

STATES OF JERSEY



GOVERNMENT PLAN 2021–2024 (P.130/2020): SIXTH AMENDMENT

Lodged au Greffe on 30th November 2020
by Corporate Services Scrutiny Panel

STATES GREFFE

1 PAGE 2, PARAGRAPH (a) –

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

“, except that the 2021 Estimate for Personal Income Tax shall be reduced by £240,000 by amending Child Care Tax Relief in accordance with the table below with other affected in lines Summary Table 1 to be updated accordingly

	2020 Allowance	Increase	Proposed 2021 Allowance
Child Care Tax Relief	£6,150	£123	£6,273
Enhanced Child Care Tax Relief	£16,000	£320	£16,320

”.

CORPORATE SERVICES SCRUTINY PANEL

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 2021 – 2024 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 2021 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, except that the 2021 Estimate for Personal Income Tax shall be reduced by £240,000 by amending Child Care Tax Relief in accordance with the table below with other affected in lines Summary Table 1 to be updated accordingly;

	2020 Allowance	Increase	Proposed 2021 Allowance
Child Care Tax Relief	£6,150	£123	£6,273
Enhanced Child Care Tax Relief	£16,000	£320	£16,320

- (b) to approve the amounts to be transferred from one States fund to another for 2021, in line with Article 9(2)(b) as set out in Appendix 2 – Summary Table 2 to the Report;

- (c) to approve the proposed borrowing to be obtained for 2021, in line with Article 9 (2)(c), up to and including the amount set out in Appendix 2 – Summary Table 3 to the Report;
- (d) to approve each major project that is to be started or continued in 2021 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 endorse the efficiencies and other re-balancing measures for 2021 contained in the Government Plan as set out in Appendix 2 Summary Table 6 and reflected within each gross head of expenditure in Appendix 2 – Summary Table 5(i);
- (f) to approve the proposed amount to be appropriated from the Consolidated Fund for 2021, 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;
- (g) to approve the estimated income, being estimated gross income less expenditure, that each States trading operation will pay into its trading fund in 2021 in line with Article 9(2)(h) of the Law and set out in Appendix 2 – Summary Table 7 to the Report;
- (h) to approve the proposed amount to be appropriated from each States trading operation’s trading fund for 2021 for each head of expenditure in line with Article 9(2)(i) of the Law and set out in Appendix 2 – Summary Table 8 to the Report; (i) to approve the estimated income and expenditure proposals for the Climate Emergency Fund for 2021 as set out in Appendix 2 – Summary Table 9 to the Report;
- (i) to approve the estimated income and expenditure proposals for the Climate Emergency Fund for 2021 as set out in Appendix 2 – Summary Table 9 to the Report;
- (j) to approve, in accordance with Article 9(1) of the Law, the Government Plan 2021-2024, as set out at Appendix 3 to the Report.

REPORT

This amendment has been lodged alongside our amendment to Child Tax Allowances to improve the cost of living within Jersey. By increasing the childcare allowance for the first time since 2017 it will provide help to families to meet the rising cost of living. This is in line with the Government’s strategic priority to “Put Children First” and is particularly important to help negate the financial impacts of COVID-19.

The child-care allowances are available to all parents. Households with children aged between 4-12 can claim “[Child Care Tax Relief](#)” up to £6,150. We propose to increase this to £6,273. Parents with children under the age of 4 can claim “Enhanced Child Care Tax Relief” up to £16,000. We propose to increase this to £16,320.

Since the last increase of child allowance in 2017, RPI has risen 7.5%.¹ Following RPI Child Care Tax Relief would be increased by £461, with Enhanced Child Care Tax Relief being increased by £1,237. When considering a suitable amendment rate, the Panel also took into account the impact of COVID-19 on public finances and concluded to propose a proportional increase of 2%.

The Panel has been informed that as part of the review on Independent Taxation, the Revenue Policy Development Board will be considering if these tax reliefs ought to be adjusted structurally; and/or transferred away from the tax system (into an alternative delivery vehicle) with the advent of Independent Taxation from the 2022 year of assessment. The Panel believes that increasing the relief for 2021 will serve in the intermediary time period.

The Panel has received correspondence from the Children’s Commissioner who highlights that, although child tax allowance alone will not address entrenched inequalities, any lever available which may combat child poverty should be explored to better protect, respect and fulfil children’s rights in Jersey. The correspondence also confirms that the United Nations Convention on the Rights of the Child (UNCRC) was extended to Jersey in 2014 and that the State must provide support and “take all appropriate measures to ensure that children of working parents have the right to benefit from child-care services and facilities for which they are eligible” this amendment will support families to meet the cost of child-care services.²

This amendment will apply to the “Child Care Tax Relief” and “Enhanced Child Care Tax Relief” available to all marginal rate taxpayers.

Financial and manpower implications

The cost of increasing each allowance is shown in the tables below. There are no manpower implications.

Child Care Tax Relief (4-12 years)	2%
Currently £6,150	£6,273
Cost to Exchequer	c.£52k

¹ <https://www.gov.je/Government/JerseyInFigures/BusinessEconomy/Pages/Inflation.aspx>

² [Submission – Children’s Commissioner- Government Plan 2021 Review - 23 November 2020](#)

Enhanced CCTR (0-4 years)	2%
Currently £16,000	£16,320
Cost to Exchequer	c.£189k

The Panel has been informed that the economy and the tax base have changed considerably, with a severe recession in 2020 and a forecast fall in the amount of personal income tax collected this year. The Income Forecasting Group has forecast a permanent reduction in the tax base in the longer term, relative to the pre-pandemic forecast, but it is not possible at this stage to be definitive about how this might impact on the estimate of the tax impact of proposed tax changes.

The total cost is:
£52,000 – CCTR
£189,000 – Enhanced CCTR
£240,000 - TOTAL