
STATES OF JERSEY



REPORT ON THE REVISED FORECAST OF STATES INCOME FOR SPRING AND SUMMER 2022

Presented to the States on 4th October 2022
by the Minister for Treasury and Resources

STATES GREFFE

REPORT

The purpose of this report is to present the Spring 2022 and Summer 2022 reports of the Income Forecasting Group to the Assembly.

Income Forecasting Group

**Report on the revised forecast of States
Income for Spring 2022**

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1. Executive Summary

- 1.1. The Income Forecasting Group (IFG) has increased each year of the forecast when compared to the Spring 2021 forecast addendum ¹. In total, the forecast for income in 2022 has increased by £54.5 million (5.9%). This is driven predominantly by improvements to the forecast for income taxes.
- 1.2. The IFG's forecast has been informed by the updated economic forecast² produced by the independent Fiscal Policy Panel (FPP) in March 2022. The updated economic forecast suggests that the economy is recovering well from the pandemic, with unemployment at record lows, however the cost of living is forecast to increase, along with anticipated interest rate rises.
- 1.3. The IFG have considered 2021 outturn data compared to the Covid-19 adjustments made to the Spring 2021 forecast addendum. These are detailed in each of the respective component reports appended.
- 1.4. The Spring 2022 forecast (based on the FPP assumptions of March 2022) has been developed as a 'central forecast' to represent the IFG's view of the most likely outcome. In view of the ongoing increased economic uncertainties around the forecast, a forecast range has been considered, which is detailed in section 5.

2. Uncertainties around the forecast

- 2.1. Significant uncertainty remains around the IFG forecast, emphasis should be on the illustrative range presented by the IFG, rather than sole focus on the central forecast.
- 2.2. Risks to the previous forecast was around the uncertainty over how quickly the economy would recover from the Covid-19 pandemic and public health measures put in place as a response. There remains the economic consequences of the Covid-19 pandemic post Government restrictions, with supply chain pressures pushing up prices.
- 2.3. Similarly, more is now known about the UK and Jersey's trading relationship with the EU as the Brexit transition period came to an end in December 2020. There is remaining uncertainty over how much impact this might have on Jersey's economic prospects in the medium term.
- 2.4. There are increasing and emerging uncertainties in the global economy with the challenges of rising inflation and the economic consequences of the ongoing conflict in Ukraine.
- 2.5. The financial services sector contributes a large part of the Jersey tax collection, both directly and indirectly. The sector has proven resilient against several challenges including the pandemic. Interest rates are expected to increase over the forecast period, and this drives a large part of the increased income tax forecast.
- 2.6. External regulatory factors continue to represent a key area of uncertainty in producing the forecast, with the Organisation for Economic Co-operation and Development (OECD) and G20 updating tax laws to reflect the digitalisation and globalisation of businesses.
- 2.7. In the longer term, Jersey's economy faces similar risks to other advanced economies, including the impact of ageing demographics and challenges around low productivity growth. These continue to contribute uncertainty around the income forecast

¹ Addendum to the IFG Forecast for Spring 2021 [r.151-2021 add.pdf \(gov.je\)](#)

² [FPP Economic Assumptions](#)

3. Economic Assumptions

3.1. The FPP economic assumptions have been updated based on the latest local and international developments to March 2022.

3.2. The main variations to the economic assumptions used in the addendum to the IFG Forecast for Spring 2021 reflect these developments and include:

- Inflation to reach a peak of 5.8% in 2022, then to fall at a slower rate than the UK. The forecast is lower than the UK predominantly due to lower reliance on gas and electricity prices in long-term contracts.
- In response to rising inflation, markets are expecting interest rate rises and these have been reflected in FPP assumptions, with rates reaching 2.3% in 2023 before slowly coming back down.
- Interest rate increases are expected to drive financial services profits growth.
- The overall economy is forecast to grow, but not by as much as financial services. Non-financial service sectors are projected to recover their pandemic losses before returning to trend.

3.3. The IFG have considered the economic assumptions from the FPP and have agreed that these assumptions should be used as the basis of the income forecast modelling for Spring 2022. However, IFG recognise the increased uncertainty around assumptions, and have factored this into the range of forecasts.

FPP Assumptions March 2022

% Change unless otherwise specified	2020	2021	2022	2023	2024	2025	2026
Real GVA	-8.7	6.0	5.1	7.7	-0.2	-0.8	0.6
RPI	1.3	2.7	5.8	4.6	2.9	2.1	2.6
RPIY	1.2	2.7	5.3	3.6	2.5	2.4	2.5
Nominal GVA	-7.2	8.8	10.6	11.6	2.3	1.6	3.1
Gross Operating Surplus (including rental)	-15.5	13.2	17.1	20.6	1.4	0.2	3.2
Financial Services Profits	-18.1	19.5	25.7	36.1	-0.9	-3.1	3.4
Compensation of employees (CoE)	0.2	5.4	5.4	3.6	3.2	3.0	2.9
Financial services CoE	1.5	3.5	5.7	4.0	3.4	3.3	0.4
Non-finance CoE	0.0	6.5	5.3	3.4	3.1	2.8	2.9
Employment	-2.4	3.0	0.9	0.7	0.6	0.4	0.4
Average Earnings	1.1	3.3	4.5	2.8	2.6	2.5	2.7
Interest rates (%)	0.2	0.1	1.2	2.2	2.0	1.7	1.5
House prices	6.1	16.0	6.0	5.0	4.0	3.0	2.7
Housing transactions	-3.8	15.1	3.5	3.0	2.5	2.5	1.5

FPP Changes since last forecast

% Change	2020	2021	2022	2023	2024	2025
Real GVA	+0.6	+3.8	+2.3	+4.4	-1.8	-1.4
RPI	0.0	-0.3	+2.2	+2.0	+0.4	-0.5
RPIY	0.0	-0.3	+1.8	+1.1	+0.1	-0.1
Nominal GVA	+0.8	+4.0	+4.4	+5.9	-1.7	-1.5
Gross Operating Surplus (including rental)	+2.2	+7.1	+6.9	+11.4	-3.8	-3.0
Financial Services Profits	+9.4	+15.5	+11.3	+19.2	-8.4	-6.5
Compensation of employees (CoE)	-0.3	+1.6	+2.2	+0.5	+0.6	-0.1
Financial services CoE	0.0	0.0	+2.2	+0.5	+0.6	-0.1
Non-finance CoE	0.0	+2.6	+2.3	+0.7	+0.1	-0.1
Employment	0.0	+1.9	-0.1	-0.1	-0.3	0.0
Average Earnings	0.0	+0.7	+2.3	+0.7	+0.5	-0.2
Interest rates (%)	0.0	0.0	+1.0	+1.7	+1.5	+1.1
House prices	0.0	+11.0	+2.0	+2.4	+2.0	+0.3
Housing prices	0.0	+10.1	0.0	0.0	0.0	+1.0

4. Summary of forecasts

- 4.1. The individual forecasts for each revenue stream are included in the appendices, these provide further details of the assumptions and adjustments made to each component of the forecast.
- 4.2. **Personal income tax (Appendix A)** has increased for all years of the forecast, this is primarily driven by the higher-than-expected tax outturn for 2020, and 2021 data available from the Income Tax Instalment System (ITIS), as well as the latest FPP economic assumptions. The IFG have reconsidered the adjustments made for the impact of Covid-19 and have removed these from the forecast. The rationale behind this, explaining why the adjustments have been removed, is set out in appendix A.
- 4.3. **Corporate income tax (Appendix B)** reflects a significant increase since the previous forecast, driven by financial services profits growth with higher market expectations for interest rates. The forecast corporate tax from other sectors remains stable as upward revisions to inflation forecasts, are offset by methodological changes described in appendix B.
- 4.4. **Goods and Services Tax (Appendix C)** has been updated to reflect the latest outturn data and the FPP's latest economic assumptions.
- 4.5. **Impôts duty (Appendix D)** reflects an increase in each year of the forecast, driven predominantly by forecast increase in RPI. The adjustments for Covid-19 which take into account behavioural changes along with the latest available market intelligence data have been reviewed. The Covid-19 adjustments reflect behaviours and consumption re-adjusting slowly in 2022 and returning to pre-pandemic levels from 2024 onwards.
- 4.6. **Stamp duty (Appendix E)** has been revised to incorporate the outturn of transactions from 2021 and the updated FPP economic assumptions. The stamp duty forecast has grown significantly from the previous forecast, with the property market in 2021 seeing the highest annual average values as well as the highest turnover of properties for all property types to date.
- 4.7. **Other income (Appendix F)** outturn for 2021 (including the Jersey Telecom one-off £40 million dividend) was £104 million compared to forecast of £109 million. The other income forecast over the period has reduced in each year, primarily due to a reduction in housing returns because of the rent freeze in 2022 and policy to limit rents to 80% of the market rate.
- 4.8. **Social security and long-term care contributions (Appendix G)** are forecast to increase for each year of the forecast. The increase in social security contributions is predominantly driven by the increase in average earnings projected in the economic assumptions, whilst the long-term care forecast is a direct function of changes in personal income tax.

IFG central income forecast

(GBP 000's)	2022 Forecast	2023 Forecast	2024 Forecast	2025 Forecast	2026 Forecast
Income Taxes					
- Personal Income Tax	566,000	610,000	639,000	665,000	694,000
<i>Spring 2021 Addendum</i>	<i>545,000</i>	<i>581,000</i>	<i>609,000</i>	<i>641,000</i>	-
- Corporate Income Tax	111,000	131,000	165,000	165,000	162,000
<i>Spring 2021 Addendum</i>	<i>99,000</i>	<i>109,000</i>	<i>123,000</i>	<i>130,000</i>	-
- Provision for Bad Debt	(6,000)	(3,000)	(3,000)	(3,000)	(3,000)
<i>Spring 2021 Addendum</i>	<i>(6,000)</i>	<i>(3,000)</i>	<i>(3,000)</i>	<i>(3,000)</i>	-
Total Income Taxes	671,000	738,000	801,000	827,000	853,000
<i>Spring 2021 Addendum</i>	<i>638,000</i>	<i>687,000</i>	<i>729,000</i>	<i>768,000</i>	-
Variance	33,000	51,000	72,000	59,000	-
%	5.2%	7.4%	9.9%	7.7%	-
Goods and Services Tax (GST)					
- Goods and Services Tax	90,000	93,900	95,600	97,400	99,300
- International Service Entities Fees	12,600	12,600	12,600	12,600	12,600
Total GST	102,600	106,500	108,200	110,000	111,900
<i>Spring 2021 Addendum</i>	<i>103,600</i>	<i>105,800</i>	<i>107,800</i>	<i>110,000</i>	-
Variance	(1,000)	700	400	-	-
%	-1.0%	0.7%	0.4%	0.0%	-
Impôt Duties					
- Spirits	8,507	8,027	8,480	8,814	9,088
- Wine	9,728	9,745	10,193	10,488	10,709
- Cider	836	910	933	940	941
- Beer	6,379	7,100	7,352	7,489	7,569
- Tobacco	21,662	18,747	17,151	16,589	15,923
- Fuel	27,775	30,461	31,544	32,134	32,481
- Goods (Customs)	1,000	1,000	1,000	1,000	1,000
- Vehicle Emissions Duty (VED)	3,130	3,044	3,044	3,044	3,044
Total Impôts	79,017	79,034	79,697	80,498	80,755
<i>Spring 2021 Addendum</i>	<i>71,026</i>	<i>72,825</i>	<i>73,247</i>	<i>73,645</i>	-
Variance	7,991	6,209	6,450	6,853	-
%	11.3%	8.5%	8.8%	9.3%	-
Stamp Duty					
- Stamp Duty	49,591	50,384	50,840	52,979	54,696
- Land Transfer Tax (LTT)	3,647	3,944	4,205	4,439	4,627
- Probate	2,700	2,700	2,700	2,700	2,700
- Enveloped Property Transaction Tax (EPTT)	1,000	1,000	1,000	1,000	1,000
Total Stamp Duty	56,938	58,028	58,745	61,118	63,023
<i>Spring 2021 Addendum</i>	<i>41,737</i>	<i>42,265</i>	<i>43,671</i>	<i>45,040</i>	-
Variance	15,201	15,763	15,074	16,078	-
%	36.4%	37.3%	34.5%	35.7%	-

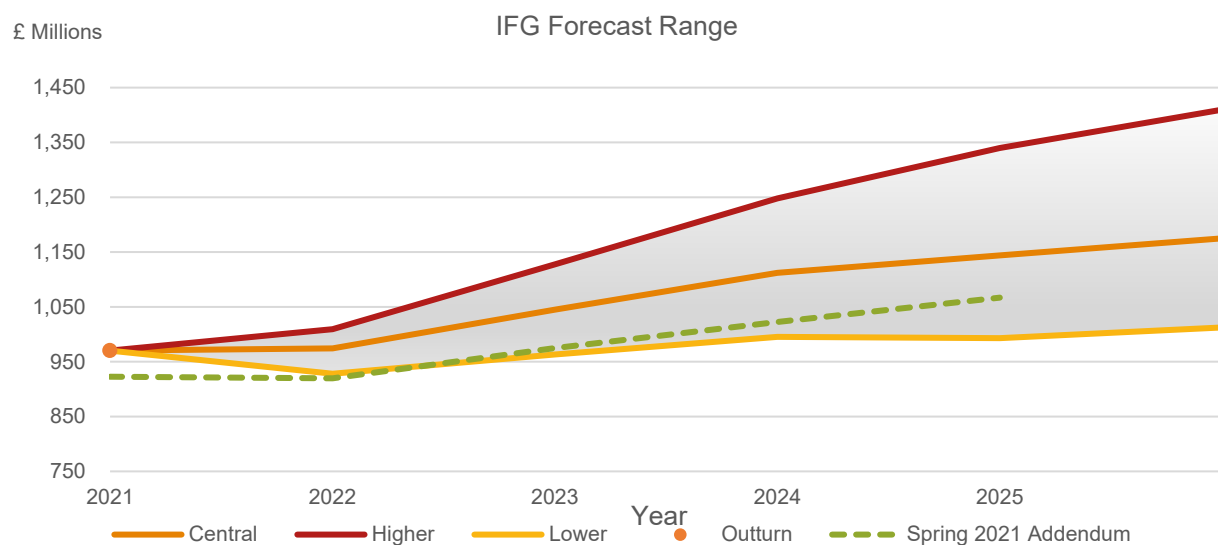
Central forecast – (continued)

Other Income					
- Parish Rates	14,552	15,221	15,663	15,991	16,407
- Dividend Income	9,223	9,538	9,956	10,469	10,873
- Income from Housing Returns	28,669	28,243	28,267	28,517	28,840
- Other Non-dividend Income	12,223	10,376	10,479	10,383	10,286
Total Other Income	64,667	63,378	64,365	65,360	66,406
<i>Spring 2021 Addendum</i>	<i>65,390</i>	<i>67,034</i>	<i>68,806</i>	<i>70,231</i>	-
Variance	(723)	(3,656)	(4,441)	(4,871)	-
%	-1.1%	-5.5%	-6.5%	-6.9%	-
Total States Income					
	974,222	1,044,940	1,112,007	1,143,976	1,175,084
<i>Spring 2021 Addendum</i>	<i>919,753</i>	<i>974,924</i>	<i>1,022,524</i>	<i>1,066,916</i>	-
Variance	54,469	70,016	89,483	77,060	-
%	5.9%	7.2%	8.8%	7.2%	-

5. Range of forecasts

5.1. The central forecast has been prepared based upon the FPP economic assumptions with additional consideration by IFG, as outlined in the separate reports.

5.2. There are heightened risks and uncertainties around the forecast, including those described in section 2 above. Therefore, the IFG advise that the central forecast should be considered within an illustrative range, as shown below.

**Range of forecasts**

	2021	2022	2023	2024	2025	2026
(GBP 000's)	Outturn	Forecast	Forecast	Forecast	Forecast	Forecast
Upper scenario	970,340	1,009,291	1,127,521	1,247,955	1,339,978	1,409,840
Central scenario	970,340	974,222	1,044,940	1,112,007	1,143,976	1,175,084
Lower scenario	970,340	928,128	963,381	995,376	993,079	1,012,539
Spring 2021 Addendum	922,703	919,753	974,924	1,022,524	1,066,916	-

Appendix A – Personal Income Tax Forecast

The IFG's autumn 2021 forecast has been updated to incorporate the latest outturn tax data and the FPP's March 2022 economic assumptions. This should be considered provisional, as some taxpayers have not had their 2020 assessment finalised yet with the data from Revenue Jersey currently using estimates for these taxpayers.

Revenue Jersey's provisional estimate for the tax outturn for 2020 is £489m, £16m higher than the last IFG forecast in August 2021. Given the uncertainty with forecasting the effect of the pandemic on both economic and tax outcomes, the difference between outturn and forecast is not unexpected.

The updated personal income tax forecast is summarised in **Figure 1**. A large driver of the increase over 2021-2025 is the new economic assumptions published by the FPP in March 2022. The other main drivers are a stronger than expected tax outturn for 2020 and ITIS outturn for 2021. Downwards contributions to the forecast include the re-estimation of statistical relationships and the removal of the IFG adjustments which will be explored in detail in section 3.

Figure 1: Changes to personal income tax forecast since August 2021

£m	2020	2021	2022	2023	2024	2025	2026
Personal tax							
August 2021 Forecast	473	511	545	581	609	641	
Tax outturn	+16	+21	+24	+28	+30	+33	
2021 ITIS outturn		+5	+5	+5	+5	+6	
Policy changes		0	-1	+3	+5	+6	
Economic data/assumptions		+2	+15	+30	+30	+23	
New relationships		-1	-3	-5	-7	-8	
Updated HVR forecast		+0	+0	-0	-0	-1	
Changes to IFG adjustments		-14	-20	-31	-33	-34	
May 2022 Forecast	489	524	566	610	639	665	694
Change since August 2021 forecast	+16	+13	+20	+29	+29	+24	

Note: Grey background is previous forecast and outturn. Some columns may not sum due to rounding.

The remainder of the note is set out as follows:

- Section 1 describes how the forecast is carried out.
- Section 2 sets out the new economic assumptions and updates to tax outturn data.
- Section 3 explains the IFG's adjustments to the forecast to account for the economic effects of the COVID-19 pandemic.
- Section 4 sets out the forecast.
- Section 5 sets out the range of estimates
- Annex 1 sets out in detail some improvements made to the statistical equations used in the forecast for pension income.

