

STATES OF JERSEY



INCOME TAX: INTRODUCTION OF HIGHER RATE (P.131/2003) – COMMENTS

**Presented to the States on 11th November 2003
by the Finance and Economics Committee**

STATES GREFFE

COMMENTS

The Finance and Economics Committee cannot support the report and proposition of Deputy Southern.

Deputy Southern's proposal will, if approved, necessitate an income tax rate of 29% for household incomes above £100,000 after allowances in order to raise £10 million. It is not possible to assess the full effects and implications of the proposal in the timescale allowed by the proposition.

The proposition pre-empts the development of a coherent, well-researched package of measures being brought forward by the Committee to address the challenges posed by issues such as an ageing population and the European Union Tax package.

The Committee further recognises that changes to the tax structure must seek to broaden the tax base. Each measure has different effects in terms of impacts on population, administration, revenue stability and potential feed-through effects on inflation and employment. Given the scale of the projected revenue requirements in Jersey, the Committee envisages that a package of tax measures, rather than a reliance on one instrument, is likely to produce the best overall outcome for the Island. Furthermore, each of these measures must contribute to the overall objective of the package rather than be introduced in piecemeal, ad hoc fashion.

The Committee recognises that significant changes to the Island's tax structure will be required in the near future, and to this end the Committee has progressed a major consultation exercise that has delivered 3 consultation papers on tax and spending and a series of public consultation events in support of these papers.

In the interests of developing long-term sustainable strategy, the Committee will not seek to fundamentally change the tax structure of the Island until it is satisfied that all sectors of the community have contributed to the process, and that any changes have been fully assessed as to their impact on the Island's economy and population.

Quite apart from the Committee's opposition to the proposal of Deputy Southern being considered by the States in isolation, without full consultation and adequate assessment of its implications; the Committee wishes to draw the attention of the States to the fact that, in its opinion, it would not be possible for practical reasons to bring forward the necessary legislation in time for inclusion in the 2004 Budget, should the States decide to adopt the proposition.