

STATES OF JERSEY



DRAFT STRATEGIC PLAN 2015 – 2018 (P.27/2015):FIFTH AMENDMENT

Lodged au Greffe on 14th April 2015
by Deputy S.Y. Mézec of St. Helier

STATES GREFFE

PAGE 2 –

After the words “in the attached Appendix” insert the words –

“, except that in the chart on page 19 of the draft Plan, in the column headed ‘Taxation’ –

- (a) in the second bullet point, for the words “should be low, broad and simple” substitute the words “should be fair”;
- (b) in the fifth bullet point delete the words “, where possible,”.

DEPUTY S.Y. MÉZEC OF ST. HELIER

REPORT

“The necessities of life occasion the great expense of the poor. They find it difficult to get food, and the greater part of their little revenue is spent in getting it. The luxuries and vanities of life occasion the principal expense of the rich, and a magnificent house embellishes and sets off to the best advantage all the other luxuries and vanities which they possess ... It is not very unreasonable that the rich should contribute to the public expense, not only in proportion to their revenue, but something more than in that proportion.”

– Adam Smith in “The Wealth of Nations,” 1776, Considered the father of economics and one of the first advocates of capitalism.

This amendment seeks to alter the Strategic Plan section on Taxation so that it will look like this –

Taxation
• Taxation must be necessary, justifiable and sustainable.
• Taxes should be fair.
• Everyone should make an appropriate contribution to the cost of providing services, while those on the lowest incomes are protected.
• Taxes must be internationally competitive.
• Taxation should support economic development and social policy.

Taxation is a fundamental issue of morality. It’s about what sort of society we want to be, how much we believe we should each contribute, and what scope we believe the state should have into individuals’ lives to be able to help them.

It is not enough to say that a government should tax in order to fund its public spending commitments, but it must go further and tax according to principles of fairness and proportionality. Throughout the civilised world this means progressive taxation, where the tax rate increases as the taxable base amount increases.

The purpose of this amendment is to feature in the Strategic Plan the admission that taxation is not just an exercise where you arbitrarily exert funds from people without any sort of coherent set of moral principles that guide the way you choose to tax.

In previous years it has been easy for some to dismiss those who have consistently argued for a fairer tax system by saying that the current system was working, that Jersey did not have any debt and that we maintained a high level of public services. However, this can no longer be the case.

We know that public finances are not in a good position. It seems that every day we are hearing more bad news that the projected public spending deficit will be worse than we first anticipated. Anybody who says that it is possible to find enough

efficiencies in States departments to reconcile this black hole without affecting public services or without raising taxes is living in a dream world.

If we accept that we must protect the services we all rely on (and I hope we do accept that), then we will have to look at tax rises, and it is vital that we accept that as an inevitability which we are frank and open about, so that we can find solutions to these problems in an open and honest way, without burying our heads in the sand and causing even more disillusionment amongst the Public about the political process.

Last year's election campaign saw the candidates who now comprise the Council of Ministers comprehensively fail to deal with this issue. It was another election, like we have seen time and time again, where candidates marketed themselves based on who had the nicest smile and who could produce the best platitudes to tick the boxes they thought would satisfy the Public.

There was no real debate whatsoever on what direction we want our Island to go down in the future, or how we tackle the financial situation we find ourselves in. Instead, now the approach will just be a 'play it by ear' omnishambles, without any overarching plan that has survived vigorous election scrutiny, as would be the case in any normal democracy. The only way I believe this can be mitigated is by accepting the amendments to the Strategic Plan.

The words "Taxes should be low, broad and simple" should be replaced with "Taxes should be fair".

Stating that taxes should be "low" is arbitrary and does not make sense, especially when there is already a stated commitment that taxes should be competitive.

Logically, it is perfectly reasonable to say that some taxes should be high. Some taxes are purposely designed to be punitive to change human behaviour (tobacco duty, for example).

In addressing the public spending deficit we are facing, it is entirely reasonable to say that on some occasions it may be more desirable to raise a particular tax, rather than force through more cuts to a particular department that may see poorer public services. When it is a choice between taxing or cutting services, it is obvious that the former is not always the greater evil.

Fairness should be the defining quality, and that may well mean that a tax will be low, broad and simple as well as fair, but does not mean that it definitely will be. Why should the government be given licence to pursue taxes which are unfair?

In the past decade we have seen the introduction of GST, which has hurt those on low incomes; and the move to '20 means 20', which has hurt those on middle incomes. Resorting to GST may well be the easiest option if more revenue is needed, but it would also be the least fair option. The only option left is to look at ways in which we can ask high-earners to contribute more.

Where it says “Taxation should support economic development and, where possible, social policy” the words “,where possible,” should be removed.

The whole point of economic development is to create the wealth which we can use to create a better society. The philosophy which some adhere to that economic development should be pursued for no reason is an illogical ideology.

The “*where possible*” is superfluous. If your economic development is not supporting improved social policy, then what is the point in it? A tax system with no regard to social policy will inevitably be one which benefits solely the rich, and we know from examples around the world that financial inequality is actually ultimately bad for economic development. It will end up being counterproductive.

Our taxation policies should be aiming to provide the state with what it needs to create a better society, and that cannot be done by simply assuming that it will naturally happen if there is economic development without any measures implemented to ensure that it does end up supporting improved social policy.

Financial and manpower implications

There are no financial or manpower implications for the States arising from this amendment.