How the forecast is carried out

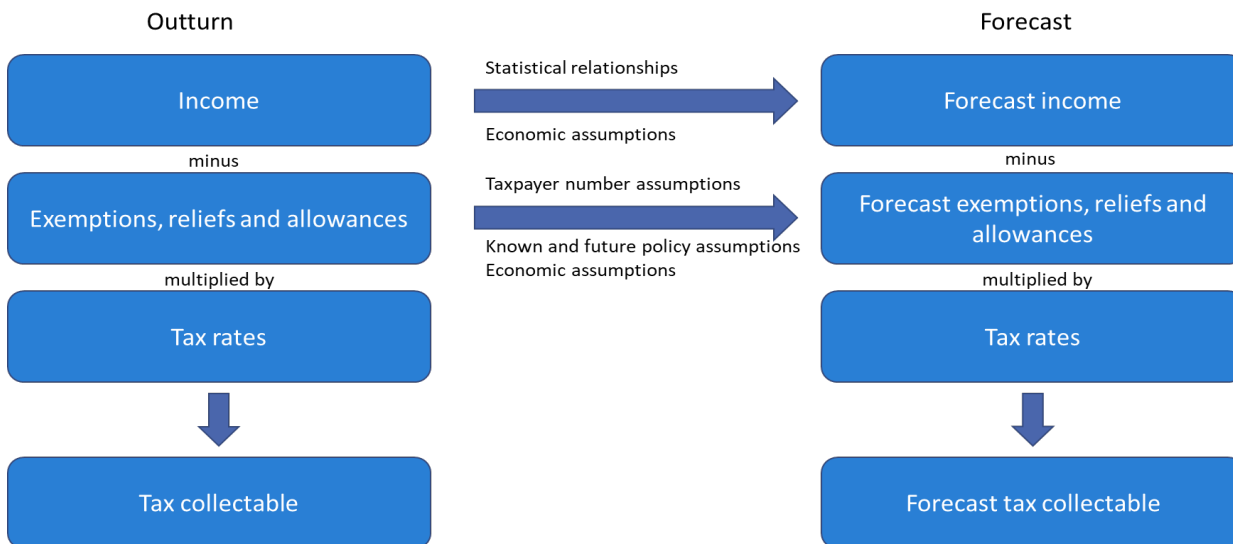
An overview of the personal income tax forecasting model is shown in **Figure 2**. There are two main elements – forecasting taxable income and then forecasting the likely average effective tax rate (i.e. tax collectable per £1 of taxable income) based on forecasts of the value of deductions (including exemption thresholds for marginal rate taxpayers, and the various reliefs, credits and allowances claimed by taxpayers). The forecast of tax collectable is therefore the product of the forecasts for taxable income and the average effective tax rate.

Taxable personal income is estimated over the forecast period by taking outturn data provided by Revenue Jersey and projecting it forward, largely using statistical relationships between taxable income and various economic variables. The economic variables include compensation of employees (CoE), company profits,

employment, average earnings, inflation and interest rates. Forecasts of these variables are overseen by the independent Fiscal Policy Panel (FPP).

The average effective tax rate is then forecast by taking the baseline data for the value of deductions and forecasting changes in these in line with assumptions about future taxpayer numbers, inflation, interest rates and policy changes announced in previous Budgets and Government Plans. So, for example, the aggregate value of the basic exemption thresholds might be assumed to rise in line with the lower of RPI inflation and earnings (to represent the anticipated annual increase in the threshold), and employment growth (to represent the increase in taxpayer numbers claiming this threshold).

Figure 2: Model overview



New economic assumptions and updated tax data

Updated economic assumptions

The Fiscal Policy Panel’s (FPP) updated economic assumptions have been used in the model to update the income tax forecast. The economic assumptions were published in March 2022. The economic assumptions letter can be found on the FPP website www.gov.je/fiscalspolicypanel.

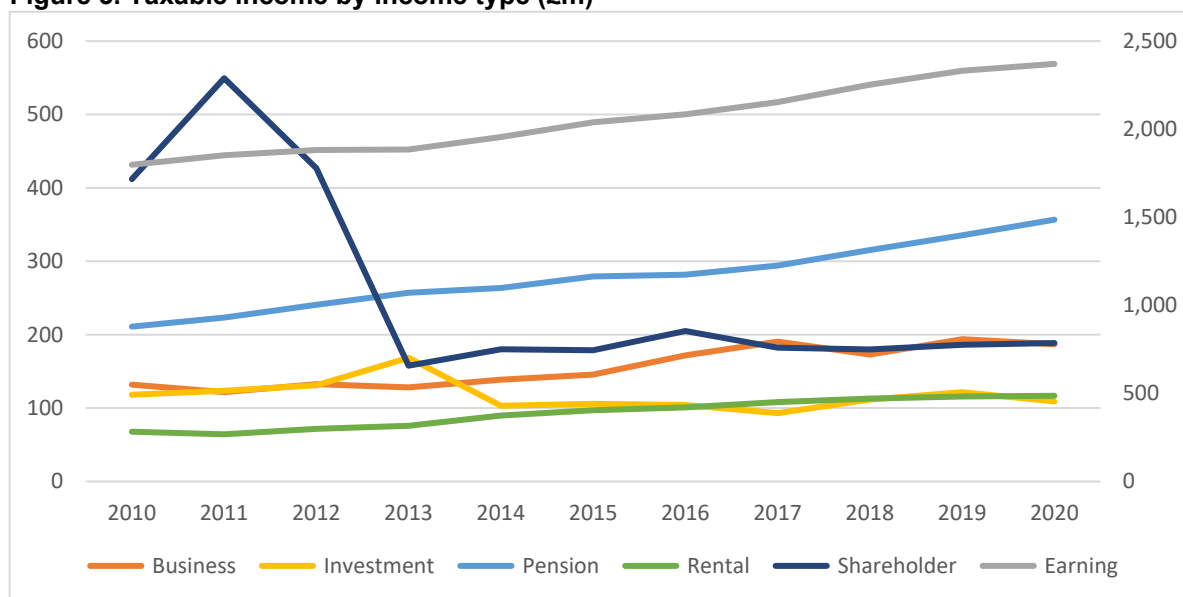
Updated information from Revenue Jersey

Personal tax assessments

Outturn tax data now include the 2020 year of assessment; however, the 2020 tax outturn data contains £19.3m of estimated returns and as such should be considered provisional. 2019 outturn data also contains approximately £2.7m of estimated returns. These have been estimated by Revenue Jersey who have applied the value of any prior year tax returns to a taxpayer who appears to need an assessment.

The estimates apply to 5,700 taxpayers who do not yet have an assessment for 2020. Tax returns for 2020 were due in August 2021, so late returns may still be received. During 2020, there may have been taxpayers who left the Island, but did not notify Revenue Jersey. Similarly, the move to current year tax basis from prior year tax basis may have not captured taxpayers who have left the Island in 2019 but did not notify Revenue Jersey of their departure.

Revenue Jersey’s provisional estimate for the tax outturn for 2020 is £489m, £16m higher than the last IFG forecast in August 2021. **Figure 3** shows the long run trends of each of the income types. This highlights the absence of a large shock to most taxable income lines in 2020. **Figure 4** below sets out the difference between the forecasted value of each income type and the 2020 outturn.

Figure 3. Taxable income by income type (£m)

Note:

Earned income uses the right-hand axis, all other income types use the left-hand axis

Figure 4. Forecast vs outturn comparison of taxable income for 2020 (£m unless otherwise specified)

	Forecast August 2021 (£m)	Outturn	Difference	Difference as a % of forecast
Business profits	149	187	38	25%
Earned income	2,314	2,371	56	2%
Bank, dividend, and other unearned	103	109	6	6%
Pension income	347	357	9	3%
Property income	115	117	2	2%
Shareholder income/distributions	142	189	47	33%

Given the uncertainty with forecasting the effect of the pandemic on both economic and tax outcomes, the large difference between the 2020 outturn and forecast is not unexpected. The two income types with the biggest variation from the forecast were both impacted by large downwards IFG adjustments. Earnings income, which accounts for approximately 71% of the total taxable income only saw a 2% increase from the August 2021 forecast.

Taxpayers on the high-value residency regime

Assessments for taxpayers on the high-value residency (HVR) regime show that £22.9m was assessed for these taxpayers in 2020, falling from £23.4m in 2019. Tax from these taxpayers is forecast separately, and the outturn of £22.9m has been incorporated into the forecast as a new base. This is around £1m lower than forecast in August 2021. Revenue Jersey have confirmed that the fall in tax in 2020 was due to a couple of material one-off events for a few HVR taxpayers in 2019 which generated above average amounts of income taxed at 1%. This one-off income then fell away in 2020 and is considered unlikely to occur again for those specific individuals, however this could occur in the future for other HVRs. In this forecast, the base is provided by a relatively normal year for HVR taxpayers and so no adjustments will be made for the impact of one-off events for HVR taxpayers.

Other entities

This includes tax from clubs/associations, estates, and pension schemes. Tax from these entities grew by 32% in 2019 to £3.5m. However, this fell by £1.3m in 2020, to £2.2m. The forecast predicts this amount to remain flat in nominal terms, under the assumption that the increase in 2019 was a one-off occurrence driven by an increase in estate and club/association income in 2019 which does not recur in 2020.

ITIS data

Revenue Jersey has provided a revised figure for growth in employment income reported through the Income Tax Instalment System (ITIS) for 2021. This indicates that employment income grew by 5.4% in 2021.

The 5.4% for the full year is the combination of relatively weak year on year growth in quarter one when stringent public health restrictions were still in place and stronger growth in the following three quarters. Quarter two showed strong growth of 9.3%, reflecting that quarter 2 of the previous year was the height of restrictions, whilst quarter's three and four were more modest at around 5%.

While the annual growth rate is much larger than 2020 (1%), this is expected as the FPP have predicted strong growth in output and compensation of employees during the post-pandemic economic recovery. For information the average growth over 2016-2019 was over 4.1%.

Adjustments to personal income tax forecast due to the COVID-19 pandemic

The Income Forecasting Group made additional adjustments to account for the impact of the global pandemic and the resultant restrictions on economic activity. These adjustments were to the smaller income lines, i.e., income other than employment and pension income. This is because the impact on employment income was already included in the FPP forecast. The approach in 'normal times' is to forecast many of these smaller income lines to be flat in real terms, or to grow in line with recent averages, and IFG took the view that adjustments were needed to these assumptions to reflect the impact of the pandemic not only on the labour market but on other income streams.

These adjustments were based on the judgement of the IFG, using available local and international evidence and their knowledge of the Jersey tax base. In total, these four types of taxable income represent less than 20% of total taxable income.

The way in which the adjustments have been incorporated in the model means that any remaining adjustments will have a positive impact on the forecast – i.e. they will reflect the Covid impacts gradually easing and growth rates incorporating some bounce-back from their temporarily suppressed 2020 levels. Therefore, it is only appropriate to include adjustments where it can be observed that there was a suppressed level of taxable income in 2020 from which to bounce back.

Figure 5 below shows the growth rate of the outturn data compared with the growth rates predicted in the August 2021 forecast. When considering the adjustments together, previous forecasts have been weighted to the downside, an appropriate action considering the economic outlook and the large degree of uncertainty associated with it at the time of forecasting.

Shareholder income / distributions outperformed expectations, growing 1.3% in 2020, in line with RPIY (its predictor in the model). This income line is particularly volatile in normal circumstances, ranging from -11% in 2017 to +14.7% in 2016 (over a period when tax policy for this income has been consistent), although in more recent past years this has been less volatile. The IFG adjustment of -21pp was overly negative on this income line. In contrast the IFG adjustment on property income, which was formed on the assumption that property income remained flat in nominal terms in 2020 was only 1.2pp away from the outturn growth.

Figure 5. Assessment of the IFG judgement's accuracy in 2020.

	2020 outturn	Forecast for 2020 with IFG	Forecast for 2020 without IFG	Accuracy of IFG	% of total personal income
Business profit	-3.5%	-20.3%	+6.2%	-16.8pp	5.6%
Bank, dividend, and other unearned income	-10.5%	-16.8%	-2.1%	-6.3pp	3.3%
Property income	+0.8%	-0.4%	+6.3%	-1.2pp	3.5%
Shareholder income and distributions	+1.3%	-20.1%	+1.2%	-21.4pp	5.7%

The IFG has removed the adjustments to bank, dividend and other unearned income and shareholder income/distributions. The adjustments were designed to converge back to the pre-pandemic growth path of each income line over 2021 and 2022, or in simpler terms they introduced a period of stronger growth (or a bounce back) following the fall in 2020. When the 2020 outturn was incorporated, it contained the covid impact

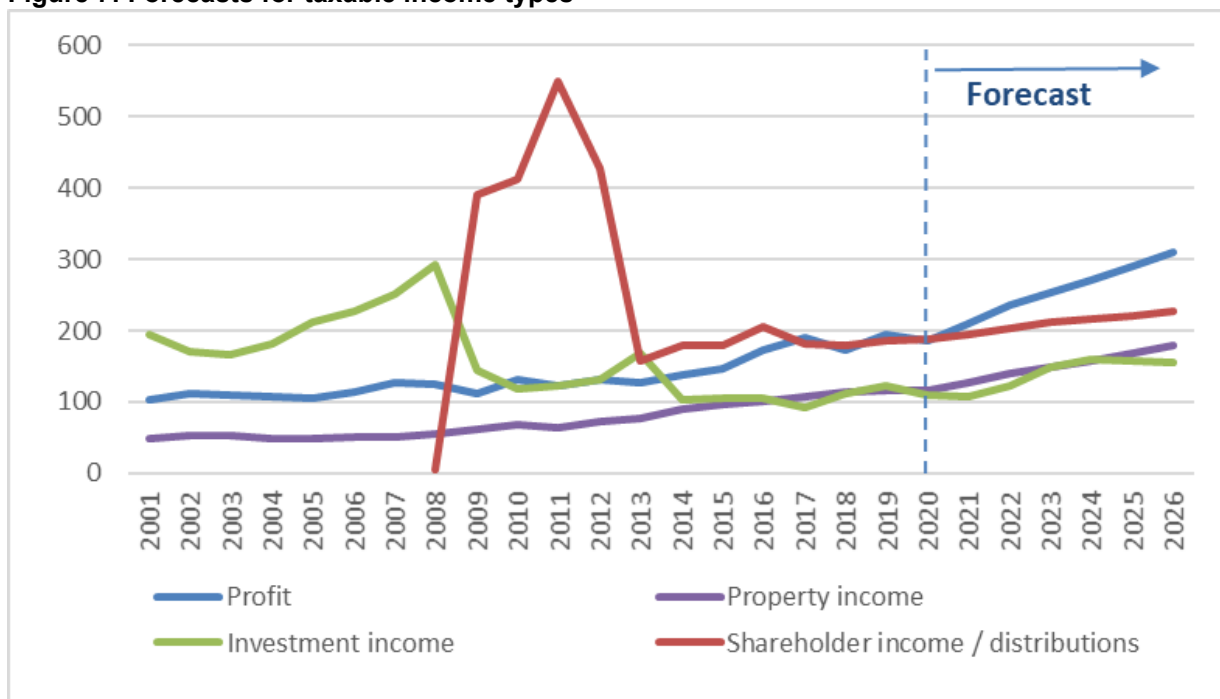
which was smaller than previously anticipated, so placing additional adjustments on top of this caused these adjustments to artificially inflate the forecast for these income types. Consequently, the removal of these adjustment has a large downwards impact on the forecast.

The adjustments to business profits and property income have been reduced to reflect a convergence with the pre-pandemic growth path in 2022. The adjustments required are shown in the table below, given to two decimal places. These adjustments have a small upwards impact on the forecast compared to the scenario where all adjustments are removed, but do not inflate the forecast as much as the previous adjustments. It is important to note that these adjustments are applied differently to adjustments in previous versions of the personal income tax forecast. The adjustments are applied as a percentage point addition to the growth rate in the unadjusted model, rather than a percentage variation from the value in the unadjusted model. The adjustments used are reported in **Figure 6** below.

Figure 6. IFG adjustments

	2021	2022
Business profits	5.64%	5.64%
Property income	2.88%	2.88%

Figure 7: Forecasts for taxable income types



Updated personal income tax forecast

The forecast has increased in all years, with the main drivers being the 2020 tax outturn and its impact on future allowances, new FPP economic assumptions and changes to the IFG’s adjustments.

Figure 8: Changes to personal income tax forecast since August 2021

£m	2020	2021	2022	2023	2024	2025	2026
Personal tax							
August 2021 Forecast	473	511	545	581	609	641	
Tax outturn	+16	+21	+24	+28	+30	+33	
2021 ITIS outturn		+5	+5	+5	+5	+6	
Policy changes		0	-1	+3	+5	+6	
Economic data/assumptions		+2	+15	+30	+30	+23	
New relationships		-1	-3	-5	-7	-8	
Updated HVR forecast		+0	+0	-0	-0	-1	
Changes to IFG adjustments		-14	-20	-31	-33	-34	
May 2022 Forecast	489	524	566	610	639	665	694
Change since August 2021 forecast	+16	+13	+20	+29	+29	+24	

Note: Grey background is previous forecast and outturn. Some columns may not sum due to rounding.

Figure 9 breaks down the drivers of the aggregate change over the six years 2020-25. Total revenue from personal tax over these six years is now forecast to be £116m (3.9%) greater than the August 2021 forecast. The majority of this increase is attributed to the new economic assumptions published by the FPP, approximately £100m, whilst the re-estimation of statistical relationships has reduced the forecast by £25m. The tax outturn has increased the forecast by £151m over 2020-25. This is partially due to the way that the IFG adjustments were originally incorporated into the forecast. The unwinding of these adjustments reduces the forecast by £132m and is explained in detail in the previous section.

Figure 9: Changes in total revenue 2020-25

£m	Total over 2020-25	% of total variation
Tax outturn	+151	115%
2021 ITIS outturn	+26	20%
Policy changes	+13	10%
Economic data/assumptions	+100	76%
New relationships	-25	-19%
Updated HVR forecast	-1	-1%
Changes to IFG adjustments	-132	-100%
Change since August 2021 forecast	+132	100%

A more detailed disaggregation to the changes to the forecast is set out in the remainder of this section.

