WRITTEN QUESTION TO THE MINISTER FOR TREASURY AND RESOURCES
BY THE DEPUTY OF ST. JOHN
ANSWER TO BE TABLED ON TUESDAY 22nd MARCH 2016

Question

Following changes made to the personal tax system over the last 10 years, could the Minister please provide a statement of:

1. any actual loss of revenue due to allowances within the marginal relief tax system and the dates at which allowances were changed;
2. any actual loss of revenue due to the allowances within the 20-means-20 tax system and the dates at which allowances were changed;
3. any actual loss of revenue due to the change in the marginal rate; and
4. any actual loss of revenue due to changes in stamp duty?

Answer

In the answer to written question 9054 the Deputy was provided with a summary of the changes to the personal income tax system over the last ten years, the relevant table has been reproduced below:

Budget	Change	Revenue impact
2015[1]	Increase exemption thresholds	Loss
	Double taxation provisions for marginal rate taxpayers	Loss
	Cap mortgage interest tax relief	Gain
2014	Increase exemption thresholds	Loss
	Reduction in the marginal rate	Loss
	Higher education child allowance extended for marginal rate taxpayers	Loss
	Remove restriction to child allowance by reference to child's earned income	Loss
	Increase age of entitlement to age enhanced exemption threshold	Gain
	Transitional rules for High Value Residents	Protection/neutral
	Reduce minimum charitable lump sum donation to £50	Loss
2013	Increase exemption thresholds	Loss
	Removal of tax relief for life assurance premiums	Gain
	Introduce personal service companies legislation	Protection
	Introduce 'distribution' rules	Protection/neutral
2012	Increase exemption thresholds	Loss
	Increase child care tax relief	Loss
	Reduce tax relief on pension contributions of higher earners	Gain
	Reduce the level of tax free termination payments	Gain
	Remove the deemed distribution rules (agreed outside of the Budget)	Deferral

[1] Changes have been allocated to the Budget in which the relevant change was approved by the States; irrespective of the fact that some changes have been phased in over a number of years (e.g. the '20-means-20' changes were phased in over the period 2007 – 2011)

2011	Increase exemption thresholds	Loss
	Amend deemed distribution rules	Protection/neutral
	Amend the High Value Resident tax regime (agreed outside of the Budget)	
2010	Amend deemed distribution rules	Protection/neutral
2009	Increase exemption thresholds	Loss
	Extend child care tax relief to accredited nannies	Loss
	Extend tax relief for pension contributions	Loss
	Remove restriction of higher child allowance for income earned by the child after graduation	Loss
2008	Increase income tax exemption thresholds	Loss
	Increase child allowances	Loss
	Introduce deemed distribution rules (agreed outside of the Budget)	Protection/neutral
2007	Increase income tax exemption thresholds	Loss
	Withdrawal of allowances through '20-means-20' (agreed outside of the Budget)	Gain

The Deputy has asked the Treasury Minister to provide the "actual loss of revenue" due to the changes identified above in the allowances given within both the marginal rate and the standard rate calculations, together with the actual loss of revenue from the reduction in the marginal rate of tax to 26% in 2014. It is not possible to provide this information on a measure-by-measure basis.

As highlighted above the Budgets approved by the States Assembly usually contain a package of personal income tax measures. In most years the package consists of an increase in the exemption threshold (utilised within the marginal rate calculation) together with changes to the allowances given within marginal rate calculation and/or the standard rate calculation.

The combination of these changes will alter the income level at which each taxpayer swaps from being a marginal rate taxpayer to being a standard rate taxpayer[2]. Therefore to determine the actual loss of revenue from each specific measure would require the Taxes Office to re-run each taxpayer's assessment using unchanged tax allowances and exemption thresholds and then analyse the reasons why any change in tax liability occurs. For those taxpayers who swap from being a marginal rate taxpayer to a standard rate (or vice versa) it could be impossible to identify exactly which measure is changing their tax liability.

The Taxes Office has however been able to supply an indicative overall cost of the changes identified above. Information can be drawn off the Taxes Office's system and entered into a tool in order to give an indication of the total amount of personal income tax which would have been charged for a particular year of assessment if the framework of allowances and relief from another year of assessment were applied. As a consequence of the Deputy's question the tool has been updated, but it is acknowledged that this tool does not reflect some of the complexities of the personal income tax system (e.g. separate assessments, double tax credits).

[2] In other words, it changes the income level at which each taxpayer pays less tax under the standard rate calculation.

The table below has been produced on the following basis:

- Using this tool the framework of allowances and reliefs within the personal income tax system has been applied to the actual income reported by taxpayers for the following year of assessment (i.e. the framework of allowances and reliefs for the 2008 year of assessment has been applied to the income reported for the 2009 year of assessment; the framework of allowances and reliefs for the 2009 year of assessment has been applied to the income reported for the 2010 year of assessment; and so on) and the total amount of income tax payable has been calculated.
- This has been compared to the total amount of income tax payable produced by the tool applying the in year framework of allowances and reliefs to the income. (i.e. the framework of allowances and reliefs for the 2008 year of assessment has been applied to the income reported for the 2008 year of assessment; the framework of allowances and reliefs for the 2009 year of assessment has been applied to the income reported for the 2009 year of assessment; and so on
- The difference between the two figures provides an indicative estimate of the overall financial impact of the changes made in each year.
- The indicative revenue/cost include measures which are phased in over a number of years (i.e. the additional revenue for 2010 of £2.3m arises due to the phasing-out of certain personal allowances under the 20-means-20 policy initiative[3])

Year of assessment Income	Year of assessment Allowances & reliefs	Indicative revenue/(cost) to the States
2007	2006	£2.0m
2008	2007	(£4.9m)
2009	2008	(£4.2m)
2010	2009	£2.3m
2011	2010	(£1.8m)
2012	2011	(£7.3m)
2013	2012	(£5.1m)
2014	2013	(£13.5m)

An answer to part 4 of the question has previously been submitted.

[3] Under the 20-means-20 policy initiative certain personal allowances where withdrawn from the standard rate calculation by 20% for each of year of assessment from the 2007 year of assessment, resulting in the complete withdrawal of these allowances by the 2011 year of assessment.