

STATES OF JERSEY



DRAFT BUDGET STATEMENT 2014 (P.122/2013): THIRD AMENDMENT (P.122/2013 Amd.(3)) – COMMENTS

**Presented to the States on 2nd December 2013
by the Minister for Treasury and Resources**

STATES GREFFE

COMMENTS

Draft Budget Statement 2014 (P.122/2013): third amendment

After the words “as set out in the Budget Statement” insert the words –

“except that income tax exemptions for the year of assessment 2014 shall be increased by 2.2% and not by 1.5% as proposed in the draft Budget Statement.”

Recommendation	Summary of Key Points
Opposed	<ol style="list-style-type: none">1. This amendment is entirely inconsistent with the Deputy’s first amendment.2. The Council of Ministers’ proposal is part of a package of measures.3. The shortfall is not funded.

Cost: £1.34 million.

1. This amendment is entirely inconsistent with the Deputy’s first amendment, which proposes no increase to the exemption limits at all.
2. The tax exemption threshold (i.e. the point at which an individual starts to pay income tax) is determined by the individual’s personal circumstances.
3. It is proposed that these income tax exemption thresholds are increased by 1.5% with effect from the year of assessment 2014.
4. The original spending provision set out in the MTFP allowed for a 3% increase in tax exemption thresholds.
5. The rationale to increase the income tax exemption thresholds to 1.5% instead of 3% was to form part of a package alongside a reduction in the marginal rate of income tax from 27% to 26%.
6. By introducing the combination of these two proposals, not only are 530 people taken out of the tax bracket, but 84% of the taxpaying public of the Island benefit by seeing a real reduction in their income tax bills.
7. In recent years, the practice has been to increase the tax exemption thresholds by reference to the lower of the RPI figure and the annual increase in earnings. However, in the 2013 Budget the income tax exemption thresholds were increased by 3%, in line with the increase in RPI for the year to 30th June 2012. This was the higher of the RPI figure and the annual change in average

earnings index at June (being 1.5%), and was introduced to assist those taxpayers at the lower end of the earnings threshold.

8. This year's Budget proposal again benefits those taxpayers at the lower end of the earnings bracket, whilst keeping a certain proportion within the system, as well as assisting the majority of taxpayers who pay at the marginal rate of tax.
9. The estimated cost resulting from the proposal to increase the income tax exemption thresholds by 1.5% is £2.5 million.
10. To increase the exemption thresholds by 2.2% would cost the Treasury an additional £1.34 million.
11. If the Deputy's proposal is to assist those at the lower end of the income bracket, his proposal will take only a small number more of taxpayers out of the tax bracket (than the 1.5% proposal would) – estimated to be below 50 taxpayers, however, it would be assisting every taxpayer paying at the marginal rate of tax.
12. The increase in exemption limits cannot be disaggregated from the reduction in marginal relief: they are a package and cannot be dealt with in isolation.
13. The Deputy does not say how the additional £1.34 million will be funded.

Statement under Standing Order 37A [Presentation of comment relating to a proposition]

The Minister apologises to the Assembly for the lateness of these comments, which was due to extra work being done to make sure that these were as useful as possible to all States Members.