

# **STATES OF JERSEY**



## **INCOME TAX: ALLOWANCE FOR CHILDREN OVER 17 IN FULL-TIME EDUCATION (P.16/2004): COMMENTS**

---

**Presented to the States on 11th May 2004  
by the Finance and Economics Committee**

---

**STATES GREFFE**

## COMMENTS

The Finance and Economics Committee cannot support the Report and Proposition of Deputy F. J. Hill.

Deputy Hill's proposal will, if approved, extend the higher child allowance to parents of children who were never meant to benefit from such an allowance and it is considered inappropriate and inequitable to make that allowance available to parents whose children are not in higher education.

The higher child allowance was introduced in 1994 as compensation for the abolition of deeds of covenant that parents entered into to help their children through higher education, i.e., universities and colleges mainly in the United Kingdom. Such deeds were a very efficient way to assist funding the child through higher education because the child could reclaim tax at 20% from the Comptroller of Income Tax - as the child was invariably small income exempt from tax - as well as getting the net sum under the deed from the parent. Due to the discovery of some fairly serious abuse of this system, the decision was made by the then Finance and Economics Committee to abolish such educational deeds of covenant. To compensate, the higher child allowance was introduced, initially in the sum of £3,000 – compared to the ordinary child allowance of £2,000 – it being subsequently increased to £4,000 in 1995, £4,600 in 1997 and £5,000 in 1999.

After this legislation was put in place, quite a number of parents and professionals argued that, as Highlands College was an institution offering higher education, the parents of those children attending Highlands should also get the higher child allowance. The current position, therefore, is that the parents of children over 17 at further educational establishments, including the parents of those children studying at Highlands, even if only studying 'A' Levels, can claim the higher child allowance – but not the parents of those children studying 'A' Levels at secondary schools, such as De La Salle, Beaulieu, Hautlieu, Victoria College and Jersey College for Girls.

The Finance and Economics Committee does not believe it appropriate to extend the higher child allowance to those it was not intended to benefit so it will be bringing forward in the next Budget an amendment to the Income Tax (Jersey) Law 1961, to ensure that only those parents of children who are attending a university, college or other establishment for tertiary education and studying at tertiary level qualify for the higher child allowance – but excluding in all cases those children studying at secondary school level, i.e., GCSE's, 'A' Levels, the International Baccalaureate or equivalent.