were not sought in high-expense areas or those where more enduring and/or immediate efficiencies could be achieved, relatively easily.

What makes FNHC special?

Aside of its sheer size and role s a virtual, indispensable "arm" of HSS it is dealing with an increasing workload and one which is becoming much more complex.

As the Health and Social Services Committee moves people into the community, be they people with special needs or the elderly, so FNHC is picking many of their nursing and associated needs.

It is the major contractor for community nursing and support to Health and Social Services.

Should FNHC be immune to efficiency drives?

No. The Board are prepared to sit down with Health and Social Services to look at savings. A Working Party exists and has not produced significant areas of savings. However, FNHC remains open to all possibilities. It is continually reviewing its own operations. Furthermore it is stepping up fund-raising activities-in other words, it is using fund-raising to provide a subsidy to the States! (the current aim is to raise £1.5 million).

The management structure is currently under review. Staff visiting homes are increasingly multi-skilled, as are senior staff. Highly skilled staff are used sparingly and only where there is an actual requirement.

Infrastructure costs are kept at a minimum – partly because of some service help from HSS.

The continued growth in service demand and the vital role FNHC plays in helping people move out of very expensive care to the community produces savings and other benefits which totally eclipse "penny-pinching" exercises. FNHC is much more than a provider of physical and/or nursing services. Its staff often deal with people who are isolated, lonely and afraid. Staff perform a role of support well beyond their formal job description.

Conclusion

The early identification of grant-aid as a way of savings costs was mistaken. A massive operation like Health and Social Services requires a major analysis of all areas in order to identify where real savings can be made.

Relatively small (but to the agency, damaging) cuts have an entirely disproportionate effect and take no account of the enormous "value-added" of their work.

BUDGET 2005: FIFTH AMENDMENTS
P.216/2004

PAGE 2

In the estimate of income from Income Tax –

Reduce the estimate by £2,938,000 by increasing –

(a) the single person's tax exemption threshold from £11,020 to £11,380;

(b) the married person's tax exemption threshold from £17,680 to £18,260;

(c) the tax exemption threshold increment in the case of a single person aged 63 or more from £1,280 to £1,320;

(d) the tax exemption threshold increment in the case of a married person aged 63 or more from £2,570 to £2,650;

(e) the maximum child care relief from £6,150 to £6,350.

DEPUTY G.P. SOUTHERN OF ST. HELIER

P.216/2004.

REPORT

I have brought this amendment to protect those taxpayers on lower incomes from the full effect of the freezing of exemptions in this budget. The effect of this amendment is to increase small income exemptions (applicable to those taxpayers on relatively low incomes) by 3.3%.

Members will be aware that the Finance and Economics Committee's proposal to freeze allowances for a fifth year in succession will have the effect of increasing the tax paid by all those on marginal rates who have received a pay rise over the past year. It will also bring a small number of low earners into taxation who have previously not paid tax. Over the years of freezing exemptions the number of non-taxpayers has been steadily reduced to stand currently at 27%. Since my proposal gives indexation in line with the average earnings index (AEI), which stands at 3.3%, it should effectively maintain the status quo.

Over the past five years (including last year) the Finance and Economics Committee has succeeded in bringing an ever greater number of those on low incomes into income tax. The recent Income Distribution Study (IDS) revealed that 24% of the Jersey population of both people (20,290) and households (8,520) exist below the E.U. and U.K. accepted thresholds of low income after housing costs (AHC). These are households with average annual pre-benefit incomes of £13,500. We have to question whether we wish to bring these 20,000 people into taxation. Are we to follow the U.K. and hand out benefits with one hand, only to take them back with the other? Shall we end up with a massively bureaucratic system of tax credits, such as exists under New Labour?

I believe that the time has come to stop this search for increased tax from those on ever lower incomes.

The freezing of allowances is in effect a stealth tax in that by doing nothing the comptroller of Income Tax brings more low earners into taxation and results in higher tax bills for those on marginal rates. These are the low to middle earners. The overall effect of freezing these exemptions is to increase revenue from this section of society by some £4 - 5 million.

Conveniently, this amendment extends to the pensioners, and protects them from increased tax bills by restoring the index linking for those aged 63+, because Jersey pensions rise each year by the June AEI (3.3%). It is important to protect pensioners who are particularly vulnerable to this process in that they are unlikely to be able to claim other allowances (children no longer dependant, mortgage paid off). They are also over-represented in the lowest income groupings according to the recent Income Distribution Study. Over one third of pensioners are found in the bottom income quintile and over half (more than 7,000 pensioners) in the bottom 2 quintiles.

Although average incomes are low for both single pensioners and pensioner couples in comparison with their non-pensioner equivalents, without additional allowances many pensioners end up paying income tax. Last year the pensioners got some partial relief through Senator Vibert's amendment. I believe it is time to restore the full value of the additional exemptions for pensioner households.

Finally, I have proposed increasing child care allowance by 3.3% also, which is also a recognized high cost area and one which does cause hardship problems.

