

STATES OF JERSEY



REMOVAL OF COMPULSORY INDEPENDENT TAXATION FOR EXISTING MARRIED COUPLES AND CIVIL PARTNERSHIPS (P.32/2023): SECOND AMENDMENT

Lodged au Greffe on 27th June 2023
by Deputy C.S. Alves of St. Helier Central
Earliest date for debate: 4th July 2023

STATES GREFFE

REMOVAL OF COMPULSORY INDEPENDENT TAXATION FOR
EXISTING MARRIED COUPLES AND CIVIL PARTNERSHIPS
(P.32/2023): AMENDMENT

1 PAGE 2, PARAGRAPH (b) –

After paragraph (b) insert the following new paragraph –

- (c) that for those who married or who entered into a civil partnership after 31st December 2021, and those who married or entered into a civil partnership before 31st December 2021 and moved to the Island after this date, who are automatically assessed independently for tax, there should be the ability to opt for application of the current marriage and civil partnership exemption thresholds and allowances.

DEPUTY C.S. ALVES OF ST. HELIER CENTRAL

Note: After this amendment, the proposition would read as follows –

THE STATES are asked to decide whether they are of opinion –

- (a) that independent taxation should not be mandatory for married couples and civil partners who currently complete a joint tax return and who chose not to elect for independent taxation prior to 29th July 2022;
- (b) to request the Minister for Treasury and Resources to take the necessary steps to ensure that joint taxation remains available for any such married couples and civil partners; and
- (c) that for those who married or who entered into a civil partnership after 31st December 2021, and those who married or entered into a civil partnership before 31st December 2021 and moved to the Island after this date, who are automatically assessed independently for tax, there should be the ability to opt for application of the current marriage and civil partnership exemption thresholds and allowances.

REPORT

This amendment seeks to ensure that those who are married or entered civil partnerships since January 2022 are not financially worse off should one partner cease to work for whatever reason (to raise children, caring duties, health reasons etc) than those who married or entered civil partnerships prior to January 2022.

Below is an example of how this looks and works in practise using the information provided on gov.je -

2023 tax allowances and reliefs – Marginal Rate

Independent Taxation

Since 1 January 2022, anyone who arrives in Jersey, gets married or enters into a civil partnership is independently taxed. For these people, the married or civil partnership exception threshold is not available.

How the allowances work

You don't pay tax if your annual income is below these thresholds and they are also used to calculate marginal relief.

[Tax calculator](#)

Exemption thresholds	
Single	£18,550
Married or civil partnership	£29,750

Additions to exemption thresholds	
Second earner's allowance	£7,350

2 people both working

Joint tax free household income £29,750 + £7,350 = **£37,100 tax**

Independent tax free household income £18,550 + £18,550 = **£37,100 tax**

Conclusion - No difference, no loss.

2 people – 1 working, 1 not (for whatever reason, raising children, illness etc)

Joint tax free household income £29,750 + no second earner = **£29,750 tax**

Independent tax free household income £18,550 + no second income = **£18,550 tax**

Conclusion – the household loses out on £11,200 of tax-free money thus increasing their tax liability by £2,912.

Those families who are already at the lower end of the earners in Jersey, as they are marginal taxpayers, and were married or entered civil partnerships from January 2022 will be negatively impacted as their annual household income will decrease compared to those families who were married or entered civil partnerships before January 2022.

I would also like to make the point that it's not just households where one person doesn't work at all that lose out under Joint Taxation.

All couples where the higher earner earns more than £18,550 and the lower earner earns less than £18,550 will lose out (to varying degrees). This includes a number of households where one person is working full time and the other part time, as well as households where one person isn't working at all.

Therefore, the impact of this change to the finances of Islanders should not be dismissed – especially during the current time of high inflation and rising cost of living. This amendment seeks to establish parity for those who will be affected by changes outside their control, whilst their counterparts are continuing to benefit from compensatory allowances.

Financial and manpower implications

There are approximately 460 new marriages/civil partnerships a year. Since 31st December 2021, that equals approximately 1,150 couples who would have been taxed together, who are now completing independent taxation.

If every one of these couples had only one person working, and this proposition was applied, the loss in revenue would be approximately 3.3 million.

However, this is an exceedingly unlikely scenario. From data provided by the Treasury, in 2021 roughly 3,700 married couples/civil partnerships had only one income. Appreciating that there will be some duplication as the figures available are limited, 3,700 couples as a percentage of the total 17,900¹ is around 21%.

21% of 3.3million is £693,000. Again this is a conservatively high estimate.

¹ <https://statesassembly.gov.je/assemblypropositions/2023/p.41-2023.pdf>