STATES OF JERSEY

DRAFT MEDIUM TERM FINANCIAL PLAN ADDITION FOR 2017 – 2019 (P.68/2016) – NINTH AMENDMENT (P.68/2016 Amd.(9)) – AMENDMENT

Lodged au Greffe on 21st September 2016
by Deputy G.P. Southern of St. Helier

STATES GREFFE

DRAFT MEDIUM TERM FINANCIAL PLAN ADDITION FOR 2017 – 2019 (P.68/2016) – NINTH AMENDMENT (P.68/2016 Amd.(9)) – AMENDMENT

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After paragraph (ii) insert the following new paragraph and re-number the remaining paragraphs accordingly –

> "(iii) assessing the potential additional tax revenue which could be generated from the introduction of progressive rates of tax for those households which fall into the top decile (10%) of equivalised household income;".

DEPUTY G.P. SOUTHERN OF ST. HELIER

REPORT

As has been clear for some time, the basic problem with our current tax system is that as a result of the perceived need to adopt the zero/ten tax measures, we are not producing sufficient tax revenues to fund a decent standard of public services. The low rates of company tax, when combined with Ministers' obsession with a 20% tax rate for the rest of us, have seen us lurch from one set of desperate stop-gap measures to the next in the so-called "medium term" financial plans.

Less than 2 years ago, senatorial candidates, many of whom are today's Ministers, were assuring us that we were not to worry, and that they had the solution to grow the economy. The FPP in its latest forecast (August) has further downgraded its estimates for economic growth to zero for the period 2017 to 2019. We cannot grow our way out of this problem; instead the Ministers have turned to tax increases largely aimed at middle-earners.

What the current Minister for Treasury and Resources, Senator A.J.H. Maclean, promised would be the "very last resort", increased taxes, have come to pass. But the Ministers insist that these are not taxes but charges. Whatever the label, the Long-Term Care charge, the health charge, to be followed by a hospital charge, and eventually by a waste charge, are likely to add some £60 million to middle-earner tax bills.

As Senator S.C. Ferguson states in her report –

> *"The general uncertainty and inequity of the tax system is such that it must be adjusted."*

If we are to have a pause and a review before agreeing what has resulted from "piecemeal changes since zero/ten," we must surely take the time to assess the feasibility of progressive measures to better target our tax regime.

For Members' information, the range of average equivalised household incomes divided into deciles, taken from the 2014/15 Income Distribution survey produced by the Statistics Unit, is given at the **Appendix** to this report.

Financial and manpower implications

It is estimated that this extension to the review might add 3 weeks and £10,000 to the previous estimate.

APPENDIX

2015	Mean average of decile	10	20	30	40	50	60	70	80	90	100
	Pre-benefit	£6,400	£16,100	£23,000	£30,700	£37,600	£45,200	£53,900	£66,900	£83,900	£159,200
	Gross cash	£14,200	£21,500	£27,000	£32,500	£38,900	£46,700	£54,700	£68,000	£84,300	£159,900
	Net Income BHC	£13,500	£20,400	£25,000	£29,000	£33,000	£38,300	£44,100	£52,300	£64,700	£118,600
	Net Income AHC	£5,900	£13,400	£17,200	£21,600	£26,500	£32,100	£38,600	£46,100	£56,700	£112,000