If the amendments are adopted the tax exemption thresholds for persons over 63 would be as follows –

Single person	£12,700
Married person	£20,910

Financial and manpower implications

There are no additional manpower requirements. The loss in income tax revenue has been estimated by the Comptroller to be £2,938,000.

BUDGET 2005: SIXTH AMENDMENTS
P.217/2004

PAGE 2

In the estimate of income from Income Tax –

Reduce the estimate by £4,913,000 by increasing –

(a) the single person's tax exemption threshold from £11,020 to £11,640;

(b) the married person's tax exemption threshold from £17,680 to £18,670;

(c) the tax exemption threshold increment in the case of a single person aged 63 or more from £1,280 to £1,350;

(d) the tax exemption threshold increment in the case of a married person aged 63 or more from £2,570 to £2,710;

(e) the maximum child care relief from £6,150 to £6,490.

SENATOR E.P. VIBERT

P.217/2004.

REPORT

I have brought this amendment to protect those taxpayers on lower incomes from the full effect of inflation. The effect of this amendment is to increase small income exemptions (applicable to those taxpayers on relatively low incomes) by the full rise in the RPI in September of 5.6%.

Members will be aware that the Finance and Economics Committee's proposal to freeze allowances for a fifth year in succession last year was thwarted by my successful amendment. However, that only ameliorated the increase in tax paid by all those on marginal rates who received a cost of living increase in the year.

The freezing of allowances is in effect a stealth tax in that by doing nothing the comptroller of Income Tax brings more low earners into taxation and results in higher tax bills for those on marginal rates. These are the low to middle earners. The overall effect of freezing these exemptions is to increase revenue from this section of society by some £4 - 5 million.

Last year, I successfully argued that the policy employed over the past 4 years by the Finance and Economics Committee to bring an ever greater number of those on low incomes into income tax was wrong.

The recent Income Distribution Study (IDS) revealed that 24% of the Jersey population of both people (20,290) and households (8,520) exist below the E.U. and U.K. accepted thresholds of low income after housing costs (AHC). These are households with average annual pre-benefit incomes of £13,500. Do we really wish to bring these 20,000 people into taxation? Shall we actually give benefits with one hand, only to take it back with the other?

Last year I achieved partial indexation, raising exemptions by 2.5% when full indexation would have meant 3.8%. This still resulted in some increase in those paying tax and in the tax take from these low to middle earners. I believe that the time has come to stop this search for increased tax from those on ever lower incomes, so I come to the house this year with this proposal of full indexation.

There will be those who may criticize my choice of RPI rather than a figure based on earnings for this indexation.

To them I say that we all have to live with the effects of inflation, and it is those on lower incomes who are most affected. Analysis of the inflation figure reveals some interesting details.

This is the largest rise in RPI since 1992. The 2 largest individual components in the rise are housing costs (3%) and motoring (0.8%) but it is noteworthy that the increases in impôt duties, on petrol, alcohol and tobacco, effective in January 2004, contributed 0.5% to the annual figure. The high cost of housing in Jersey cannot be avoided. Whether renting (significant rises in January and October for States rents) or buying, those on low to middle earnings will be hit by inflation.

This amendment seeks to further protect the pensioners, from increased taxation, by restoring the index linking for those aged 63+. Pensioners are particularly vulnerable to this process in that they are unlikely to be able to claim other allowances (children no longer dependant, mortgage paid off). They are also over-represented in the lowest income groupings according to the recent Income Distribution Study. Over one-third of pensioners are found in the bottom income quintile and over half (more than 7,000 pensioners) in the bottom 2 quintiles.

Although average incomes are low for both single pensioners and pensioner couples in comparison with their non-pensioner equivalents, without additional allowances many pensioners end up paying income tax. Last year the pensioners got some partial relief through my amendment. I believe it is time to restore the value of the additional exemptions for pensioner households.

Finally, I have included full indexation for child care tax relief, which is also a recognized high cost area and one which does cause hardship problems.

If the amendments are adopted the tax exemption thresholds for persons over 63 would be as follows –

Single person	£12,990
Married person	£21,380

Financial and manpower statement

There are no additional manpower requirements. The loss in income tax revenue has been estimated by the Comptroller to be £4,913,000.

PAGE 2

In the estimates of income from Income Tax –

Reduce the estimate of income from Income Tax by £900,000 by increasing the tax exemption threshold for persons aged 63 and over from £12,300 to £12,990 for a single person and from £20,250 to £21,380 for a married couple.

SENATOR S. SYVRET

P.218/2004.

REPORT

Members will be aware that for the last 4 years the Finance and Economics Committee has pursued a policy of "freezing" small income exemptions. This has the effect of increasing the revenue obtained from lower-income taxpayers by around £4 million annually. It also means that each year a number of relatively low earners are brought into the tax net. This has resulted in a reduction of the number of taxable persons who do not pay tax from 43% in 1993 to around 27% today.