Tax outturn

As stated in section 2, the outturn for the 2020 year-of-assessment was £16.2m higher than forecast, whilst the outturn for the HVR taxpayers was £1.3m lower than forecast. This has been incorporated into the base and therefore recurs and compounds in future years leading to an increase in the forecast of £10m in 2021 and £13m in 2022.

ITIS outturn

Data from ITIS for 2021 suggest annual growth in earnings of 5.4%. This is considerably higher than implied by the equation used to forecast earnings, which would suggest growth of 4.5%. Quicker than expected growth in earnings income as approximated by ITIS data increases the forecast by approximately £5m in each year of the forecast.

Policy changes

At the time of the last IFG report, the value of personal exemption thresholds for marginal rate taxpayers were assumed to grow in line with RPI a year prior, due to very low growth of average earnings in 2020. Since the publication of that report, policy has reverted back to grow the value of these exemption thresholds in line with the smaller of earnings growth and RPI a year prior. This increases the forecast for 2023 by £4m and is carried into future years of the forecast.

Personal exemption thresholds for marginal rate taxpayers for 2022 have been updated as published in the Government Plan 2022-2025. The exemptions are as follows; £16,550 for single taxpayers, £26,550 for married taxpayers and £6,550 for second earners. From 2022 onwards the married/single standard and married/single age-enhanced exemption values have converged. This change reduces the forecast by £800k annually from 2022 onwards.

Economic data/assumptions

The FPP's March 2022 economic assumptions have been incorporated into the forecast:

- The higher forecast for inflation results in a small increase in the forecast of less than £1m annually. The increase in shareholder income/distributions which are forecast to rise in line with RPIY is partially cancelled out by the impact of faster growth in exemption thresholds. The period of high inflation expected to begin in 2022, will feed into allowances growth for 2023 onwards
- The projected rebound and growth in financial services profits impact the equation used to forecast taxable employment earnings. The strong growth in 2022-2024 increases the forecast by £11m in 2022, £20m in 2023 and £17m in 2024.
- The higher forecast for compensation of employees, average earnings and employment growth increases the forecast by approximately £3m annually from 2022 onwards, after decreasing the forecast for 2021 by £3m. These economic assumptions are updated together as they each interact with each other in the model, and it would be misleading to try to separate out their individual effects.
- The higher forecast for interest rates increases the forecast by £7m in 2023 and £9m in 2024. This is due to the impact on bank interest, dividend and other unearned income.
- The increased house price forecast results in a small reduction to the forecast which impacts in the first three years, due to a small increase in the projections for mortgage interest tax relief. It is worth noting that mortgage interest tax relief will be phased out by 2026.

New relationships

The statistical relationships used to forecast individual types of taxable income have been updated. The equations used to forecast pensions and investment income (bank, dividend and other unearned income) have been re-estimated with the latest tax outturn. Annex 1 sets out a small improvement to the pension equation, to make it more robust. The new equation results in a compounding decrease to the forecast of around £300k each year from 2022 onwards.

- The pension equation relies on the Statistics Jersey population projections for the growth of the over 65 population in the Island. Census population data for 2021 was below that predicted by the population projections from 2016. New population projections have not yet been published but will be incorporated into the IFG's next forecast as they become available.
- Due to the availability of data from Statistics Jersey, SIC2003 classification has been used for finance GOS, non-finance CoE and finance CoE instead of SIC2007 as in previous years. For finance GOS and CoE we were able to use a consistent series in SIC2003. However, the series for non-finance CoE contains two structural breaks when different SIC classifications were used in 2014 and 2018 due to the availability of data. The non-finance CoE series uses SIC2003 pre-2014, SIC2007 between 2014 and 2018 and SIC2003 post-2018. We have ensured that growth rates do not cross over the structural breaks. The re-estimation of the earned income equation now incorporates revised growth rates for both 2019 and 2020 and so the coefficients, particularly for non-finance CoE are subject to some uncertainty. The re-estimation of this equation reduces the forecast for 2021 by £1.3m in 2021 and this reduction is compounding over the years of the forecast.

- Property income and business profits are forecast to grow in line with their ten- and five-year average growth rate respectively. These averages do not include 2020 outturn due to its distortionary effect on the growth rates. Including 2020 would further reduce the growth rates of these income types, so they do not return to their pre-pandemic trend growth over the forecast period.

Updated HVR forecast

Tax from HVRs is forecast separately to the main taxpayer population because the tax rates faced by these taxpayers differ from those for other taxpayers. The forecast for HVR tax is based on expectations for the number of HVR taxpayers arriving, departing, or moving to licensed status.

The outturn for 2020 was around £1.3m lower than forecast, and this has been incorporated into the base. There have been a few revisions in the data for the number of departures in previous years. The number of arrivals in 2021 was greater than assumed in the last forecast, while the full year expectation for 2022 will follow the recommended target of 15-20 arrivals annually. This is simplified to an average of 17 per year. The number of departures has been elevated in 2020 and 2021 to approximately 10 per year, with a number of these departures not leaving the island but changing to licensed status. For the years of the forecast, we assume that the number of departures is equal to the five-year average of 6.

The net effect of these adjustments is relatively insignificant as it reduces the forecast by an additional compounding £300k from 2022 onwards. A review of the HVR scheme, including the number of new arrivals permitted and the tax contribution of each resident can be undertaken in 2023 as laid out in the Budget 2018. The forecast is based on the current policy and will be updated when any changes are agreed.

Removed IFG adjustments

The reasoning for removing the IFG adjustments is set out in section 3. The impact of each individual change is set out below:

1. The removal of the adjustment to business profits reduces the forecast by £8m in 2021, £12m in 2022, and £56m over the remaining three years.
2. The removal of the adjustment to bank, dividend and other unearned income reduces the forecast by £2m in 2021, £4m in 2022 and £19m over the remaining three years.
3. The removal of the adjustment to property income reduces the forecast by £1m in 2021, £2m in 2022 and £7m over the remaining three years.
4. The removal of the adjustment to shareholder income/distributions reduces the forecast by £6m in 2021, £9m in 2022 and £40m over the remaining three years.

The introduction of adjustments to the growth rates of business profits and property income to incorporate a period of higher growth following the pandemic. The impact of these two changes is compared to the forecast in which no adjustments are made and are as follows:

1. The adjustment to business profits increases the forecast by £2m in 2021, £5m in 2022 and £25m over the remaining years.
2. The adjustment to property income increases the forecast by £1m in 2021, £2m in 2022 and £8m over the remaining years.

Annex 1: Improvements to statistical relationships

The statistical relationships used to forecast taxable income have evolved and adapted over time. Review and improvement is done regularly to ensure that it can be demonstrated that the relationships used accurately explain the past data and therefore maximise the potential for a robust forecast. Currently equations are used to forecast earned income, pensions and investment income. Together these three represent around 85% of aggregate taxable income.

The three equations currently used are:

1. Growth in earnings is forecast in line with aggregate earnings in the finance and non-finance sectors, and profits in the finance sector.
2. Growth in pensions is forecast in line with average earnings and growth in the over-65 population.
3. Growth in investment income is forecast in line with changes to the Bank of England Bank Rate.

The equations currently used for earnings and pensions were developed by Oxera in 2017. Changes were made to each of the three equations in Spring 2021 to make the estimated relationships more robust. A full description of these changes and the current methodology is available in the IFG Spring Report 2021, R.151/2021. The changes are summarised below:

1. The earned income equation has been improved by using data on growth in earnings reported through ITIS from 2016-19, rather than growth in assessed earnings - as there is some uncertainty around the consistency of recent data from assessments.
2. The pension equation has been improved by adjusting for a potential change in the relationship between pension income and the economic variables.
3. The investment income equation has been improved by including a variable to account for the change in interest rates in the previous year – to account for delay in passing on policy interest rate changes.

Note that the comparisons set out here relate to the monetary impact of using the improved equation, as compared to the alternative of re-estimating the existing equations using the previous structure but with the latest data. This differs from the comparisons set out in the main forecast document, which are the impact of the new equations when compared to the last IFG forecast.

High-level summary

While the three existing equations remain broadly robust and explain a large degree of the past variation in taxable income, the new data series mean that without making any changes the equations would be less robust than before. Improvements have therefore been implemented as follows:

1. The pension equation has been improved by including a dummy variable to account for the effects of the pandemic on this income line.

The small change to the pension equation results in a new estimated relationship that is more robust, and therefore has been incorporated into the forecast. As stated above, reviewing the relationships and making incremental changes is not unusual and would be expected of any econometric model.

Range of estimates

The IFG has produced an upper and lower estimate of the Personal Income Tax forecast using a judgement on the margin of error around the FPP's assumptions. The error margins used are shown in the table below.

Figure 10. Margin of error around the FPP's assumptions.

	Variation (pp)
RPI	+/- 3.0
RPIY	+/- 2.0
Financial Services GOS	+/- 10.0
Financial Services CoE	+/- 3.0
Non-Finance CoE	+/- 3.0
Employment	+/- 1.5
Average earnings	+/- 3.0
Interest rates	+/- 1.0
House prices	+/- 2.0

Each of the FPP's assumptions has a different impact on the forecast, and often these variables interact. For example, the personal exemption threshold for marginal taxpayers is assumed to grow in line with the lower of RPI and earnings, so the impact on the forecast of a change in either of these variables will be subject to changes in the other. Some variables also affect both income lines and allowances. For example, an increase in inflation will increase the forecast through its impact on shareholder income/distributions and decrease the forecast through increased exemption thresholds for marginal taxpayers. The table below shows the upper and lower estimates of this forecast.

Figure 11. Range of estimates around the Personal Income Tax forecast.

£m	2020	2021	2022	2023	2024	2025	2026
Lower scenario	489	519	541	566	579	588	621
Central forecast	489	524	566	610	639	665	694
Upper scenario	489	528	591	667	725	785	826

Pension Income Equation

Pension income is forecasted to grow in line with average earnings and the change in the number of pensioners, which is approximated by the change in the population aged 65 or over (modelled by Statistics Jersey).

In the previous version of the forecast a lag on average earnings was also included to improve the fit of the model. In 2020, pension income grew 6.4% whilst other income lines saw falls or very slow growth suggesting that pension income was more resilient to the economic shock of the pandemic. Average earnings grew only 1.1% in 2020, with ITIS growth very similar at 1%. An explanation for this may be an increase in the number of pensioners exceeding that of the number of people reaching pensionable age in what has been called the Great Retirement as more over 50s leave the workforce. Across the UK, there were 192,000 fewer over 50s in employment in March 2022 than before the pandemic³.

When incorporating the outturn for 2020 and re-estimating the relationship for pension income, the explanatory power of this equation drops. The re-estimated equation for 2020 is shown below in column (1) of **Figure 12**. The R-squared of this equation falls from 0.89 to 0.83 when 2020 outturn data is incorporated. A lower weight is placed on the change in average earnings and the change in the over 65 population than in previous estimations of the relationship, whilst the constant becomes positive (although still not statistically significant).

Figure 12. Pension equation

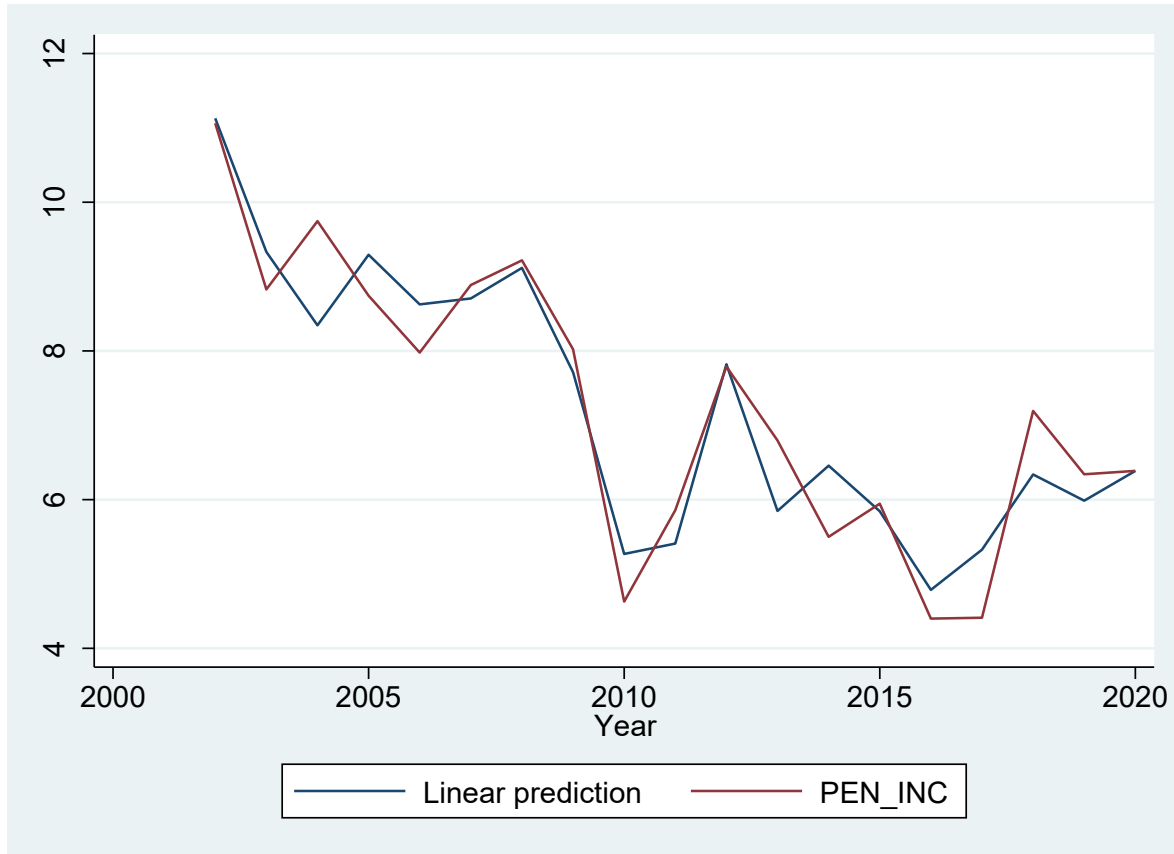
Explanatory variables	(1) Pension income	(2) Pension income
% change in earnings	0.6897*** (0.2115)	0.8856*** (0.1943)
% change in earnings (-1)	0.6074*** (0.1627)	0.5660*** (0.1384)
% change in over 65 population	0.7988** (0.3652)	1.0683*** (0.3259)
D02to12	1.4450** (0.5840)	1.8737*** (0.5209)
D20		2.3015** (0.8954)
Constant	0.5198 (1.3765)	-0.9064 (1.2888)
Observations	19	19
R-squared	0.8291	0.8867

Standard errors in parentheses
*** p<0.01, ** p<0.05, * p<0.1

³ Table A05 SA taken from the Labour Force Survey by the ONS

For this reason, a dummy variable which takes the value of 1 in the year 2020 and 0 otherwise has been added to the model for 2020. The dummy is significant at the 5% level and improves the overall fit of the model. The equation including the dummy is shown in column (2) of **Figure 12**. Incorporating the dummy reduces the forecast by £3.8m over the period 2021-2025 compared to the re-estimating the previous specification.

Figure 13. Fitted and actual values of pension income (new model).



Appendix B – Corporate Income Tax Forecast

Figure 1 summarises the corporate tax forecast. The Income Forecasting Group corporate income tax forecast for 2021 was very close to outturn. The forecast was £96m compared to an outturn of £98m.

The forecast receipts for the rest of the horizon have increased significantly since the previous forecast, primarily due to higher expected financial services profits as per the Fiscal Policy Panel's (FPP) latest economic assumptions. This increase in financial services profits is driven by higher market expectations for interest rates. The forecast for tax from other sectors has remained stable as upward revisions to inflation forecasts, which are a key determinant, are offset by methodological changes.

Figure 3: Changes to Corporate Income Tax forecast since August 2021 forecast

£m	2020	2021	2022	2023	2024	2025	2026
Corporate tax							
August 2021 forecast	120	96	99	109	123	130	
Impact of tax outturn	+1	+2	+2	+2	+2	+3	
Growth assumptions - FS		0	+9	+19	+39	+32	
Growth assumptions - non-FS		0	+1	+2	+3	+3	
Methodological changes (non-FS)		0	0	-1	-2	-2	
April 2022 forecast	121	98	111	131	165	165	162
<i>Change since August 2021 forecast</i>	1	+2	+12	+22	+42	+35	

Grey background is previous forecast and outturn. Some columns may not sum due to rounding.

2021 outturn from Revenue Jersey

The aggregate outturn for 2021 was in line with the IFG forecast. Tax from financial services was hit strongly, primarily due to the impact of the reduction in the bank rate which fell in March 2020 from 0.75 to 0.1 and remained at that level for the remainder of the year. Tax outturn for financial services fell from £81m to £59m between 2020 and 2021. This includes a £1m downwards revision to 2020 outturn. Note that corporate income tax is paid one year in arrears, so tax in 2020 relates to profits in 2019.

Tax from property activities (property development and rental profits) fell by £0.8m in 2020, while tax from large corporate retailers (LCRs) remained relatively stable with small growth of around £0.2m despite lockdown restrictions impacting trade.

Tax from utilities grew by just over £½m, whereas tax from all other sectors fell by around £1m.

Overall corporate income tax fell by 19% between 2020 and 2021, nearly all of which was due to falls in tax from financial services, assumed to be largely due to the impact of lower interest rates on financial services profits. This was reflected in the IFG forecasts.

