

Corporate Services Scrutiny Panel - Proposed Government Plan 2024 – 2027 Review

Written Submission – Citizens Advice Bureau – 2nd November 2022

Written submission regarding review of the proposed Government Plan 2024-2027 (P72/2023) in respect of the following:

The Income tax thresholds will be increased by 7.7% in line with average earnings. The Government Plan states that over 90% of taxpayers (those paying at the marginal rate) will benefit from the increases to the income tax thresholds.

The child allowance and childcare allowance will be increased by 7.7% in response to the higher cost of living.

Reply:

We note that last year, the income tax thresholds and child allowances were increased by 12% (higher than the growth of June 2022 RPI which was 7.9%) in support of households facing a higher cost of living.

However, this year, the policy proposal has reverted to the previous long-standing policy for uprating the above allowances being the lower of the growth of June RPI (10.9%) and the average annual earnings index. (7.7%)

Our impression is that many islanders continue to experience a higher cost of living causing hardship. We note that the reported growth in RPI for September 2023 is 10.1% which reflects only a slight decrease in inflation. It is reported that “Housing” continues to be the price group that makes the largest contribution to the annual rate of inflation. We have seen clients who are suffering due to high rental increases usually in line with RPI and those islanders with mortgages who bought homes in the last two to three years who are suffering as a result of higher mortgage interest rates.

We suggest that consideration should be given for the above thresholds to be increased closer to inflation rate.

In addition, we also ask if it would be possible for the Government to consider the removal of the policy of phasing out interest tax relief on main residences. The resumption of a policy providing tax relief on main residences would provide significant and positive support to islanders, especially considering the hike in mortgage interest rates.

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The first-time buyer upper Stamp Duty threshold will be increased in line with the increase for the House Price Index by around 40%.

Reply:

We think that this proposal is overall a positive move as it may encourage first time buyers to venture into home ownership. As the cost of property in Jersey is so expensive with little choice, the proposed raise in the upper Stamp Duty threshold might well create sufficient impetus to help first time buyers to achieve that first property purchase.

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The 1% rate for first time buyers will be extended to ensure minimal Stamp Duty is charged on lower value transactions.

Reply:

We see that it is proposed that the nil rate Stamp duty threshold is to remain unchanged and will continue to apply to transactions up to a value of £350,000. This threshold has not changed since 2019 when it was increased from £300,000. As a comparison, in 2019, the average price of a one-bedroom flat in Jersey was £265,000 which would have made it possible for a first-time buyer to have purchased a small unit of accommodation without paying any stamp duty. In 2023, the mean price of a one-bedroom flat is £356,000 so the current nil rate threshold is insufficient even to cover the cost of purchasing a small unit of accommodation.

The proposal for the extension of the 1% rate for transactions between £350,000 to £600,000 is certainly helpful for first-time buyers. We note the example that for a transaction of £500,000, under the latest proposal, the overall cost of stamp duty would be £1500 compared with £8,000 being the current cost. Clearly, this proposal would assist a first-time buyer.