

STATES OF JERSEY



DRAFT BUDGET STATEMENT 2014 (P.122/2013): FIFTH AMENDMENT (P.122/2013 Amd.(5)) – 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): fifth amendment

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

“except that the age of entitlement for single, married persons and civil partners to the higher income tax exemption threshold shall not be increased for the year of assessment 2014 from 63 years to 65 years as proposed in the draft Budget Statement”.

Recommendation	Summary of Key Points
Strongly Opposed	<ol style="list-style-type: none">1. The proposal is contrary to when other Senior Citizen entitlements commence.2. Not in line with other jurisdictions.3. ‘Grandfathering’ provisions protect those who already benefit.

Cost: £750,000.

1. It is proposed that the age entitlement of 63 years is increased to 65 years with effect from the year of assessment 2014.
2. The rationale to increase the age entitlement for single persons, married persons and civil partners to the higher income tax exemption threshold is to bring it in line with the current States pension age of 65 years.
3. The proposed increase was signalled in last year’s Budget. A clear statement was made at the time in the Draft Budget Statement. This informed people of the proposed change and gave them reasonable time to understand and be aware of the proposal.
4. The States pensionable retirement age laid down in the Social Security Law is 65 years. It is an individual’s personal choice if they wish to elect to take a reduced State pension – by up to 2 years earlier, i.e. at age 63.
5. The Budget proposition will not affect those who qualify for the enhanced exemption prior to the change coming into effect.
6. ‘Grandfathering’ provisions will be applied, which will ensure that any individual who became 63 in 2012, and who receives the higher income tax exemption threshold for the year of assessment 2013, will continue to do so for the year of assessment 2014 and ensuing years.

7. If an individual's or a couple's sole income is from a State Pension, they would be exempt from tax – as their income would fall below the lower tax threshold limits, i.e. for those lower limits that currently apply for those under the age of 63.
8. Other tax jurisdictions use a 'Normal Retirement Age' of 65 as a benchmark age for giving additional tax relief. Some examples are the UK, Isle of Man and France.
9. Other Laws in Jersey use the age of 65 as a 'demarcation', e.g. –
 - Income Support (Special Payments) (Cold Weather Payments) (Jersey) Regulations 2008 refer to a pensionable age of 65 years.
 - The Jersey 65+ Health Plan (known as Westfield) – is aimed at people aged 65 and over.
10. It is common for the 'Normal Retirement Age' for occupational (employer) pension schemes (approved under Article 131 of the Income Tax Law) to be 65 – for example, the States Public Employees Contributory Retirement Scheme.
11. Also approved Pension Trusts established under Article 131E of the Income Tax Law makes reference to attaining the age of 65.
12. It is considered that to delay the Budget proposition until 2025 or 2031 is not valid or relevant to the aim it intends to achieve.
13. The aim and intention of the Budget proposition is to place, at this time, the enhanced exemption limit in line with the States pension age of 65. This also brings the eligibility in line with the age of retirement used in other jurisdictions and also other Laws in Jersey.
14. The estimated additional revenue resulting from this proposal will be approximately £750,000. The number of people affected, who will be those taxpayers liable to tax at the Marginal Rate, will be approximately 1,100 each year.
15. It is proposed policy that, in future, the age-related exemption threshold will further change to be kept in line with the States pension age.
16. No such further change will be put forward until such time as the changes in the States Pension age take effect.
17. It has been shown that, with people living longer and the resultant ageing population, laws and policies in the modern world will have to change to reflect the shifting demographics. Jersey is not alone in this.
18. The impact of the proposal is softened by the decrease in marginal rate from 27% to 26%, together with the proposed increase in the exemption thresholds by 1.5%.

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.