

STATES OF JERSEY



PROPOSED GOVERNMENT PLAN 2024 - 2027 (P.72/2023) – FOURTEENTH AMENDMENT (P.72/2023 AMD.(14)) – COMMENTS

**Presented to the States on 7th December 2023
by the Council of Ministers**

STATES GREFFE

COMMENTS

Members are urged to oppose this amendment.

All jurisdictions maintain a basket of direct and indirect tax measures and other charges and levies, some of which will be entirely progressive and some of which may be regressive to one degree or another. Jersey's Tax Policy Principles (Page 26 of the Proposed Government Plan) outline that broad approach and recognise that "overall, the Island's tax regime should represent a sustainable balance of them all".

The proposed Government Plan provides an initial investment to meet the needs of the Bridging Liquid Waste Strategy project in 2024 and 2025 and outlines that investment in future years will be predicated on the introduction of a new charging mechanism to be developed for consideration in Government Plan 2025-28.

Work on a Circular Economy Strategy will proceed in 2024, looking at long-term requirements to support solid waste minimisation, recycling and disposal. This is likely to require significant additional investment.

To that end the Minister has asked officers to do the exploratory work to investigate all options for domestic and commercial solid and liquid waste charging in 2024. The amendment would unnecessarily limit the scope of that exploratory work, effectively dictating a form of income-related tax.

Background

Part (b) of the Proposed Government Plan 2024-2027 proposition asks the States to decide whether they are of opinion: "*to refer to their Act dated 30th September 2016 and to approve the application of existing resources for work on the development of 'user pays' charges in relation to all aspects of waste, including commercial and domestic liquid and solid waste*".

The Fourteenth Amendment requests the addition of '*but excluding the consideration of any charges that are regressive and do not take into account the proportionality of payments to the income of the payee*'. The intention of this amendment is to prevent the government from considering and potentially recommending to the States the introduction of a mechanism for charging for liquid and solid waste that is regressive.

Tax policy principles

If the amendment was successful, the policy investigation process would be restricted at the outset from considering certain policy options on the formation of the waste charge. This may undermine the policy outcomes, particularly as the policy aim is to introduce a user pays charge in relation to all aspects of waste.

In restricting the policy investigation process, the amendment would require officers to only consider waste charges that are progressive or proportional. The OECD concluded in their report, *The Distributional Effects of Consumption Taxes*¹, that

¹ OECD/Korea Institute of Public Finance (2014), *The Distributional Effects of Consumption Taxes in OECD Countries*, OECD Tax Policy Studies, No. 22, OECD Publishing

progressive mechanisms of consumption taxes can also be regressive dependent on whether the tax is measured against income or households The report also stated progressive taxes are a poor tool for targeting support to low-income households as it often also benefits the high-income households.

It is imperative that officers can conduct the policy investigation without restriction to assess whether a progressive, proportional or regressive charge achieves the best outcome both for the policy aim and for all taxpayers.

The States Assembly has previously approved the implementation of taxes that are regressive in nature in order to achieve the overriding policy objective e.g. imposts on alcohol, tobacco and fuel. All of which are regressive as they impact low-income Islanders more than high income Islanders.

When GST was introduced, the Government at the time responded by uplifting certain benefits as a targeted support to mitigate the impact on low-income Islanders. Depending on the design of the waste charge, targeted support could be considered for those who may be more affected than others.

Polluter pays principle

A key tool in environmental policy is the polluter pays principle, which is used to help change behaviours. A charge directly linked to usage could provide an incentive to pollute less and it is important that officers have the freedom to explore these options in the development work and put them to decision makers.

As part of the development work, distributional impact assessments of any proposed charges will be undertaken to understand the potential impacts across the community and businesses. These impact assessments, and any mitigations put in place to address them, will form part of the options evaluation.