

# STATES OF JERSEY



## **GOVERNMENT PLAN 2020–2023 (P.71/2019): SEVENTEENTH AMENDMENT (P.71/2019 Amd.(17)) – COMMENTS**

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**Presented to the States on 22nd November 2019  
by the Council of Ministers**

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**STATES GREFFE**

## COMMENTS

The Corporate Services Scrutiny Panel proposes the following in [P.71/2019 Amd.\(17\)](#) –

### PAGE 2, PARAGRAPH (a) –

After the words “Article 9(2)(a) of the Law” insert the words –

“, except that the 2020 Estimate for Personal Income Tax shall be reduced by £817,000 by amending Child Tax Allowances in accordance with the table below, with other affected lines in Summary Table 1 to be updated accordingly:

	2019 Allowance	Increase	Proposed 2020 Allowance	
<b>Child Allowance</b>	£3,000	£100	£3,100	
<b>Additional Allowance</b>	£4,500	£150	£4,650	
<b>Child Care Tax Relief</b>	£6,150	£200	£6,350	
<b>Enhanced Child Care Tax Relief</b>	£16,000	£500	£16,500	”.

### **The Council of Ministers opposes this proposal and urges States Members to reject the amendment.**

The Council is concerned that the use of tax allowances and reliefs may not be the most effective means of providing additional support. The changes may only benefit those with enough income already to take advantage of them, or those that are currently claiming the maximum amounts possible, meaning this amendment is poorly targeted.

Research supports targeting funding to the areas that require and need the necessary support makes not just economic sense, but it provides social benefits too.

The tax system currently provides 2 different types of support to taxpayers with children –

- Child Allowances
- Child Care Tax Relief.

### **Child Allowances**

Child Allowance and Additional Child Allowance (which is available to unmarried taxpayers) are universal allowances available to marginal rate taxpayers. These Child Allowances are provided through the tax system as a contribution towards the cost of caring for a child. The costs included in the Proposition for increasing Child Allowances are agreed as below.

Child Allowance	3.1% increase
Currently £3,000	£3,100 (£3,093)
Cost to Exchequer	c. £300,000

Additional Allowance	3.1% increase
Currently £4,500	£4,650 (£4,639.50)
Cost to Exchequer	c. £87,000

Historically it has not been the policy to increase Child Allowances in line with inflation. Child Allowance was last increased in 2008, and the Additional Child Allowance was last increased in 1999.

A review of Government support for children will be taking place during 2020 as part of the Personal Tax Review and in co-ordination with the Early Years Policy Development Board. Given that this work is pending, now is not the time to begin uprating Child Allowances for inflation.

### **Child Care Tax Relief**

Child Care Tax Relief (“CCTR”) operates very differently to the Child Allowances within the tax system. CCTR is a relief that was created to support working families; Enhanced CCTR applies to children aged 0–4 years, and ‘Wrap Around Care’, to children aged 4–12 years. CCTR was introduced to help working families who incur professional registered childcare costs; thereby enabling them to work and contribute to the economy.

Unlike child allowances, CCTR is not universally available to marginal rate taxpayers with children. As it is a tax relief (rather than a tax allowance), the relief that can be claimed is limited to the eligible costs incurred, up to a maximum cap. There is no set amount that people can claim.

An increase to the cap(s) will not necessarily benefit many taxpayers – only those that are currently claiming the maximum amount. Even then, taxpayers will only benefit from an increased cap if their childcare costs are at the level of the new cap.

Historically the CCTR caps have been based on CCTR costs. Increasing the cap(s) suggests that childcare costs have increased by RPI, but the evidence to support this has not been presented.

Claims for Enhanced CCTR in respect of pre-school children are also linked to NEF funding of 20 free hours. Therefore, it would be wise to await the outcome of the NEF review before making amendments to the CCTR cap.

The Early Years Policy Development Board has focused more specifically on direct funding tools to support those families and children most in need during their early years. Stronger evidence exists for Government investment in policies which support the provision of quality early learning for all children aged 3–4 years, and a targeted introduction of early learning for 2–3 year-olds.

The estimated cost of increasing both CCTR caps that is contained in the amendment is £430,000. This cost is flawed, as it includes double counting, in that the amendment assumes 2,410 claims for both CCTR and Enhanced CCTR. In practice, the cost of increasing both caps will be somewhere below £310,000, but the data is not available to quantify this further.

In conclusion, the Council of Ministers recognises the amendment as well-intentioned, but opposes it for a number of reasons –

- The Personal Tax Review will consider how the tax system supports taxpayers with children. Amending allowances is therefore premature.
- Use of tax allowances and reliefs may not be the most effective means of providing additional support. The changes may only benefit those with enough income already to take advantage of them, or those that are currently claiming the maximum amounts possible.
- There is a review of Nursery Education Funding underway. Again, the proposed changes are premature.
- The potential impact on tax revenues (£817,000, or £3.2 million over the life of the Government Plan) is not inconsiderable, given the question-marks over whether the amendment would help those most in need; especially as those on lowest income would not benefit from either measure, as they are only available to families earning enough to be paying income tax.