

STATES OF JERSEY



GOVERNMENT PLAN 2021-2024 (P.130/2020): EIGHTH AMENDMENT (P.130/2020 AMD.(8)) - COMMENTS

**Presented to the States on 11th December 2020
by the Council of Ministers**

STATES GREFFE

COMMENTS

The Council of Ministers opposes this proposal and urges States members to reject the Amendment.

Conclusions

- Child Allowance and Additional Child Allowance (which is available to unmarried taxpayers) are universal allowances available to marginal rate taxpayers. These Child Allowances are provided through the tax system as a contribution towards the costs of parents caring for a child.
- Historically it has not been the policy to increase Child Allowances in line with inflation. Child Allowance was last increased in 2008 and the Additional Child Allowance was last increased in 1999.
- The structure of child related allowances and/or reliefs is being considered within the Personal Tax Review in advance of introducing independent taxation – the level of allowances and/or reliefs due (if they are to remain in the tax system) may vary as a result of this work.

Background

- Research carried out by the Early Years Policy Development Board (EYPDB) indicates there are better ways of supporting children than through the use of child allowances in the tax system.
- Government Plan 2020 – 2023 allocated new resources to support children and this is due to start in 2021.
- The EYPDB is to bring forward recommendations imminently on how these new resources will be best spent
- Increases to Child Allowances, in the tax system, does nothing to support the lowest income families, who do not pay income tax.
- The Personal Tax Review will consider how the tax system supports taxpayers with children. Amending allowances is therefore premature.
- Use of tax allowances and reliefs may not be the most effective means of providing additional support. The changes may only benefit those with enough income already to take advantage of them, or those that are currently claiming the maximum amounts possible.
- The EYPDB is to put forward recommendations very shortly on how best to commit resources in support of children

Financial and Manpower Implications

- The financial implications of this amendment would be 2021 Estimate for Personal Income will be reduced by £260,000
- If this amendment is adopted by the Assembly then the reduction in the forecast Consolidated Fund balance for 2021 will be managed in the first instance by adjusting the Consolidated Fund working balance in that year, without proposing to increase the maximum borrowing requirement proposed in part (c) of P.130/2020.
- Depending upon which amendments are adopted by the Assembly, the Chief Minister or Minister for Treasury and Resources may request an adjournment of the debate for a specified period to consider the consequences of the amendment under Standing Order 70A. Under Standing Order 80A the Chief Minister or Minister for Treasury and Resources may propose, without notice an amendment to the Government Plan at any time during the debate.
- Reducing this income will increase the level of borrowing required by an equivalent amount each year over and above the amount of borrowing otherwise required.
- The Council of Ministers will be bringing a proposition to the Assembly during 2021 seeking approval for long-term financing relating to Our Hospital. In the event that the maximum Covid-related borrowing requirement as approved in part (c) of P.130/2020 needs to be adjusted as a result of the value of amendments approved by the Assembly and updated forecasts, as well as the 2019 outturn, then approval will be sought for an amendment to the approved Government Plan at that time in accordance with Article 16 of the Public Finances (Jersey) Law 2019.

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

These comments were submitted to the States Greffe after the noon deadline as set out in Standing Order 37A due to final due diligence and checking taking place.