

**QUESTION TO BE ASKED OF THE PRESIDENT OF THE PRIVILEGES AND PROCEDURES  
COMMITTEE ON TUESDAY 25th NOVEMBER 2003, BY SENATOR STUART SYVRET**

**Question**

Would the President advise members whether any mechanism exists by which members of the States can avoid the present income supplement means test by re-arranging their financial affairs, and, if so, provide a detailed description of how this operates?

**Answer**

I am able to inform members that the Treasury, which administers payments on behalf of the Finance and Economics Committee, bases its calculations for the appropriate income support entitlement for each member on the statement of income provided by the Comptroller of Income Tax. The question pre-supposes the member has taken steps to 're-arrange' what might be perfectly legitimate arrangements already in existence. Discussions with the Comptroller confirm that, as the means test for determining income support is based on income received in the Member's own name, the amount could be legitimately reduced by certain means.

For example –

A member can transfer a bank account or dividends or property which yields income from their own name into their spouse's name. In these cases, the income is still properly declared to the Comptroller and taxed but it does not form part of the member's own income for means test purposes, as the present scheme specifically excludes the income of a spouse.

States members with companies do not have to pay all the corporate profits to themselves as director's fees. They can quite legitimately vote themselves fairly modest fees and if they choose to vote themselves less then they will receive the appropriate income supplement. Whilst all corporate profits will be taxed by the Comptroller, only the directors fees received will be included as income for means test purposes.

It is also possible for a States member to receive income which is neither taxed nor taken as part of the States members' income for means test purposes, because 4(b) of the Act of the States dated 14th July, 1998 directs that members' income is to be returned by the Comptroller under the usual rules for assessment of income for income tax purposes. This would relate to items such as maintenance payments and benefits such as family allowance, sickness, maternity grant, rent rebates etc. Therefore, if the income is not taxed because it is exempt, it does not form part of the return to the Treasury and on which the calculations for income support are based.

I would stress that, within the present rules governing income support, the above methods are legitimate.

Members will, later today, be debating the Committee's report and proposition on the removal of means testing for members remuneration altogether, which, if accepted will mean that these issues will not arise in future.