Updated forecast

Financial services

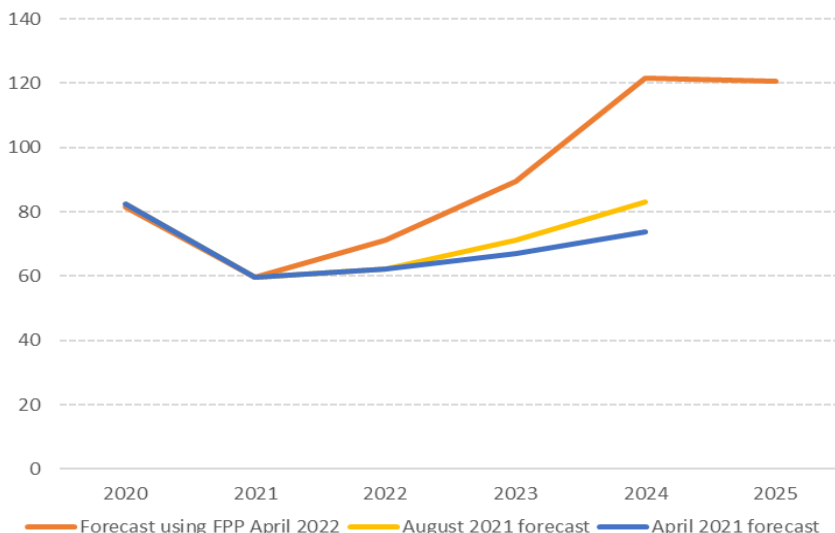
The forecast has been updated with the new FPP economic assumptions, which were published on 30 March 2022. The new economic assumptions forecast a large increase in financial service gross operating surplus (FSGOS – a measure of profits) in 2021-23 which drive increases in the tax forecast between 2022-24. Interest rates are currently expected to reach 2% by the end of 2022 and 2.3% by the end of 2023. Given Jersey is primarily a deposit-taking centre, interest rate rises usually lead to an increase in net interest margins. The subsequent increase in FSGOS is consistent with previous changes to the interest rates such as the large fall in FSGOS in 2020 with a corresponding smaller base rate change.

Jersey Financial Services Commission data also suggests some reductions in banks operating expenses in 2021, particularly by Jersey Incorporated Banks. This is incorporated in the FPP's assumptions, which leads to a forecast increase in Corporate Income Tax from financial services companies in 2022.

The FPP forecast that FSGOS will fall towards the end of the horizon as market expectations are for interest rates to come down from a peak, which translates to minor falls in the forecast for corporate income tax in 2025 and 2026.

The impact of these revisions is that there is a doubling of corporate income tax between 2021 (latest outturn) and 2024.

Figure 4: Forecast corporate tax from financial services (£m - budget year)



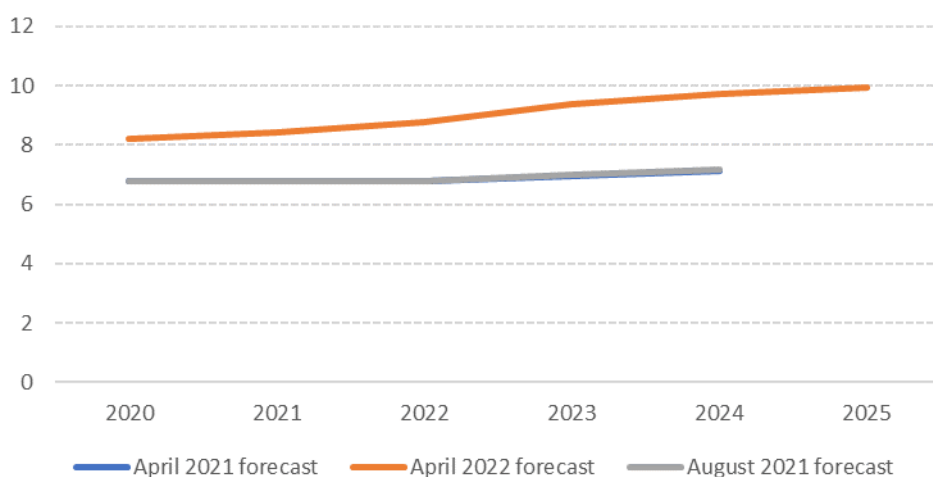
Note: tax is collected one year in arrears, so tax in 2020 relates to profits in 2019

Large corporate retailers

The previous forecast assumed flat growth in large corporate retailers’ profits across 2020 and 2021 and growth in line with RPI-Y for 2022 onwards. Latest outturn shows there was growth of 2.7% in 2020, which was higher than inflation. Further growth now appears more likely in 2021 and 2022, particularly as latest GST outturn data from 2021 suggests a large increase in consumer spending. Therefore, large corporate retailers’ profits are now forecast to increase by RPI+1.5ppt in 2021 and 2022. The growth assumption for the rest of the forecast, growth by RPI, is unchanged.

There also have been an upward revision in the outturn for LCRs in 2020 (around 20%), however, this may be due to movements in categorisation of companies which underwent a refresh from Revenue Jersey, rather than significantly higher corporate tax receipts.

Figure 5: Forecast corporate tax from large corporate retailers (£m - budget year)



Note: tax is collected one year in arrears, so tax in 2020 relates to profits in 2019

Property

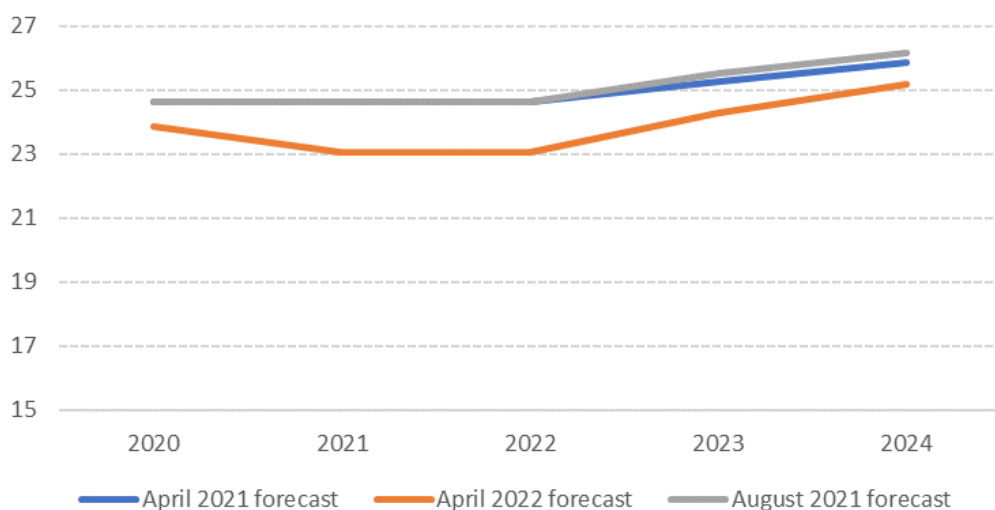
The previous IFG forecast suggested flat growth between 2020 and 2021 for corporate income from property. Outturn shows that there was a modest fall of 3% and a downwards revisions to 2020 outturn although some of this may be due to the improvements in categorisation by Revenue Jersey.

IFG forecasts that there will be flat growth for property rental and development profits in 2021 and then they will grow in line with RPI-Y from 2022 onwards.

Latest retail vacancy data from St Helier and Jersey Business⁴ suggests vacancy rates remain low and fell between Q1 and Q2 in 2021 from 8% to 7.7%. Whilst 8% was a recent high, this fall bucked the UK trend where vacancy rates grew by 0.4% to almost double St Helier's rate at 14.5%. This suggests retail vacancy rates in St Helier are influenced by a small number of shop closures but remain at low rates with no current signs of an upward trend.

Outside of retail, offices make up the majority of the rest of corporate property income. A report by D2RE⁵ suggested that vacancy rates increased between 2020 and 2021 from 7.8% to 8.5% but the rate for prime office space remains very low. The majority of businesses expected rental requirements to stay the same over the coming year and there was a slightly larger number of businesses who expected requirements to grow than there was for their requirements to fall. This is similar to last year's results.

Figure 4: Forecast corporate tax from property rental and development (£m - budget year)



Note: tax is collected one year in arrears, so tax in 2020 relates to profits in 2019

Other corporate tax

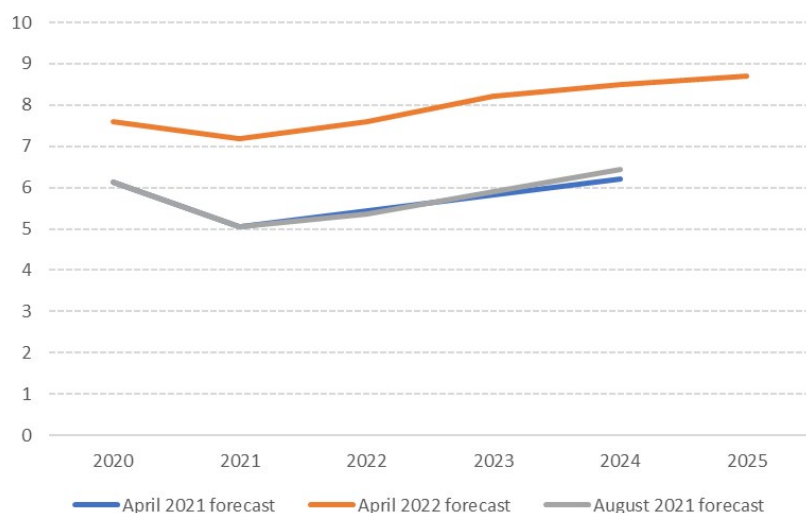
Other corporate tax is a group of businesses predominately utilities, oil and mining. Previously, the IFG August forecast assumed a large drop in profits in 2020 and then considerable subsequent increases recovering profits. The growth rate was based on the growth in profits across the whole economy.

Outturn data suggests the fall in profits in 2020 was much smaller than previously forecast and the subsequent large increases in profits thus seems less likely. Therefore, the forecast for profits for 2021 onwards has been updated to match RPI-Y inflation, which is consistent with the growth rate for other sectors.

There also have been an upward revision in the outturn for the 'other' catch all sector in 2020 which may be due to changes in categorisation of companies by Revenue Jersey.

⁴ [Vacancy-Rate-Q2-2021-report-.pdf \(jerseybusiness.je\)](#)

⁵ [2022: Office Market Review and Occupier Survey | D2 Real Estate](#)

Figure 5: Forecast corporate tax from other sectors (£m - budget year)

Note: tax is collected one year in arrears, so tax in 2020 relates to profits in 2019

Figure 6: Assumptions used in corporate tax forecast

% growth rate	2021	2022	2023	2024	2025	2026
Financial services	19.5	25.7	36.1	-0.9	-3.1	3.4
Property	0.0	5.3	3.6	2.5	2.4	2.5
Large corporate retailers	4.2	6.8	3.6	2.5	2.4	2.5
Other	2.7	5.3	3.6	2.5	2.4	2.5
RPIY inflation forecast	2.7	5.3	3.6	2.5	2.4	2.5

Range of estimates

The IFG has produced a range around the Corporate Income Tax using judgements on the variation around FPP judgements. The main determinants of the size of the range are the variation around the financial services profit changes and inflation changes. The range increases later in the forecast as the estimates become more uncertain. The table below shows the lower and upper estimates of Corporate Income Tax for the forecast horizon.

Figure 7: Range of estimates around the Corporate Income Tax forecast

	2020	2021	2022	2023	2024	2025	2026
Lower	121	98	103	115	135	125	113
Central estimate	121	98	111	131	165	165	162
Upper	121	98	118	149	200	217	231

Grey background is outturn

Appendix C – Goods and Services Tax (GST) Forecast

The IFG's Autumn 2021 forecast for Goods and Services Tax (GST) has been updated to incorporate the latest outturn data and the FPP's March 2022 economic assumptions.

The updated GST forecast is summarised in **Figure 1**. The increases to the forecast are attributed to the changes to the *de minimis* level and outturn data. The re-estimation of statistical relationships makes a downwards contribution to the forecast.

Figure 1. Changes to the GST forecast since August 2021

£m	2021	2022	2023	2024	2025	2026
GST						
August 2021 Forecast	99.6	103.6	105.8	107.8	110.0	
Changes to de minimis level		0.0	+1.1	+1.1	+1.1	
Updated CoE assumptions and outturn data		+0.7	+1.3	+1.2	+1.0	
Model re-estimation		-1.7	-1.8	-2.0	-2.1	
May 2022 Forecast	106.4	102.6	106.5	108.2	110.0	111.9
<i>Change since August 2021 forecast</i>	6.8	-1.1	0.7	0.4	-0.1	

Note: Figures are rounded to the nearest £m

This note is set out as follows.

- Section 1 describes the forecast methodology
- Section 2 sets out the new economic assumptions and updates to the tax outturn data
- Section 3 explains the removal of the pre pandemic adjustments
- Section 4 explains the impact of *de minimis* changes and the registration requirements for large corporate retailers
- Section 5 gives a brief overview of the forecast
- Section 6 sets out the range of estimates

Section 1 – Forecast methodology

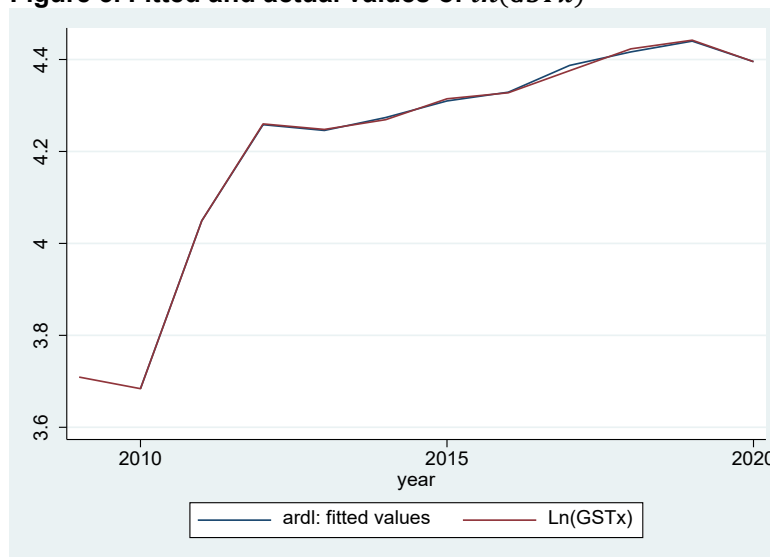
The GST forecast models the relationship between GST excluding International Service Entity Fees (ISE Fees), denoted as GST_x, compensation of employees (CoE) and the tax rate. The forecast for GST_x is then added to the forecast for ISE fees. No changes to the model have been made for this version of the forecast. The model is set out below in **Equation 1** and is estimated over the period 2009-2020

$$\ln(GSTx_t) = 2.87 - 0.12 \ln(GSTx_{t-1}) + 0.72 \ln(CoE_t) + 1.20 \ln(GSTrate_t) + \epsilon \quad (1)$$

The forward-looking forecast uses the FPP's assumptions for the growth of CoE and is conditional on the tax rate being held at 5% for period of the forecast. **Figure 2** shows the coefficients, standard errors, p-values, and diagnostic statistics for the regression model in **Equation 1**. **Figure 3** plots the natural log of the GST_x outturn, and the fitted values predicted by the model.

Figure 2. ARDL with GSTx dependent variable

	GSTx
GSTx (-1)	-0.116** (0.077)
CoE	0.717*** (0.095)
GST Rate	1.194*** (0.096)
Constant	2.868*** (0.592)
Observations	11
R-squared	0.997
Adjusted R-squared	0.995
Log-Likelihood	33.08

Figure 3. Fitted and actual values of $\ln(GSTx)$ 

Standard errors in parentheses

*** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$

Section 2 – Outturn data and new economic assumptions

Outturn data for 2021 points to a very buoyant year for consumer spending on GST liable goods and services. In nominal terms there was a 15.6% increase in GST receipts published in the accounts for 2021. The FPP March 2022 economic assumptions for compensation of employees has been upgraded by 2.2 percentage points, with subsequent years seeing smaller increases. This has increased the forecast by £700k in 2022 and approximately £1m in future years.

Changes to the annual ISE fees from 2021 were expected to increase the GST forecast by £3.5m each year to approximately £12.6m. Outturn data for 2021 suggests that this assumption was accurate as value of ISE fees in 2021 was £12.63m. The growth of ISE fees is expected to be flat in nominal terms throughout the years of the forecast.

Section 3 – Removal of the pandemic adjustments

Outturn data for personal income tax and GST for 2020 and 2021 has been particularly buoyant. On a sectoral basis, the wholesale and retail sector did not experience a significant change in nominal GST receipts over the course of the pandemic, whilst the transport and storage sector saw a fall in 2021 for the second consecutive year. Most sectors have experienced a bounce back from the sharp decrease in 2020, this is particularly pronounced in the accommodation and food services sector. Whilst sectors have emerged from the pandemic with different lasting effects, the overall balance has improved.

Adjustments that were made to account for the pandemic may have been overly negative. Whilst this view was justified at the time of publication, there have been a number of recent economic indicators which point to the economy having weathered the pandemic better than expected. In the previous IFG Spring report, a downwards adjustment of £2.8m was made to the forecast for 2021. Outturn data for 2021 came in £7m higher than forecast in Autumn 2021. For this reason, we will not be making any pandemic related post estimation adjustments to the forecast for 2022 onwards.

Section 4 – Reductions in the *de minimis* level and registration of LCR's

In October 2020, the "*de minimis*" level for paying GST on unaccompanied imported goods was reduced from £240 to £135. Amendments to this have been approved from January 2023 which further reduce the *de minimis* level from £135 to £60.

The impact of the change from £240 to £135 was estimated to increase GST receipts by £0.8m annually. This was included in the previous August 2021 forecast. The additional reduction in the *de minimis* level from £135 to £60, approved in the Government Plan 2022-25, is estimated to increase GST receipts by £1.1m from 2023

onwards⁶. The additional investment required to administer this change is estimated to be around £350k per annum.

In this version of the forecast, we have not accounted for the impact of the requirement for large retailers such as Amazon to register for GST. However, the impact of this on the GST forecast is anticipated to be minimal as this would simply transfer some import GST to on-Island GST.

