

STATES OF JERSEY



BUDGET 2005: SEVENTH AMENDMENT

**Presented to the States on 7th December 2004
by Senator S. Syvret**

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In the estimates of income from Income Tax –

Reduce the estimate of income from Income Tax by £900,000 by increasing the tax exemption threshold for persons aged 63 and over from £12,300 to £12,990 for a single person and from £20,250 to £21,380 for a married couple.

SENATOR S. SYVRET

REPORT

Members will be aware that for the last 4 years the Finance and Economics Committee has pursued a policy of “freezing” small income exemptions. This has the effect of increasing the revenue obtained from lower-income taxpayers by around £4 million annually. It also means that each year a number of relatively low earners are brought into the tax net. This has resulted in a reduction of the number of taxable persons who do not pay tax from 43% in 1993 to around 27% today.

I believe that this slow but inexorable inclusion of those on lower incomes in the tax net should now be halted. There was a partial amelioration of this process brought about by Senator Vibert’s amendment last year, but that only slowed the process down. This amendment seeks to protect one particular group, the pensioners, from this increased taxation, by restoring the index linking to RPI for those aged 63+. Pensioners are particularly vulnerable to this process in that they are unlikely to be able to claim other allowances (children no longer dependant, mortgage paid off). They are also over-represented in the lowest income groupings according to the recent Income Distribution Study. Over one-third of pensioners are found in the bottom income quintile and over half (more than 7,000 pensioners) in the bottom 2 quintiles. Although average incomes are low for both single pensioners and pensioner couples in comparison with their non-pensioner equivalents, without additional allowances many pensioners are paying income tax. Despite the partial indexation achieved last year, I believe it is time to restore the value of the additional exemptions for pensioner households.

The effect of this amendment is to increase the exemptions for 2004 of those aged 63+ by 5.6% in line with inflation.

Financial and manpower statement

There are no additional manpower requirements. The loss in income tax revenue has been estimated by the Comptroller to be £900,000.