

**WRITTEN QUESTION TO THE MINISTER FOR TREASURY AND RESOURCES
BY DEPUTY G.P. SOUTHERN OF ST. HELIER
ANSWER TO BE TABLED ON TUESDAY 1st MAY 2012**

Question

Will the Minister provide the results of his investigation into effective tax rates by quintile and inform members what these reveal about the progressive nature, or otherwise, of the Island's Income Tax system?

Answer

The Minister has provided below comprehensive data which illustrates the progressive nature of Jersey's Income Tax system. In summary:

- An analysis of individual (married and single) income levels and effective tax rates shows that the top 20% of earners pay 70% of all personal income tax.
- Those with income levels in the top 5% pay 34% of all personal tax, and the top 10% pay 47%.
- This analysis also shows that the bottom 40 % of earners pay less than 2% of all personal income tax , due to their tax exemptions.
- Furthermore, 17,000 individuals (married and single) (approximately a quarter of all income earners in Jersey) do not pay any income tax because of their personal exemptions.
- We already have an income tax system which results in those who earn more paying more, and those who have low incomes being protected by their exemptions.

The following tables give three alternative presentations of information by quintile:

Derived from 2009/10 Household Income Distribution Survey and individual taxpaying population who completed a 2010 tax return

Quintile	Income charged to tax on each individual	Number of taxpayers	Average Tax Effective Rate	% of total individuals tax revenues
1	<=£21,500	11,885	7.33%	3.5%
2	£21,501 – 34,050	11,728	10.90%	9.9%
3	£34,051 – 50,000	9,075	12.89%	13.6%
4	£50,001 – 75,812	6,873	14.68%	17.4%
5	£75,813+	6,862	17.59%	55.6%
Total		46,423		100%

Derived from individual taxpaying population who completed a 2010 tax return

Quintile	Income charged to tax on each individual	Number of taxpayers	Average Tax Effective Rate	% of total individuals tax revenues
1	< = £18,894	9,285	6.78%	2.1%
2	£18,895 – 28,322	9,285	10.20%	6.3%
3	£28,323 – 40,355	9,285	11.78%	10.4%
4	£40,356 – 63,919	9,284	13.84%	18.3%
5	£63,920 +	9,284	17.02%	62.9%
Total		46,423		100%

Individual means a single person or a married couple.

In addition to the 46,423 individuals who paid tax for the year of assessment 2010, approximately a further 17,051 individuals were not liable to tax because their total income was below their personal exemption threshold. 10,438 of these had completed a 2010 tax return.

All individuals (married and single) from Taxes Office data base. Year of assessment 2010.

Quintile	Income charged to tax on each individual	Number of taxpayers	Average Tax Effective Rate	% of total individuals tax revenues
1	< Exemption threshold	12,695	0%	0%
2	< £17,999	12,695	4.35%	1.7%
3	£18,000 – 30,899	12,695	10.24%	9.0%
4	£30,900 – 52,588	12,695	12.71%	18.5%
5	£52,589 +	12,694	16.30%	70.8%
Total		63,474		100%

Analysis of number of taxpayers

Liable to pay tax and completed a 2010 tax return	46,423
Not liable to pay tax and completed a 2010 tax return	10,438
Not liable to pay tax and not required to complete a 2010 tax return	<u>6,613</u>
Total	<u>63,474</u>