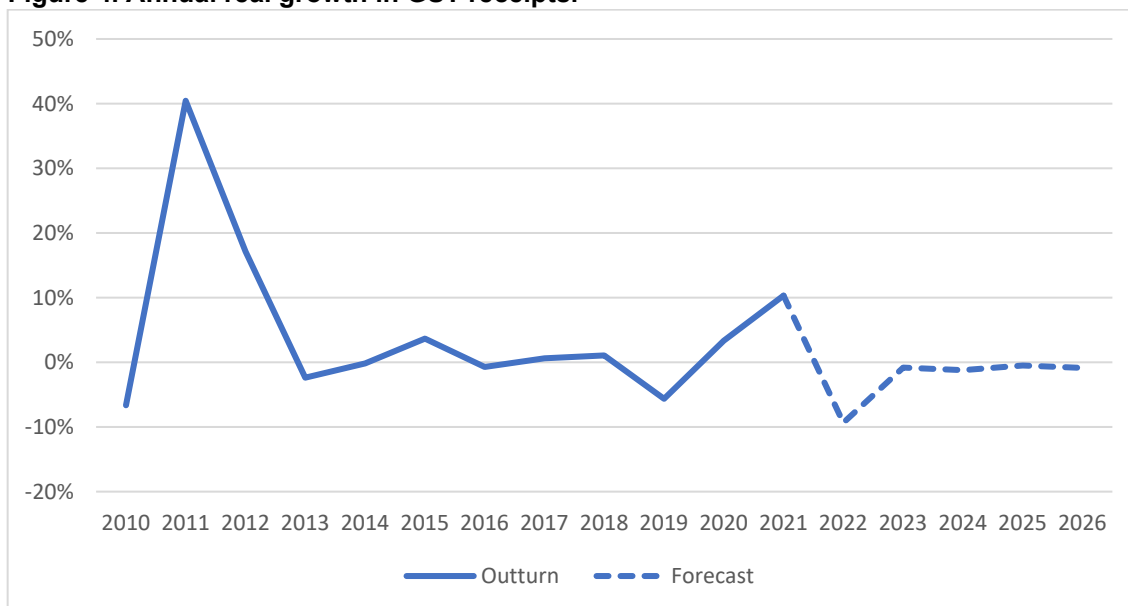
Section 5 – Forecast overview

A summary of the Spring forecast is as follows.

- Changes to the *de minimis* level adopted in the Government Plan 2022-2025 are expected to increase the forecast by £1.1m per annum from 2023 onwards.
- Updated FPP assumptions and outturn data for 2021 increase the 2022 forecast by £700k, and approximately £1m from 2023 onwards.
- Re-estimating the relationship between GSTx and compensation of employees decreases the forecast by £1.7m in 2022, with this increasing to a reduction of £2.1m by 2025.

Low retail price inflation in 2020 and strong demand growth in 2021 gave positive real growth in GST receipts for the two years. The only other year to see significant real growth since the change in the GST rate was 2015, the year in which Jersey hosted the Island Games and saw an additional expenditure of visitors of £3.8m⁷ during the week of the Games.

Figure 4. Annual real growth in GST receipts.



The ratio of GSTx spending to compensation of employees, which acts as a proxy for household income, will continue to fall over the duration of the forecast. This is a trend seen in the data over the previous decade. 2021 seems to be an outlier in this regard and when considering the global context of fast paced economic recovery, this does not appear to be a reversal of the previous trend.

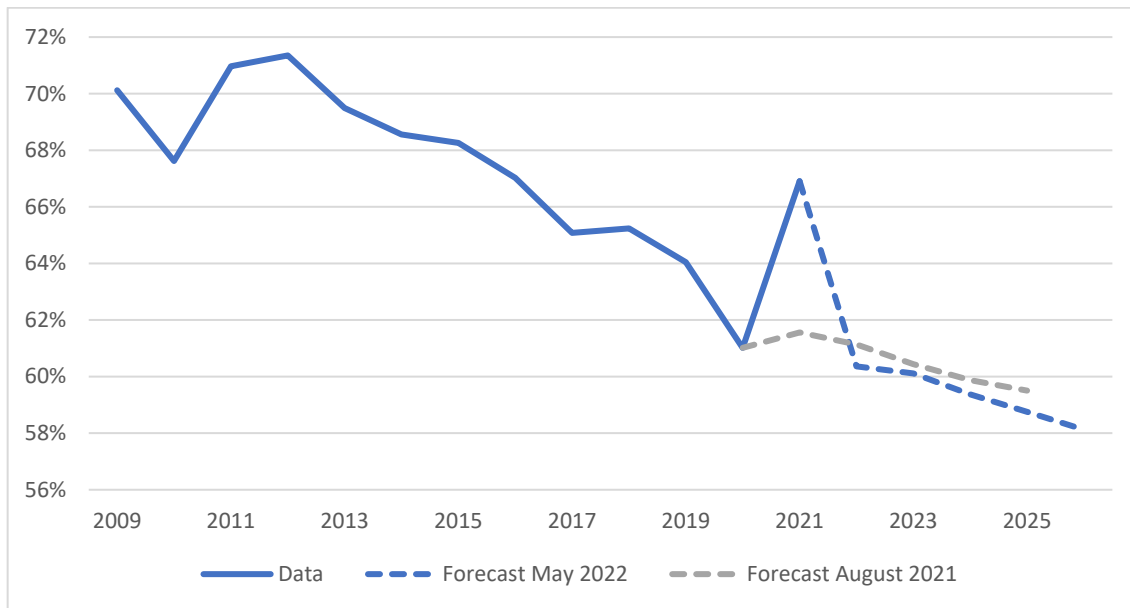
Explaining this phenomenon of falling taxable expenditure relative to income requires considering the context of the local economy. In recent years, property and rental prices have risen considerably faster than both inflation and average earnings, this indicates that households may have less disposable income when accounting for housing costs. Similarly, this can also be explained by a shift towards a greater density of higher paid roles in the economy. Those with lower incomes tend to spend more of their income on GST liable goods and services and tend to have a lower savings rate. An increase in the average income could therefore explain the lower proportion of taxable expenditure relative to compensation of employees.

⁶ Government Plan 2022-2025 page 191

⁷<https://statesassembly.gov.je/assemblyquestions/2016/dep%20martin%20to%20edtsc%20re%20cost%20analysis%20of%20island%20games%202015.pdf>

This trend may also be explained by a behavioural shift from high street spending to online shopping. Since smaller online purchases are not subject to GST, they may be cheaper than products bought in high street stores. Reductions in the *de minimis* level may mitigate this as more online purchases are subject to GST.

Figure 5. GSTx spending relative to CoE income.



Section 6 – Range of estimates

The IFG have produced a range around the GST forecast using judgements on the variation around FPP assumptions. This is a range of +/- 3.0 pp for their estimate of the growth of compensation of employees. The table below shows the upper and lower estimates of this forecast.

Figure 6. Range of estimates around the central GST forecast

£m	2021	2022	2023	2024	2025	2026
Lower scenario	106	99	101	101	101	101
Central forecast	106	103	106	108	110	112
Upper scenario	106	106	112	115	119	123

Appendix D – Impôts Forecast

Summary

This paper summarises the Impôts yield for Customs and Excise duty for 2022 and the estimates of yield for the years 2022 to 2026.

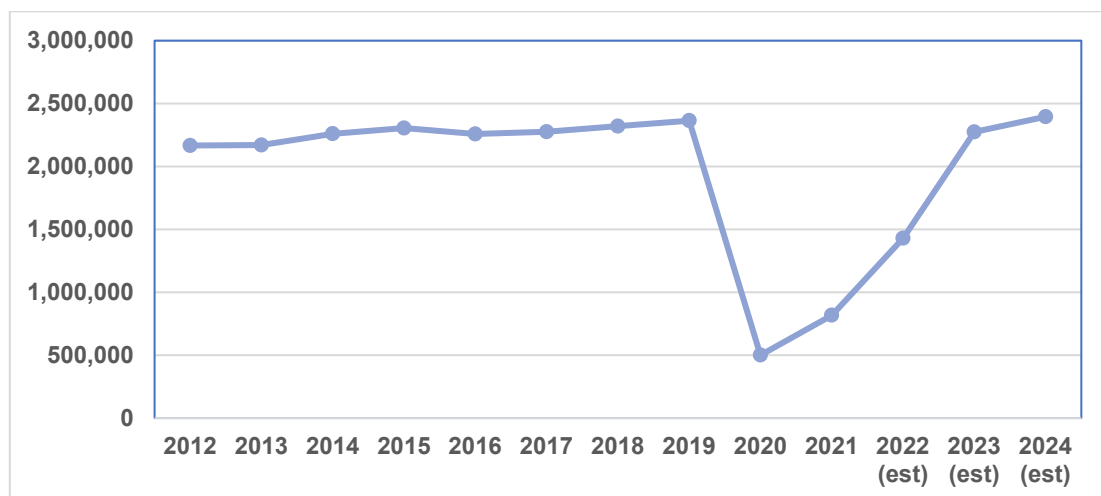
Assumptions and uncertainties

The impact of the coronavirus pandemic continues to bring uncertainty to the forecasting of Impôts duty due to the significant changes in behaviour seen over the past two years as shown in Table 1.

Table 1 – Effects of Pandemic Commodity	2015-2019		2020		2021	
	Mean % Annual Change	Quantity	% Change on 2015-2019	Quantity	% Change on 2020	Quantity
Spirits	2%	159	18%	202	10%	223
Wine	0%	4089	5%	4097	2%	4397
Cider	-5%	1220	7%	1189	-1%	1174
Beer	1%	8559	-9%	7841	-3%	7589
Fuel	-1%	47	-12%	40	6%	43
Tobacco	-5%	37	52%	49	-4%	47

The number of passenger arrivals into Jersey during the pandemic is shown in Table 2. Arrivals in 2019 (2.36m) fell 79% in 2020 (0.5m) and Ports of Jersey anticipate a sharp recovery in 2022 (1.4m) and 2023 (2.275m) with a return to pre-pandemic levels by 2024.

Figure 1 – Passenger Arrival Figures – Air and Sea



Visit Jersey was unable to conduct exit surveys to provide details of visitor numbers and expenditure between April 2020 and the end of 2021. In the absence of a profile of those visitors (e.g. holiday, business, visiting relatives & friends) it is difficult to draw clear conclusions on the effect of each of those category of visitor on excise duties therefore for the purpose of this report and forecast overall passenger numbers will be used for comparison.

Impots estimates are provided to take account of the following scenarios for 2022-2026:

- **A base forecast** taking account of pre-Covid volumes and trends and applying these to 2022-2026
- **A forecast adjusted for Covid** taking into account the possibility that behaviours and consumption will re-adjust slowly in 2022 and only return to normal levels from 2024 onwards.
- **Upside / downside positions** to FPP assumptions taking into account potential volatility in the economy including RPI of -3% and +3%.

Alcohol

The 2022 forecast is contingent on the nature and extent of the Island's pandemic recovery (inbound visitors, Jersey residents travelling abroad, business travel).

In 2020 and 2021 duty-paid spirits increased 28% compared to 2019, wine increased 7% and cider 6%. By comparison, beer decreased 12%, the divergence likely relating to the fact that beer is often bought in on-trade settings and was more affected by on-trade closures (disruption to the night-time economy).

Whilst direct comparisons cannot be drawn between Jersey and the UK, a Public Health England report 'Monitoring alcohol consumption and harm during the Covid-19 pandemic' from July 2021 highlighted that off-trade sales of alcohol increased by 25%, with the largest relative increase being beer (31%) followed by spirits (26%), wine (20%) and cider (17%) as people avoided pubs and drank wine and spirits at home

These figures largely mirror intelligence from both on-trade and off-trade suppliers in Jersey.

In addition, it is believed that changing factors like the drop in visitor numbers, a change in the profile of arriving passengers (e.g. less leisure and business travellers) have had a significant effect on in-Island consumption and of a reduction in duty free imports.

Table 2 – Alcohol Forecast 2022

2021 Outturn (£'000)	Impôts Duties (£'000)	2022 Base Forecast	2022 Covid Adjusted Forecast
£9,312	Spirits	£7,512	£8,507
£8,191	<i>Autumn 2021</i>	£7,401	£7,401
£9,638	Wine	£9,211	£9,728
£9,345	<i>Autumn 2021</i>	£9,256	£9,256
£880	Cider	£911	£836
£920	<i>Autumn 2020</i>	£865	£865
£6,040	Beer	£6,379	£6,379
£5,821	<i>Autumn 2020</i>	£6,311	£6,311
£25,870		£24,013	£25,450

Fuel

The quantity of fuel subject to excise duty in 2021 increased 6% on 2020 but remained 12% below pre-pandemic levels. The Covid adjusted forecast incorporates an estimated 6% increase towards pre-pandemic levels.

The trade anticipate 2022 duty paid volumes to return to within a few percentage points of pre-pandemic levels and are basing their planning assumptions on longer-term trends up to 2019 and are essentially disregarding pandemic disruption.

Oil prices jumped on 24 February 2024 when Russia invaded Ukraine and have continued to lead to increases in road fuel prices to new record levels. Whilst at this time fuel importers and distributors have not seen the price increases translating to decreased demand, if high prices are sustained the sense is that consumer behaviour may be affected but not to any significant extent at this stage. The August revision of this forecast will provide any necessary updates.

Table 3 – Fuel Forecast 2022

2021 Outturn (£'000)	Impôts Duties (£'000)	2022 Base forecast	2022 Covid Adjusted Forecast
£25,130	Fuel	£29,082	£27,775
£24,611	<i>Autumn 2021</i>	£27,728	£27,728
£25,130		£29,082	£27,775

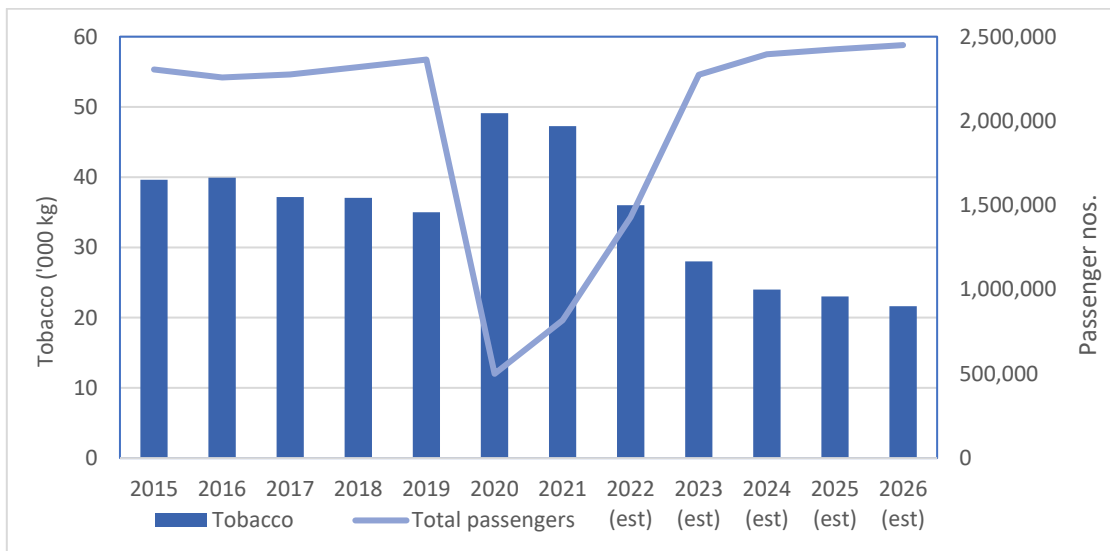
Tobacco

Tobacco receipts in 2021 again saw a sharp rise as a result of reduced travel during the pandemic, in excess of the forecast. The adjusted forecast for 2022 incorporates provision for passenger arrivals to remain at 40% below pre-pandemic levels, with a resultant decrease in the quantities of duty free tobacco being imported.

Table 4 – Tobacco Forecast 2022

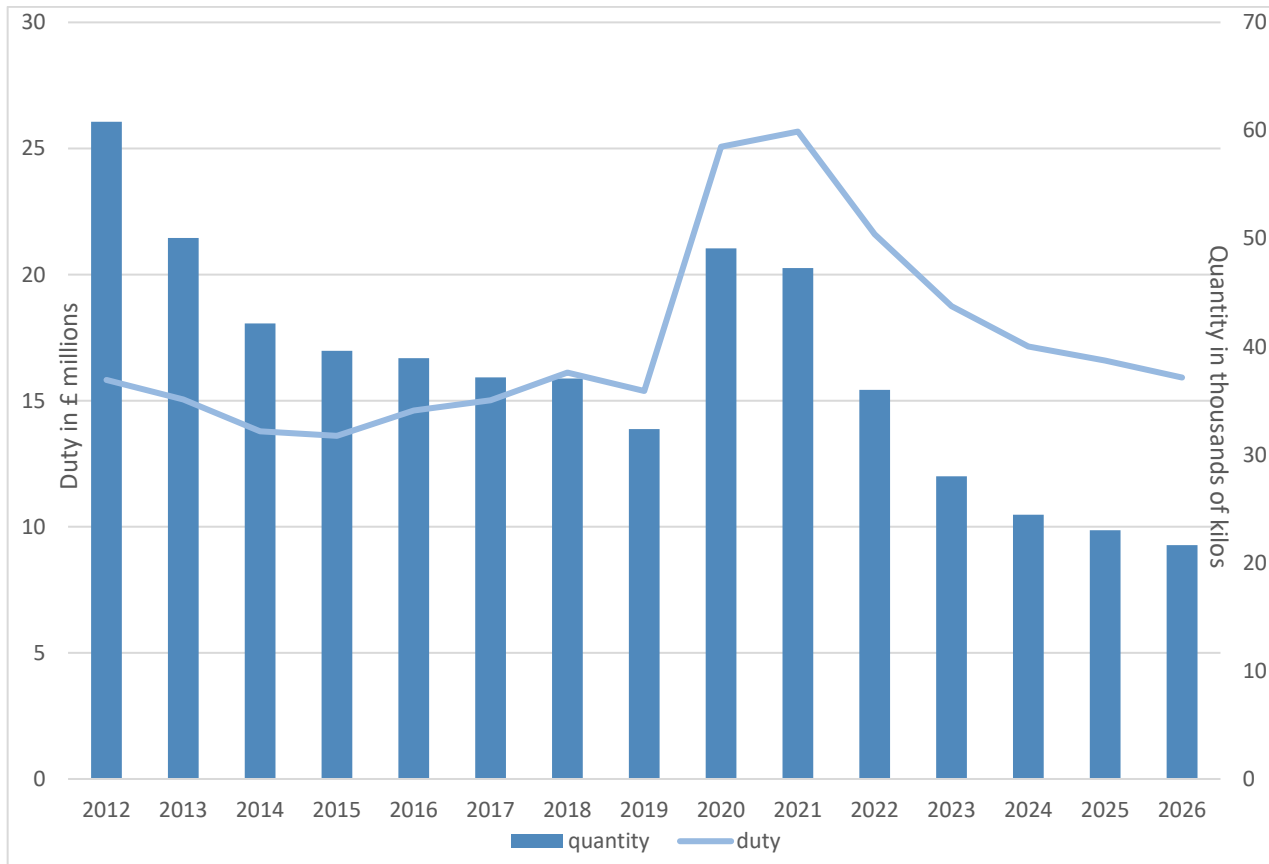
2021 Outturn (£'000)	Impôts Duties (£'000)	2022 Base Forecast	2022 Covid Adjusted Forecast
£25,669	Tobacco	£16,521	£21,662
£21,024	Autumn 2021	£15,935	£15,935
£25,130		£16,521	£21,662

Figure 2 – Passenger Arrivals and Tobacco (kg. duty paid) Comparison



Whilst not directly affecting the forecast it is nonetheless worth noting that new legislation is coming into force in Jersey on 31st July 2022 introducing plain packaging for domestic sales, and banning flavoured cigarettes (e.g. menthol) from being produced or supplied in the Island. The Restriction on Smoking (Standardised Packaging and Labelling) (Jersey) Regulations 2021 are intended to encourage smokers to stop smoking and may in turn contribute to the steady decline in consumption and quantities of duty paid tobacco in Jersey which for the period 2015-2019 averaged about -6% each year.