I believe that this slow but inexorable inclusion of those on lower incomes in the tax net should now be halted. There was a partial amelioration of this process brought about by Senator Vibert's amendment last year, but that only slowed the process down. This amendment seeks to protect one particular group, the pensioners, from this increased taxation, by restoring the index linking to RPI for those aged 63+. Pensioners are particularly vulnerable to this process in that they are unlikely to be able to claim other allowances (children no longer dependant, mortgage paid off). They are also over-represented in the lowest income groupings according to the recent Income Distribution Study. Over one-third of pensioners are found in the bottom income quintile and over half (more than 7,000 pensioners) in the bottom 2 quintiles. Although average incomes are low for both single pensioners and pensioner couples in comparison with their non-pensioner equivalents, without additional allowances many pensioners are paying income tax. Despite the partial indexation achieved last year, I believe it is time to restore the value of the additional exemptions for pensioner households.

The effect of this amendment is to increase the exemptions for 2004 of those aged 63+ by 5.6% in line with inflation.

Financial and manpower statement

There are no additional manpower requirements. The loss in income tax revenue has been estimated by the Comptroller to be £900,000.

DRAFT INCOME TAX (AMENDMENT No. 24) (JERSEY) LAW 200- (P.205/2004): AMENDMENTS

PAGE 36, INSERT NEW PART –

For Part 3 substitute the following Part –

“PART 3

ADDITIONAL CHARGE OF TAX

11 Article 1A inserted

After Article 1 of the principal Law there shall be inserted the following Article –

‘1A Additional charge of income tax

(1) In addition to the income tax charged pursuant to Article 1 of this Law, income tax shall be charged for a year of assessment at the specified rate upon the amount of a person’s liability to tax for that year under that Article.

(2) The specified rate mentioned in paragraph (1) of this Article is –

(a) for the year of assessment 2006, 0.87%;

(b) for the year of assessment 2007, 1.75%;

(c) for the year of assessment 2008 and ensuing years, 2.63%.’

12 Commencement of Part

This Part shall have effect for the year of assessment 2006 and ensuing years.”.

DEPUTY G.P. SOUTHERN OF ST. HELIER

P.205/2004.Amd.

REPORT

There can be no doubt that the fiscal measures taken in response to EU/ECOFIN directives concerning harmful tax practices will have the most far-reaching and dramatic effects on the Island’s fiscal structure for many decades. In particular, the zero/ten proposals have resulted in 2 measures that give particular concern to both members and Islanders –

- the introduction of a Goods and Services Tax (GST), and
- the phasing-out of allowances (20% means 20%).

GST has been widely consulted on and is not being presented for consideration in the 2005 Budget, but in a separate debate in February 2005, along with certain other options. There can be no doubt that this is a sensible and prudent approach.

However, the inclusion of the phasing-out of allowances as Part 3 of the Draft Income Tax (Amendment No. 24 (Jersey) Law 200- in the 2005 Budget measures is in my opinion premature and unwise. I believe that the Committee is wrong to attempt to introduce this measure at this early stage, without consideration of other elements of the total package, which will come forward in February 2005.

There are a number of elements that may have contributed to a reluctance to endorse this proposal as the right way forward in the minds of many members not least in mine. Amongst these are –

The change in approach to the withdrawal announced in June 2004, which has led to confusion as to what, exactly, is being proposed. This confusion persists not only in the public but in many members' minds.

This measure has not been out to consultation, except in the very broadest outline, because detailed information of how it will affect individuals and families has not been made available, either to members, or to the public at large until 10 days prior to the Budget debate, following a request from Deputy Bridge.

As a consequence, reaction from the public has only recently started to filter through to members as the public start to realise just what the effect on their tax bills will be. In many cases, they are shocked by the size of the increases proposed. There is evidence that, in some cases, these rises could be described as punitive.

As a result of the confusion, lack of clarity and basic information coming from the Committee in recent months, I feel unable to support this measure at this time. I remain largely in the dark over what the impact "20 means 20" will have on individual families I have certainly not had time to canvass the opinion of my constituents. Further issues that have not been fully addressed and give rise to my concerns are –

What effect will the Committee's proposals have on the housing market? House prices are currently broadly static. This proposal will further remove mortgage tax relief from those on middle-to-high incomes. The question must be asked – will this be the step that produces house price collapse and negative equity? The Committee have produced no evidence on this serious issue.

The Student Grant contributions system and the "20% means 20%" proposal target families over similar income ranges. What will be the extent of the impact on the family budgets of those families with mortgages and children at university? The Committee have not addressed this question.

Much concern has also been expressed over the claims for the progressive nature of this proposal. The IOD, amongst many others, are concerned that this measure unfairly targets the middle earners whilst those with really high incomes are less affected. Many members see this as inherently inequitable, and it certainly cannot be described as progressive.

Above all there is a need to examine this part of the response to zero/ten in the context of the whole package of measures to be taken and this cannot occur until February. We have often been told that taking "piecemeal" decisions in isolation is not good governance, and yet that is the process here. The withdrawal of Part 3 now, and its re-introduction after proper consideration in February would make no difference to any of the measures proposed for 2005, and still gives the public ample notice of this change for the years 2006 to 2008, should it prove acceptable to the States.

Financial and manpower considerations

There are no additional financial or manpower implications for the States arising from these amendments.