Figure 3 –Tobacco (kg. duty paid) and Duty (£) Comparison



Other

VED forecasts are based upon anticipated changes resulting from 2022 Government Plan initiatives to discourage the purchase of high CO2 emitting vehicles and to incentivise the purchase of lower emissions or electric / hybrid alternatives.

The forecast for Customs duty (CCT) has been increased from £800,000 to £1m as a result of increases numbers of goods being subject to Customs tariffs post-Brexit.

Impôts Forecast 2022 to 2026

In addition to the measures detailed above the below figures include the GP measures of:

- Alcohol RPI increase for 2023-2026
- Cigarettes RPI + 5% increase for 2023,RPI increase for 2024 - 2026
- HRT RPI + 8% increase for 2023, RPI increase for 2024 - 2026
- Fuel RPI increase for 2023-2026

Table 5 – Impots forecast 2022-2026

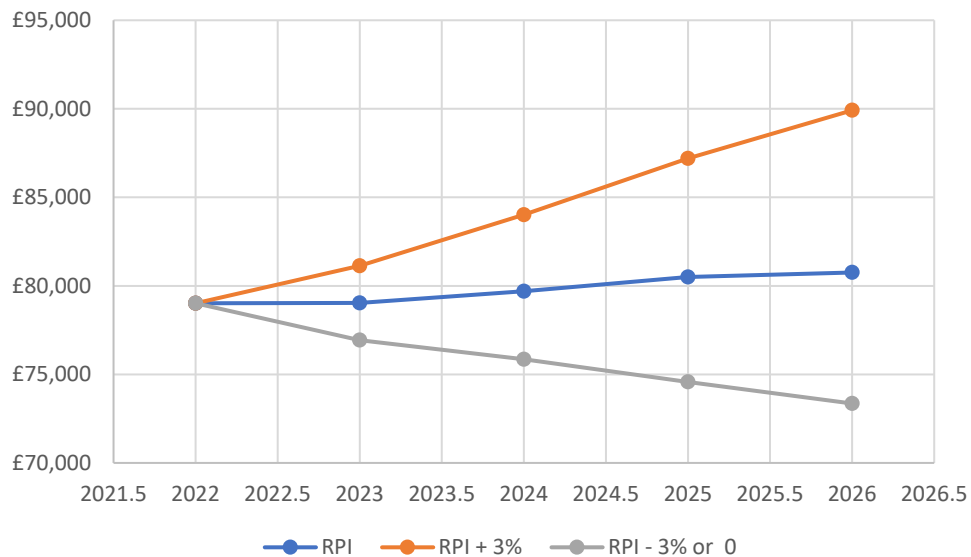
2021 Outturn	2022 Base Forecast	Impôts Duties (£'000)	2022 Covid Adjusted Forecast	2023 Forecast	2024 Forecast	2025 Forecast	2026 Forecast
£9,312	£7,512	Spirits	£8,507	£8,027	£8,480	£8,814	£9,088
222,800	174,498	Quantity (litres of alcohol)	198,476	176,243	178,005	179,785	181,583
£8,191	£7,401	<i>Autumn 2021</i>	£7,401	£7,668	£7,867	£8,063	
£9,638	£9,211	Wine	£9,728	£9,745	£10,193	£10,488	£10,709
43,970	40,971	Quantity (hectolitres)	43300	40,971	40,971	40,971	40,971
£9,345	£9,256	<i>Autumn 2021</i>	£9,256	£9,589	£9,839	£10,085	
£880	£911	Cider	£836	£910	£933	£940	£941
11,740	11,228	Quantity (hectolitres)	10,887	10,507	10,087	9,683	9,296
£912	£865	<i>Autumn 2021</i>	£865	£878	£883	£887	
£6,040	£6,379	Beer	£6,379	£7,100	£7,352	£7,489	£7,569
75,890	86,000	Quantity (hectolitres)	78,683	82,722	81,945	81,125	80,314
£5,821	£6,311	<i>Autumn 2021</i>	£6,311	£6,473	£6,575	£6,673	
£25,669	£16,521	Tobacco	£21,662	£18,747	£17,151	£16,589	£15,923
47,270	27,457	Quantity (kg)	36,000	28,000	24,478	23,010	21,629
£21,024	£15,935	<i>Autumn 2021</i>	£15,935	£16,335	£15,754	£15,181	
£25,131	£29,082	Fuel	£27,775	£30,461	£31,544	£32,134	£32,481
	442,802	Quantity (hectolitres)	422,675	438,374	433,990	429,650	425,354
£24,611	£27,728	<i>Autumn 2021</i>	£27,728	£28,438	£28,885	£29,312	
£1,142	£1,000	Customs Duty	£1,000	£1,000	£1,000	£1,000	£1,000
£800	£800	<i>Autumn 2021</i>	£800	£800	£800	£800	£800
£2,510	£3,130	Vehicle Emissions Duty (VED)	£3,130	£3,044	£3,044	£3,044	£3,044
£2,948	£2,730	<i>Autumn 2021</i>	£2,730	£2,644	£2,644	£2,644	
£80,322	£73,564	Total Impôts	£79,017	£79,034	£79,697	£80,498	£80,755
£73,652	£71,026	<i>Autumn 2021</i>	£71,026	£72,825	£73,247	£73,645	
£6,670	£2,538	Variation	£7,991	£6,209	£6,450	£6,853	
9%	4%	Variation %	11%	9%	9%	9%	

On the advice of Chief Economic Adviser +/- assumptions for 2023-2026 have been provided below to take account of potential greater inflationary moves than anticipated of 3% above and below the economic assumptions provided by the Fiscal Policy Panel in March 2022.

Table 6 - +/- RPI Assumptions for 2023-2026 Forecasts

	2022	2023	2024	2025	2026
RPI -3% or 0	£79,017	£76,934	£75,853	£74,575	£73,356
RPI	£79,017	£79,034	£79,697	£80,498	£80,755
RPI +3%	£79,017	£81,131	£84,014	£87,200	£89,914

Figure 4 - +/- RPI Assumptions for 2023-2026 Forecasts



Appendix E – Stamp Duty Forecast

1. Summary

- 1.1. The property market in 2021 saw all property types recording their highest annual average values seen to date.
- 1.2. Furthermore, the annual turnover of properties was also the highest turnover recorded to date.
- 1.3. This strong outturn for 2021 improves the base for future years of the forecast and is the key driver of the increase in stamp duty against previous forecasts.
- 1.4. The revised FPP economic assumptions for March 2022 (Figure 1) provide an additional increase to all years of the forecast.

2. Outturn for 2021

- 2.1. The outturn of total stamp duty in 2021 was £17.2m (39%) higher than that shown in the IFG spring 2021 forecast addendum⁸.
- 2.2. This increase was experienced across all components of the forecast, with the most material being in property transactions over £2m, exceeding the forecast by £8.9m (66%), and property transactions under £2m which exceeded the forecast by £6.1m (25%).

3. Transactions Q1 2022

- 3.1. Full data for Q1 2022 are only available for LTT transactions and property transactions by High-Value Resident's (HVR's). Supported by additional intelligence provided by Locate Jersey, these appear to be in-line with the forecast proposed below.
- 3.2. When further data are available, these will be incorporated into the forecast.

⁸ Addendum to the IFG forecast for Spring 2021 - <https://statesassembly.gov.je/assemblyreports/2021/r.151-2021%20add.pdf>

4. Revised FPP Economic Assumptions (March 2022)⁹

- 4.1. The housing market in 2021 continued to show strong growth in both house prices and the number of transactions. This resulted in a £105k increase in the median price of a 3-bed house.
- 4.2. The FPP forecast continued strong growth in house prices for the initial years of the forecast, albeit less rapid than in the last two years.

Figure 1: FPP Economic Assumptions March 2022

March 2022 Assumptions (% change)	2021	2022	2023	2024	2025	2026
House Prices	16.0	6.0	5.0	4.0	3.0	2.7
Housing Transactions	15.1	3.5	3.0	2.5	2.5	1.5

Figure 2: Variation to FPP Economic Assumptions from August 2021

Variation to August 2021 (% change)	2021	2022	2023	2024	2025
House Prices	+11.0	+2.0	+2.0	+2.0	+0.3
Housing Transactions	+10.1	0	0	0	+1.0

- 4.3. The recently released Statistics Jersey House price report for Q4 2021¹⁰ shows that the overall turnover of properties was 19% higher compared with 2020, and the overall house price index was 16% higher.

⁹ Fiscal Policy Panel economic assumptions March 2022 -

<https://www.gov.je/SiteCollectionDocuments/Government%20and%20administration/ID%20FPP%20letter%20to%20TRM%20March%202022.pdf>

¹⁰ Statistics Jersey House price report for Q4 2021 -

<https://www.gov.je/SiteCollectionDocuments/Government%20and%20administration/R%20House%20Price%20Index%20Q4%202021%2020220217%20SJ.pdf>

5. Spring 2022 proposed forecast for Stamp Duty

- 5.1. The stamp duty forecast has been revised to incorporate the outturn of transactions from 2021 and the updated FPP economic assumptions.
- 5.2. Compared to the forecast shown in the addendum to the IFG forecast for Spring 2021, there is a material increase of c.36% in all years of the forecast.

Transactions under £2m

- 5.3. Strong growth in house prices and the number of transactions in 2021 resulted in the outturn being £6.1m (25%) above forecast.
- 5.4. This has resulted in an increase to the base, which provides a £5m increase to this component for 2022.
- 5.5. The seasonal variation has been reviewed, however due to the restrictions in housing market activity in 2020, it would not be appropriate to include that year within the three-year average. The seasonal variation is therefore based upon the average monthly transactions for 2018, 2019 and 2021.

Transactions over £2m

- 5.6. The tapering of stamp duty means that property transactions over £2 million are increasingly difficult to forecast, with recent transfers of property producing significant amounts of duty from single transactions.
- 5.7. In 2021 there were almost double the number of property transactions over £2 million than in previous years, resulting in c.£9m of stamp duty above forecast.
- 5.8. Approximately £3m of this increase was due to a single transaction. As there are a limited number of properties of a value likely to generate a similar level of stamp duty, the base amount used to forecast future years has been adjusted to remove this transaction.
- 5.9. Intelligence from Locate Jersey suggests that the transactions in 2022 are anticipated to remain strong.

Land Transaction Tax (LTT)

- 5.10. The Statistics Jersey House Price Index for 2021 shows a return to pre-2020 levels in transactions of flats, which form the majority of transactions subject to LTT.
- 5.11. The index for Q4 transactions of 1 and 2 bedroom flats saw the highest mean prices seen to date for these types of property.
- 5.12. As with the transactions of properties under £2m, there was a noticeable decrease from trend during Q2 of 2020. The seasonal variation is therefore based upon the three-year average for 2018, 2019 and 2021.

Wills and Probate

- 5.13. The forecasts for the Stamp Duty on Wills and Probate are both based upon a five-year average.
- 5.14. The outturn for Probate was c.£0.5m higher than forecast, which has resulted in an increase for this component of £0.2m each year.
- 5.15. The outturn for the Wills component saw an unanticipated spike in 2021 due to a small number of high-value registrations, and this has therefore been adjusted when being incorporated into the five-year average.

Enveloped Property Transaction Tax (EPTT)

- 5.16. The introduction of Enveloped Property Transaction Tax (EPTT) following the debate by the States Assembly¹¹ in February 2022 has added an estimated £1m to each year of the forecast.

¹¹ Enveloped Property Transactions proposition P.119/2021 - <https://statesassembly.gov.je/Pages/Propositions.aspx?ref=P.119/2021>

Figure 3: Spring 2022 stamp duty central forecast 2022 – 2026

Outturn 2021 £'000	Stamp Duty Forecast		Forecast 2022 £'000	Forecast 2023 £'000	Forecast 2024 £'000	Forecast 2025 £'000	Forecast 2026 £'000
	Stamp Duty						
30,329	- Transactions <£2m	Spring 2022	33,274	35,986	38,361	40,499	42,217
24,197		Addendum 2021	26,046	27,632	28,890	30,115	
6,132		Variance	7,228	8,354	9,471	10,384	42,217
22,339	- Transactions >£2m	Spring 2022	15,357	13,438	11,520	11,520	11,520
13,467		Addendum 2021	9,222	7,977	7,977	7,977	
8,872		Variance	6,135	5,461	3,543	3,543	11,520
2,124	- Wills	Spring 2022	960	960	960	960	960
900		Addendum 2021	900	900	900	900	
1,224		Variance	60	60	60	60	960
54,792	Total Stamp Duty	Spring 2022	49,591	50,384	50,840	52,979	54,696
38,564		Addendum 2021	36,168	36,509	37,767	38,992	
16,228		Variance	13,423	13,875	13,073	13,987	54,696
3,004	Probate	Spring 2022	2,700	2,700	2,700	2,700	2,700
2,500		Addendum 2021	2,500	2,500	2,500	2,500	
504		Variance	200	200	200	200	2,700
3,352	LTT	Spring 2022	3,647	3,944	4,205	4,439	4,627
2,851		Addendum 2021	3,069	3,256	3,404	3,548	
501		Variance	578	688	801	891	4,627
0	EPTT	Spring 2022	1,000	1,000	1,000	1,000	1,000
0		GP Addendum	0	0	0	0	
		Variance	190	268	462	633	4,457
61,148	Total Stamp Duty	Spring 2022	56,938	58,028	58,745	61,118	63,024
43,915		Addendum 2021	41,737	42,265	43,671	45,040	
17,233		Variance	15,201	15,763	15,074	16,078	
39.24%			36.4%	37.3%	34.5%	35.7%	

2021 Outturn for Probate is estimated

6. Upside / downside scenario

- 6.1. To present the forecast within a range, the FPP assumptions for house prices have been varied by +/- 2.0pp and for housing transactions by +/- 4.0pp. This results in an upside variation of £2.1m (3.7%) in 2022, extending to £15.5m (24.6%) in the final year of the forecast. The downside variation ranges from -£2.0m (-3.6%) in 2022 to -£11.9m (-19.0%) in 2026.
- 6.2. A further downside adjustment for the transactions of properties over £2m has been made for the first two years of the forecast. This has reduced the assumptions for transactions by High-Value Residents (HVR's) by 50% across the entire range of the forecast, which provides a further decrease of -£3.8m in 2022 and -£1.9m in 2023. This adjustment reflects a decrease in overall transactions by HVR's who are already resident, as well as the potential for a reduction in the number of new arrivals.

Figure 4: Range of forecast 2022 – 2026

Stamp Duty Forecast Range	Forecast	Forecast	Forecast	Forecast	Forecast
	2022 £'000	2023 £'000	2024 £'000	2025 £'000	2026 £'000
Upside	59,038	62,774	66,614	72,578	78,477
Central	56,938	58,028	58,745	61,118	63,024
Downside	51,053	51,740	51,907	51,723	51,077

Appendix F – Other Income Forecast

Summary

Other Income combines several income lines for the Government of Jersey which do not relate to taxation and charges. At a high level, these are:

- Island-wide rates (part of the rates system and collected by parishes)
- Income from dividends and returns (from States-owned entities)
- Non dividends (crown revenues, miscellaneous interest, fees and fines)
- Returns from Andium Homes and Housing Trusts

The Autumn 2021 forecast total income from these sources was **£104 million** in 2021. The total income (outturn) from these sources in 2021 was **£109 million**. The increased outturn compared to forecast was driven by higher income from tax penalties with Revenue Jersey beginning to apply the new penalties agreed by the States Assembly. The forecast Other Income for 2022 is **£65 million**, which represents a decrease of **£4 million (-7%)** compared to the 2021 income received (after adjusting for the one-off dividend of £40m received from JT). This variance can largely be attributed to forecast decreasing tax penalties as the impact of tax compliance measures are expected to reduce.

Other income Forecast – Spring 2022

Other Income Summary

	2021 Outturn	2022 Forecast	2023 Forecast	2024 Forecast	2025 Forecast	2026 Forecast
Island Wide Rate	13,754	14,552	15,221	15,663	15,991	16,407
Other Income - Dividends	48,667	9,223	9,538	9,956	10,469	10,873
Other Income - Non-Dividends	16,485	12,223	10,376	10,479	10,383	10,286
Other Income – Housing Trust Returns	30,580	28,669	28,243	28,267	28,517	28,840
Total Other Income	109,486	64,667	63,378	64,365	65,360	66,406
Autumn 2021 Forecast	104,436	65,390	67,034	68,806	70,231	-
Variation to Autumn 2021 Forecast	5,050	(723)	(3,656)	(4,441)	(4,871)	66,406

Table 1 – Spring 2022 Other Income Forecast

The full forecast and variances are included as an Appendix.

Island-wide Rates

This takes the Retail Price Index percentage for the given year and applies it to the previous year to reflect the 2022 – 2026 assumptions.

Island-wide rates

(GBP 000's)	2021 Outturn	2022 Forecast	2023 Forecast	2024 Forecast	2025 Forecast	2026 Forecast
Island-wide rates	13,754	14,552	15,221	15,663	15,991	16,407
Year-on-Year Change %	-	5.80%	4.60%	2.90%	2.09%	2.60%

Dividends

The forecasts for dividends both wholly or majority owned in States owned entities are based on the following assumptions:

- Jersey Electricity Company – an inflationary increase in forecast dividends;
- Jersey Water – an inflationary increase in forecast dividends;
- JT Group – following the sale of the JT (Internet of Things) business, the special dividend in 2021 and the use of the sale proceeds to reinvest in the business, £3m a year is anticipated by the Board to be paid as a dividend for next 5 years;
- Jersey Post – a small dividend in 2023 with modest increases year on year as their strategic business objectives and investment start to yield results;

- Ports of Jersey – continuing no forecast dividends for the period due to the projected investment in the Harbour and Airport;
- States of Jersey Development Company – continuing no forecast dividends for the period as all profits are being reinvested into future projects at South Hill and the Waterfront.

The dividends are paid according to the defined dividend policies and forecasts are prepared in line with the company's latest business model. In most cases the dividends are directly related to trading performance but can be affected by projects being undertaken.

Forecasts are based on detailed conversations with the board of the companies and the reviews of their Strategic Business Plans.

Other Income - Dividends

(GBP 000's)	2021 Outturn	2022 Forecast	2023 Forecast	2024 Forecast	2025 Forecast	2026 Forecast
Jersey Electricity	4,014	3,923	4,103	4,222	4,311	4,423
Jersey Water	2,190	2,300	2,406	2,476	2,528	2,593
SoJDC	-	-	-	-	-	-
Jersey Post	-	-	29	258	630	857
JT Group	42,463	3,000	3,000	3,000	3,000	3,000
Ports of Jersey	-	-	-	-	-	-
Total Dividends	48,667	9,223	9,538	9,956	10,469	10,873

Table 2 – Spring 2022 Dividend forecast

Non-Dividends

Non dividends include other types of income, including investment returns on the Consolidated Fund and Jersey Currency Fund. It also includes tax penalties, miscellaneous fines, returns from the Jersey Financial Services Commission and Crown Revenue.

The forecasts for returns on the Consolidated Fund and Jersey Currency Fund are based on the following:

- The Currency Notes Fund average balance is projected to continue to remain stable at circa £90 million. There remains a risk that the value of currency in circulation will fall over time, though at present little evidence of this has been seen so does not feature in our core assumptions.
- The Currency Fund is invested, in line with its published Investment Strategy.
- Currency Fund forecasts are based on fixed returns from infrastructure investments paid into the Fund and conservative estimates based on expected returns of remaining asset classes.
- The Consolidated Fund is expected to hold only frictional cash balances, based on timing differences between receipts and payments. Non-dividends income is therefore conservatively assumed to be nil.

Income from tax penalties in 2021 was significantly above forecast, with increased revenues expected over the forecast period. This is related to increased tax revenues through the continued enhancement of domestic tax compliance.

This forecast includes, for the first time, income from OfCom for the provision of radio licenses. This income was previously included as departmental income for Treasury and Exchequer, but from 2022 onwards, will be recognised as general income instead.

Non-Dividends (continued)**Other Income - Non-Dividends**

(GBP 000's)	2021 Outturn	2022 Forecast	2023 Forecast	2024 Forecast	2025 Forecast	2026 Forecast
Investment Income	45	-	-	-	-	-
Jersey Currency Notes	1,900	2,500	2,600	2,700	2,700	2,700
Tax Penalties	8,090	4,350	2,400	2,400	2,400	2,400
Miscellaneous Loan	661	500	500	500	400	300
Miscellaneous Fines	1,006	230	230	230	230	230
JFSC	4,027	3,900	3,900	3,900	3,900	3,900
OfCom income	436	518	518	518	518	518
Crown Revenue	320	225	228	231	235	238
Total Non-Dividends	16,485	12,223	10,376	10,479	10,383	10,286

Table 3 – Spring 2022 Non-Dividend forecast

Returns from Andium and Housing Trusts

The returns from Andium Homes and the Housing Trusts arise from the incorporation of the housing function in July 2014. Andium is obliged to make a return based on the transfer agreement and an agreed rental and return policy.

The return is influenced by the prevailing RPI with a cap and collar in place. Rents in 2022 were again frozen, and in addition a policy to limit rents to 80% of the market rate was approved by the States Assembly. These decisions result in a reduction in forecast returns over the period.

Other Income – Andium and Housing Trusts

(GBP 000's)	2021 Outturn	2022 Forecast	2023 Forecast	2024 Forecast	2025 Forecast	2026 Forecast
Andium Homes	30,194	28,319	27,877	27,890	28,132	28,445
Housing Trusts	386	350	366	377	385	395
Total Returns	30,580	28,669	28,243	28,267	28,517	28,840

Table 4 – Spring 2022 Returns from Housing Trusts forecast

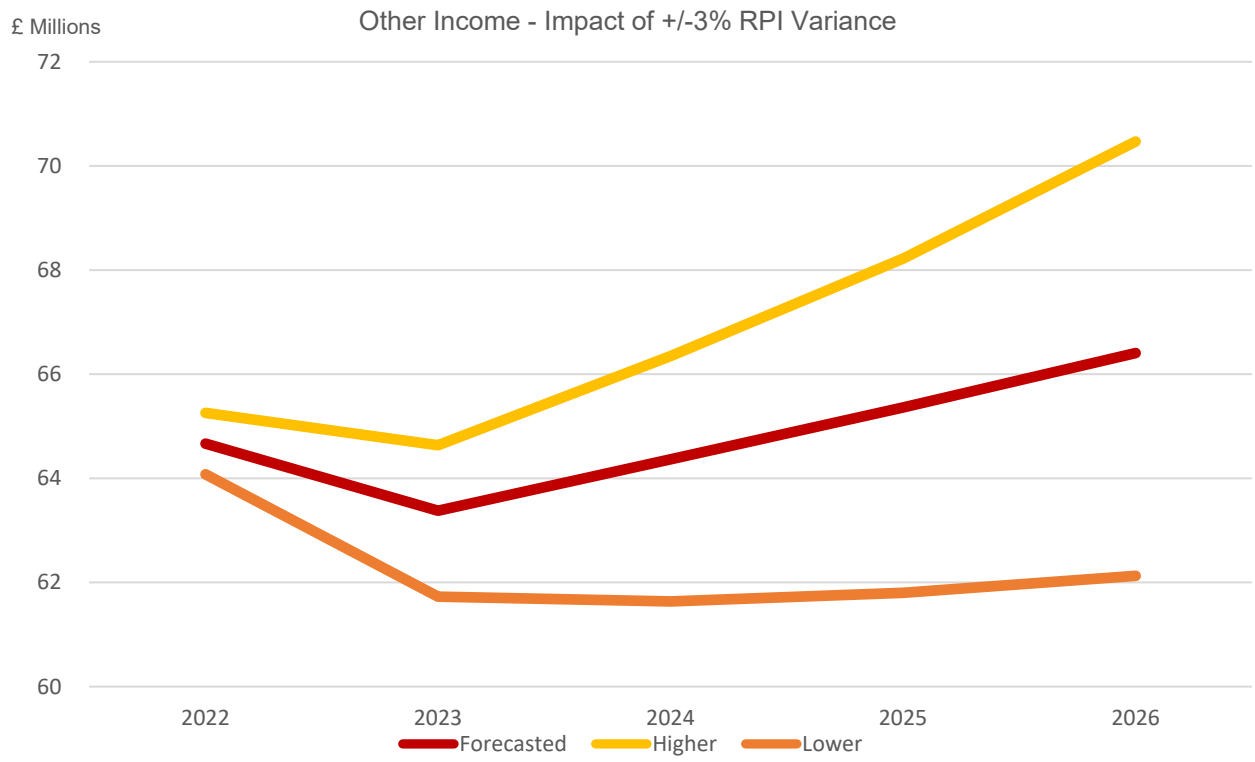
Upside and Downside Scenario

The other income forecast has been prepared based upon the FPP economic assumptions with additional consideration by IFG.

Due to the uncertainties that may be expected around the forecast, a central forecast of other income has been considered within an illustrative range. For other income the main economic driver is RPI, this has been considered within a range of +/-3% on the FPP economic assumptions. The range is shown below;

Range of Forecast

	2021 Outturn	2022 Forecast	2023 Forecast	2024 Forecast	2025 Forecast	2026 Forecast
Upper Forecast	109,486	65,256	64,636	66,347	68,220	70,469
Central Forecast	109,486	64,667	63,378	64,365	65,360	66,406
Lower Forecast	109,486	64,078	61,727	61,636	61,801	62,126
Autumn 2021 Forecast	104,436	65,390	67,034	68,806	70,231	-



Summary Table

Full Spring 2022 Forecast

Other Income Forecast

	2021	2022	2023	2024	2025	2026
	Outturn	Forecast	Forecast	Forecast	Forecast	Forecast
Island-wide Rates	13,754	14,552	15,221	15,663	15,991	16,407
Jersey Electricity	4,014	3,923	4,103	4,222	4,311	4,423
Jersey Water	2,190	2,300	2,406	2,476	2,528	2,593
SoJDC	-	-	-	-	-	-
Jersey Post	-	-	29	258	630	857
JT Group	42,463	3,000	3,000	3,000	3,000	3,000
Ports of Jersey	-	-	-	-	-	-
Other Income - Dividends	48,667	9,223	9,538	9,956	10,469	10,873
Investment Income	45	-	-	-	-	-
Jersey Currency Notes Surplus	1,900	2,500	2,600	2,700	2,700	2,700
Tax Penalties	8,090	4,350	2,400	2,400	2,400	2,400
Other Loan Income	661	500	500	500	400	300
Other Fines	1,006	230	230	230	230	230
JFSC - Financial Services	4,027	3,900	3,900	3,900	3,900	3,900
OfCom income	436	518	518	518	518	518
Crown Revenues	320	225	228	231	235	238
Other Income - Non-Dividends	16,485	12,223	10,376	10,479	10,383	10,286
Andium Homes	30,194	28,319	27,877	27,890	28,132	28,445
Housing Trusts	386	350	366	377	385	395
Other Income – Returns	30,580	28,669	28,243	28,267	28,517	28,840
Total Other Income	109,486	64,667	63,378	64,365	65,360	66,406

Full Autumn 2021 forecast

Other Income Forecast – Autumn 2021

	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast
(GBP 000's)	2021	2022	2023	2024	2025	2026
Island -wide Rates	13,565	14,178	14,546	14,910	15,298	-
Jersey Electricity	3,876	3,973	4,072	4,197	4,302	-
Jersey Water	2,070	2,110	2,152	2,195	2,249	-
SoJDC	-	-	-	-	-	-
Jersey Post	-	-	29	291	310	-
JT Group	45,176	4,999	5,124	5,252	5,383	-
Ports of Jersey	-	-	-	-	-	-
Other Income - Dividends	51,122	11,082	11,377	11,935	12,244	-
Investment Income	-	-	-	-	-	-
Jersey Currency Notes Surplus	2,500	2,500	2,600	2,700	2,700	-
Tax Penalties	1,000	1,000	1,000	1,000	1,000	-
Miscellaneous Loans	530	543	531	417	287	-
Miscellaneous Fines	956	150	150	150	150	-
JFSC - Financial Services	4,000	4,000	4,000	4,000	4,000	-
OfCom Income	-	-	-	-	-	-
Crown Revenues	183	211	230	228	231	-
Other Income - Non-Dividends	9,169	8,404	8,511	8,495	8,368	-
Andium Homes	30,194	31,281	32,094	32,897	33,752	-
Housing Trusts	386	445	506	569	569	-
Other Income - Returns	30,580	31,726	32,600	33,466	34,321	-
Total Other Income	104,436	65,390	67,034	68,806	70,231	-

Variance Spring 2022 Vs Autumn 2021**Other Income Forecast Variance**

GBP (000's)	2021 Outturn	2022 Forecast	2023 Forecast	2024 Forecast	2025 Forecast	2026 Forecast
Island-wide Rates	189	374	675	753	693	-
Jersey Electricity	138	(50)	31	25	9	-
Jersey Water	120	190	254	281	279	-
SoJDC	-	-	-	-	-	-
Jersey Post	-	-	-	(33)	320	-
JT Group	(2,713)	(1,999)	(2,124)	(2,252)	(2,383)	-
Ports of Jersey	-	-	-	-	-	-
Other Income - Dividends	(2,455)	(1,859)	(1,839)	(1,979)	(1,775)	-
Investment Income	45	-	-	-	-	-
Jersey Currency Notes Surplus	(600)	-	-	-	-	-
Tax Penalties	7,090	3,350	1,400	1,400	1,400	-
Miscellaneous Loans	131	(43)	(31)	83	113	-
Miscellaneous Fines	50	80	80	80	80	-
JFSC - Financial Services	27	(100)	(100)	(100)	(100)	-
OfCom Income	436	518	518	518	518	-
Crown Revenues	137	14	(2)	3	4	-
Other Income - Non-Dividends	7,316	3,819	1,865	1,984	2,015	-
Andium Homes Return	-	(2,962)	(4,217)	(5,007)	(5,620)	-
Housing Trusts Return	-	(95)	(140)	(192)	(184)	-
Other Income - Returns	-	(3,057)	(4,357)	(5,199)	(5,804)	-
Total Other Income	5,050	(723)	(3,656)	(4,441)	(4,871)	-

Appendix G – Social Security and Long-Term Care Contributions Forecast Summary

This paper details the forecast for social security contributions which are received into both the Social Security Fund and Health Insurance Fund (HIF), and long-term care contributions, which are received into the Long-Term Care (LTC) Fund. Contributions paid into the Social Security Fund are used for the purpose of providing the funds required for paying social benefits payments, such as the old age pension and incapacity benefit. Contributions paid into the HIF for the purpose of paying medical and pharmaceutical benefits. LTC contributions are collected for the purpose of paying out benefits and expenditure relating to the provision of long-term care.

Forecasts have been prepared based on the economic assumptions provided by the Fiscal Policy Panel in March 2022, a updated forecast will be prepared on the next set of economic assumptions due in July 2022.

Social Security Contributions

Social security contributions are received under the following 3 classes of contributions.

(a) Class 1 contributions, which include;

- (i) employed persons' primary class 1 contributions, and;
- (ii) employers' secondary class 1 contributions

(b) Class 2 contributions which are either full rate or reduced rate contributions.

The contributions model is updated based on outturn data, economic assumptions provided by the Fiscal Policy Panel are then applied to the outturn data to adjust for earnings and employment. An adjustment is made for the annual uplift in earning limits and a further adjustment for assumptions of unemployment levels.

In 2021, as part of the covid response measure the rate for primary class 1 contributions was reduced to a lower rate of 4% before reverting to the normal rate of 6% in July. To rebase the 2021 outturn and strip out the effect of the reduced rate an adjustment has been made in the 2022 forecast for the contributions foregone.

An element of total social security contributions shown below is also paid into the Health Insurance Fund.

Social Security Contributions

	2021 Outturn	2022 Forecast	2023 Forecast	2024 Forecast	2025 Forecast	2026 Forecast
Social Security Contributions	231,086	256,400	263,579	270,432	277,193	284,677
% Change		11.0%	2.8%	2.6%	2.5%	2.7%
Government Plan 22 Forecast		242,057	247,189	253,616	261,174	-
Variation to GP 22 Forecast		14,343	16,390	16,816	16,019	-

Table 1 – Spring 2022 Other Income Forecast

Long-Term Care Contributions

Every insured person who pays income tax, pays into the long-term care fund with a long-term care contribution. The long-term care contribution is based on personal income tax and is therefore a function of changes to personal income tax forecasts.

The long-term care forecast is based on the 2021 outturn data, and then adjusted in line with the year-on-year change in the personal income tax forecast.

The methodology of the forecast in personal income tax is described in the appendix A.

Long-Term Care Contributions

	2021 Outturn	2022 Forecast	2023 Forecast	2024 Forecast	2025 Forecast	2026 Forecast
Long-Term Care Contributions	32,357	34,951	37,668	39,458	41,064	42,855
% Change		8.0%	7.8%	4.8%	4.1%	4.4%
Government Plan 22 Forecast		33,611	35,661	37,623	39,842	-
Variation to GP 22 Forecast		1,340	2,007	1,835	1,222	-

Appendix H – Terms of Reference

Purpose

The group is established as an advisory function on the forecasts of all States income from taxation and social security contributions which will be informed by economic assumptions produced by the Fiscal Policy Panel with additional forecasts for other States income prepared by Treasury officers.

Objectives

To produce an absolute minimum of two forecasts each year

A full review of states tax, social security contributions and duty revenue forecasts will take place following the provisional outturn and no later than May of each year.

A further forecast to inform the Government Plan debate, including any revised economic assumptions and experience from the current year actual revenues.

To produce reports on the forecasts of states income from taxation and social security contributions, including:

Forecasts for income tax revenues

Forecasts for goods and services tax and ISE Fees

Forecasts for impots duties

Forecasts for stamp duties

Forecasts for social security contributions

Forecasts for long-term care contributions

Forecasts for other States income

Economic assumptions used; and

Factors and risks that should be considered

The forecasts will cover a period of at least four years and include a range within which a central forecast can be applied.

Reporting

The reports will be presented to the Treasury and Resources Minister in advance of the Council of Ministers consideration.

Once a report is approved by the Treasury and Resources Minister it will be published alongside the Government Plan.

Other reports can be prepared on the request of the Treasury and Resources Minister.

Administration

All meetings will be minuted with agreed actions.

Quorum – at least six members be present for the meetings to be considered quorate. In exceptional circumstances a delegate may be appointed by an official, however external members cannot delegate.

Quarterly internal review meetings will also be held.

Any variations to the group membership once established are to be agreed by the Treasury and Resources Minister or Chief Minister.

It will be the responsibility of the Chief Executive and Treasurer of the States to ensure that the group has sufficient resources to fulfil its responsibilities.

Group Membership

The members of the group are:

Director General, Treasury and Exchequer (Chair)

Director General, Customer and Local Services

Director General, Department of the Economy

Comptroller of Revenue

Deputy Comptroller of Revenue

Group Director, Strategic Finance

GoJ Chief Economic Adviser

GoJ Economist

At least two external members appointed by the Treasury and Resources Minister

The meetings of the group may be attended by the following officers in a supporting role:

Head of Financial Planning (secretary)

Revenue Accountant

Tax Policy Unit Officer

The group will invite other officers and external advisers to attend as appropriate which will be documented.
The group will operate independent of any political influence.

Income Forecasting Group

**Report on the revised forecast of States Income
for Summer 2022**

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1. Executive Summary

- 1.1. The Income Forecasting Group (IFG) has decreased its income forecast 2022 by £4.3m in 2022 with forecast then increasing for each year from 2023 when compared to the Spring 2022 forecast. In total, the forecast for income has increased over the forecast period from 2022 - 2023 by £132m. This is driven predominantly by improvements to the forecast for income taxes and anticipated interest rate rises
- 1.2. The IFG's forecast has been informed by the updated economic forecast¹ produced by the independent Fiscal Policy Panel (FPP) in July 2022.
- 1.3. The global macroeconomic outlook continues to evolve in a rapidly changing environment. Since the Spring 2022 IFG report the global economy has worsened, with the continued conflict in Ukraine, supply chain and energy supply disruptions contributing to rising inflation.
- 1.4. Interest rates are forecast to increase to counter rising inflation, with rising interest rates having a positive impact on some parts of the financial sector, driving robust growth for the Jersey economy and thus Government incomes. Because of this Jersey's position remains somewhat insulated from the global economic context, on a comparative basis.
- 1.5. Forecast increases in income over the period 2023 – 2026 are in the context of a rising inflationary environment and should be considered against this backdrop.
- 1.6. The Summer 2022 forecast (based on the FPP assumptions of July 2022) has been developed as a 'central forecast' to represent the IFG's view of the most likely outcome. In view of the ongoing increased economic uncertainties around the forecast, a forecast range has been considered, which is detailed in section 5.
- 1.7. The forecast has been produced based on standard tax policy where relevant, at the time of producing the report P.80/2022 known as the mini-budget² has been lodged and is due for debate in September 2022. The impact of the mini-budget proposals have been considered in the appendices to this report, however any budget measures including the mini-budget will need to be taken account in the Government plan as an adjustment to the central forecast.
- 1.8. IFG have undertaken a review of forecast accuracy to assess both the accuracy of the forecast model and the economic assumptions used to estimate personal income tax, corporate income tax and GST. This forecast accuracy review shows that the model has proven to be accurate in forecasting income lines using outturn data and that forecast errors are within an acceptable range for input assumptions. The accuracy work provides comfort to forecast users and IFG that the model and FPP assumptions work well. The work will be used to drive continuous

¹ [FPP Medium-term Report 15 July 2022](#)

² [p.80-2022 Mini-Budget](#)

improvements in the forecasting process and to develop a continuous feedback loop in delivering forecast accuracy.

2.Uncertainties around the forecast

- 2.1. Significant uncertainty remains around the IFG forecast, emphasis should be on the illustrative range presented by the IFG, rather than sole focus on the central forecast.
- 2.2. There are increasing and emerging uncertainties in the global economy with the challenges of rising inflation, the economic consequences of the ongoing conflict in Ukraine and other geopolitical uncertainties.
- 2.3. The financial services sector contributes a large part of the Jersey tax collection, both directly and indirectly. The sector has proven resilient against several challenges including the pandemic. After a long period of low interest rates, rates are now expected to increase over the forecast period, and this drives a large part of the increased income tax forecast. There remains an upside risk that interest rates could rise further than expected which would likely drive further increases in tax revenue. The FPP have highlighted risks of housing and population to the ongoing growth of the economy, and this may also temper some of the upside revenue benefits of higher interest rates.
- 2.4. With rising inflation, there remains the considerable uncertainty over the profile and medium-term projections of inflation levels, which also has the potential to drive earnings growth further than anticipated.
- 2.5. There are significant economic headwinds, with the potential for a global economic recession increasingly likely. The Bank of England has warned the UK will fall into recession in 2022. This will have an impact on Jersey households with many facing considerable constraints due to rising inflation and interest rates.
- 2.6. External regulatory factors continue to represent a key area of uncertainty in producing the forecast, with the Organisation for Economic Co-operation and Development (OECD) and G20 updating tax laws to reflect the digitalisation and globalisation of businesses.
- 2.7. There remains a residual risk over how quickly the economy would recover from the Covid-19 pandemic and the impact of the UK and Jersey's trading relationship with the EU in the medium term.
- 2.8. At this stage, it appears that there is greater upside risk to inflation and interest rates and thus likely tax revenues.

2.9. In the longer term, Jersey's economy faces similar risks to other advanced economies, including the impact of ageing demographics and challenges around low productivity growth. These continue to contribute uncertainty around the income forecast.

3. Economic Assumptions

3.1. The FPP economic assumptions have been updated based on the latest local and international developments to July 2022.

3.2. The main variations to the economic assumptions used in the IFG Forecast for Spring 2022 reflect these developments and include:

- Higher interest rates and increased financial services profits lead to an upgrade in the GVA forecast for 2023. This is followed by a period of slower growth in 2024 and 2025.
- Inflation is projected to reach a peak of 9.2% in 2022, the forecast is lower than the UK predominantly due to less of a reliance in Jersey on gas for energy supply.
- Average earnings are projected to rise almost alongside inflation, due to a tight labour market keeping demand for skills high and thus wages reflecting this.
- Employment is assumed to rise consistently in the financial services sector, whilst the non-finance sector is expected to see a period of above trend growth reflecting strong post-pandemic recovery.
- The forecast for house prices and transactions remains unchanged to 2025 with small changes to the trend.

3.3. The IFG have considered the economic assumptions from the FPP and have agreed that these assumptions should be used as the basis of the income forecast modelling for Summer 2022. However, IFG recognise the increased uncertainty around assumptions, and have factored this into the range of forecasts.

FPP Assumptions July 2022

% Change unless otherwise specified	2020	2021	2022	2023	2024	2025	2026+
Real GVA	-8.7	5.4	4.1	8.6	1.3	0.1	0.5
RPI	1.3	2.7	7.7	6.7	3.9	2.7	2.4
RPIY	1.2	2.7	6.2	5.2	3.7	2.7	2.4
Nominal GVA	-7.2	8.2	10.5	14.1	4.9	2.8	2.9
Gross Operating Surplus (including rental)	-15.5	11.0	16.5	24.3	5.6	2.5	2.9
Financial Services Profits	-18.1	19.5	26.2	42.3	6.2	1.6	3.2
Compensation of employees (CoE)	0.2	6.1	5.8	5.4	4.3	3.2	2.9
Financial services CoE	0.3	3.6	6.1	5.1	4.1	3.1	3.4
Non-finance CoE	-0.1	8.0	6.7	5.5	4.3	3.1	2.7
Employment	-2.4	3.0	0.7	0.6	0.5	0.3	0.1
Average Earnings	1.1	3.3	5.3	4.9	3.8	2.9	2.8
Interest rates (%)	0.2	0.1	1.2	2.5	2.7	2.7	2.6
House prices	6.1	16.0	6.0	5.0	4.0	3.0	2.9
Housing transactions	-3.8	15.1	3.5	3.0	2.5	2.5	4.0
Change from previous forecast	2020	2021	2022	2023	2024	2025	2026+
Real GVA	-	-0.6	-1.0	+0.9	+1.5	+0.9	-0.1
RPI	-	-	+1.9	+2.1	+1.0	+0.6	-0.2
RPIY	-	-	+0.9	+1.6	+1.2	+0.3	-0.1
Nominal GVA	-	-0.6	-0.1	+2.5	+2.6	+1.2	-0.2
Gross Operating Surplus (including rental)	-	-2.2	-0.6	+3.7	+4.2	+2.3	-0.3
Financial Services Profits	-	-	+0.5	+6.2	+7.1	+4.7	-0.2
Compensation of employees (CoE)	-	+0.7	+0.4	+1.8	+1.1	+0.2	-0.2
Financial services CoE	-1.2	+0.1	+0.4	+1.1	+0.7	-0.2	-
Non-finance CoE	-0.1	+1.5	+1.4	+2.1	+1.2	+0.3	-0.2
Employment	-	-	-0.2	-0.1	-0.1	-0.1	-0.3
Average Earnings	-	-	+0.8	+2.1	+1.2	+0.4	+0.1
Interest rates (%)	-	-	-	+0.3	+0.7	+1.0	+1.1
House prices	-	-	-	-	-	-	+0.2
Housing transactions	-	-	-	-	-	-	+2.5

4. Summary of forecasts

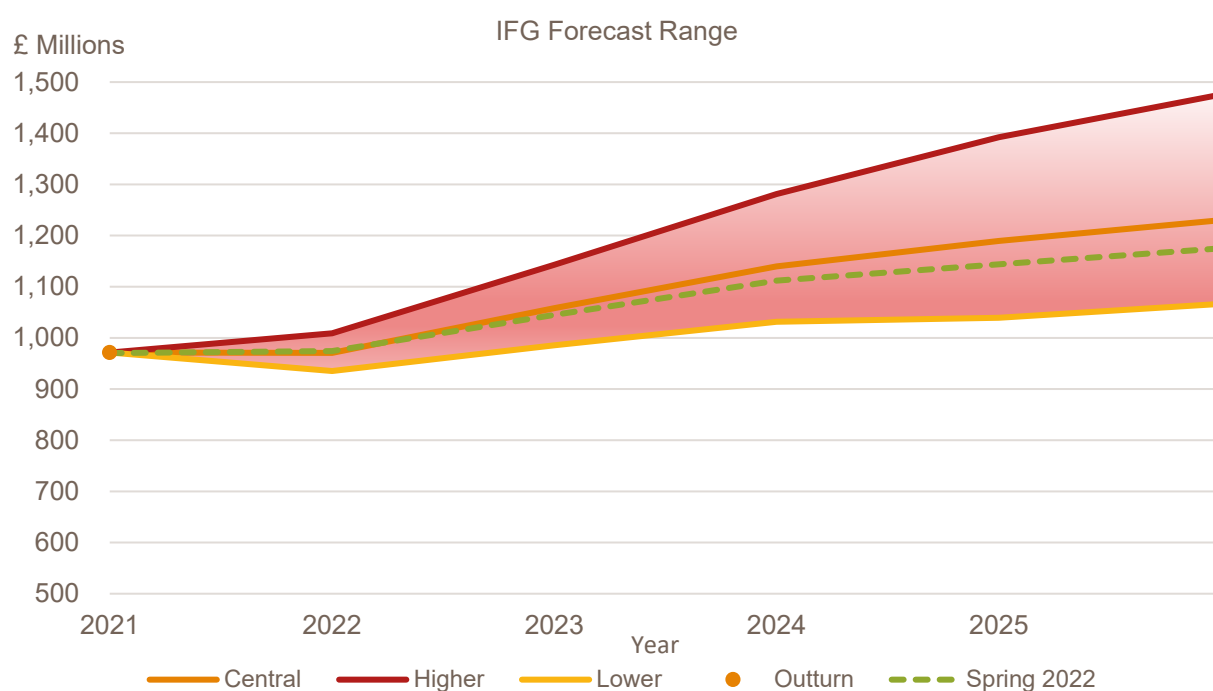
- 4.1. The individual forecasts for each revenue stream are included in the appendices, these provide further details of the assumptions and adjustments made to each component of the forecast.
- 4.2. **Personal income tax (appendix A)** has increased for all years of the forecast, this is primarily driven by the latest FPP economic assumptions. Movements in 2020 tax outturn and 2021 ITIS data have also increased the forecast. The IFG have reconsidered the remaining adjustments made for the impact of Covid-19 and have maintained their inclusion in the forecast. The rationale behind this is set out in appendix A.
- 4.3. **Corporate income tax (appendix B)** reflects a minimal increase since the previous forecast, driven by financial services profits growth with higher market expectations for interest rates. The forecast corporate tax from other sectors remains stable with one methodological change outlined in appendix B.
- 4.4. **Goods and Services Tax (appendix C)** has been updated to reflect the FPP's latest economic assumptions.
- 4.5. **Impôts duty (appendix D)** reflects an increase in each year of the forecast, driven predominantly by forecast increase in RPI. The adjustments for Covid-19 which take into account behavioural changes along with the latest available market intelligence data have been reviewed. The Covid-19 adjustments reflect behaviours and consumption re-adjusting slowly in 2022 and returning to pre-pandemic levels from 2023 onwards.
- 4.6. **Stamp duty (appendix E)** has been revised to incorporate the outturn of in-year transactions for 2022 and the updated FPP economic assumptions. The stamp duty forecast has grown significantly from 2021 forecasts, with the property market in 2021 seeing the highest annual average values as well as the highest turnover of properties for all property types to date.
- 4.7. **Other income (appendix F)** the updated forecast Other Income for 2022 is now £62.5 million, which is a decrease of £2 million compared to the Spring forecast. This variance can largely be attributed to a nil return now forecast on the Currency Notes Fund, which is projected to incur losses in 2022.
- 4.8. **Social security and long-term care contributions (appendix G)** are forecast to increase for each year of the forecast. The increase in social security contributions is predominantly driven by the increase in average earnings projected in the economic assumptions, whilst the long-term care forecast is a direct function of changes in personal income tax.

IFG Summer Forecast - Detailed

(GBP 000's)	2022 Forecast	2023 Forecast	2024 Forecast	2025 Forecast	2026 Forecast
Income Taxes					
- Personal Income Tax	570,000	623,000	658,000	688,000	719,000
- Corporate Income Tax	110,000	131,000	171,000	181,000	184,000
- Provision for Bad Debt	(6,000)	(3,000)	(3,000)	(3,000)	(3,000)
	674,000	751,000	826,000	866,000	900,000
<i>Spring 2022</i>	671,000	738,000	801,000	827,000	859,000
Variance	3,000	13,000	25,000	39,000	41,000
Goods and Services Tax (GST)					
- Goods and Services Tax	90,570	95,570	98,000	99,900	101,670
- International Service Entities Fees	12,630	12,630	12,630	12,630	12,630
	103,200	108,200	110,630	112,530	114,300
<i>Spring 2022</i>	102,600	106,500	108,200	110,000	111,900
Variance	600	1,700	2,430	2,530	2,400
Impôt Duties					
- Spirits	8,507	8,171	8,805	9,241	9,586
- Wine	9,728	9,920	10,585	10,997	11,294
- Cider	836	926	968	985	994
- Beer	6,361	7,227	7,634	7,852	7,984
- Tobacco	18,412	19,027	17,748	17,333	16,734
- Fuel	27,023	30,173	31,873	32,785	33,334
- Goods (Customs)	1,000	1,000	1,000	1,000	1,000
- Vehicle Emissions Duty (VED)	2,400	2,644	2,644	2,644	2,644
	74,267	79,088	81,257	82,837	83,570
<i>Spring 2022</i>	79,017	79,034	79,697	80,498	80,755
Variance	(4,750)	54	1,560	2,339	2,815
Stamp Duty and Land Transfer Tax					
- Stamp Duty	48,461	49,162	49,538	51,604	54,349
- Land Transfer Tax	3,759	4,065	4,333	4,575	4,896
- Probate	2,700	2,700	2,700	2,700	2,700
- Enveloped Property Transaction Tax	1,000	1,000	1,000	1,000	1,000
	55,920	56,927	57,571	59,879	62,945
<i>Spring 2022</i>	56,938	58,028	58,745	61,118	63,023
Variance	(1,018)	(1,101)	(1,174)	(1,239)	(78)
Other Income					
- Parish Rates	14,578	15,555	16,161	16,598	16,996
- Dividend Income	9,223	9,669	10,157	10,716	11,113
- Income from Housing Returns	28,613	29,156	29,702	30,210	30,618
- Other Non-dividend Income	10,147	7,776	7,779	10,183	10,086
	62,561	62,156	63,799	67,707	68,813
<i>Spring 2022</i>	64,667	63,378	64,365	65,360	66,406
Variance	(2,106)	(1,222)	(566)	2,347	2,407
Total Revenue	969,948	1,057,371	1,139,257	1,188,953	1,229,628
<i>Spring 2022</i>	974,222	1,044,940	1,112,007	1,143,976	1,181,084
Variance	(4,274)	12,431	27,250	44,977	48,544
%	-0.4%	1.2%	2.5%	3.9%	4.1%

5. Range of forecasts

- 5.1. The central forecast has been prepared based upon the FPP economic assumptions with additional consideration by IFG, as outlined in the separate reports.
- 5.2. There are heightened risks and uncertainties around the forecast, including those described in section 2 above. Therefore, the IFG advise that the central forecast should be considered within an illustrative range, as shown below.



Range of forecasts

(GBP 000's)	2022 Forecast	2023 Forecast	2024 Forecast	2025 Forecast	2026 Forecast
Upper scenario	1,008,917	1,142,841	1,1281,109	1,392,395	1,475,679
Central scenario	969,948	1,057,371	1,139,257	1,188,953	1,229,628
Lower scenario	935,267	985,583	1,031,465	1,039,197	1,066,528
Spring 2022	974,222	1,044,940	1,112,007	1,143,976	1,181,084

Appendix A – Personal Income Tax Forecast

The Personal Income Tax (PIT) forecast was updated in Spring 2022 to include new tax outturn data for 2022, re-estimated statistical relationships and changes to the pandemic adjustments. As this forecast is a mid-year forecast with no new outturn data, a summary of the previous forecast changes will be provided at the start of this Appendix.

Review of the Spring 2022 Forecast

Given the uncertainty with forecasting the effect of the pandemic on both economic and tax outcomes, the large difference between the 2020 outturn and forecast is not unexpected. The two income types with the biggest variation from the forecast were both impacted by large downwards IFG adjustments. Earnings income, which accounts for approximately 71% of the total taxable income only saw a 2% increase from the August 2021 forecast. A summary of the changes between the Autumn 2021 and Spring 2022 forecasts is shown below in **Figure A1**.

Figure A1. Spring 2022 Personal Income Tax Forecast

Personal income tax Spring 2022							
(GBP millions)	2020 Outturn	2021 Forecast	2022 Forecast	2023 Forecast	2024 Forecast	2025 Forecast	2026 Forecast
Autumn 2021 Forecast	473	511	545	581	609	641	
Tax outturn	+16	+21	+24	+28	+30	+33	
2021 ITIS outturn		+5	+5	+5	+5	+6	
Policy changes		0	-1	+3	+5	+6	
Economic data/assumptions		+2	+15	+30	+30	+23	
New relationships		-1	-3	-5	-7	-8	
Updated HVR forecast		+0	+0	-0	-0	-1	
Changes to IFG adjustments		-14	-20	-31	-33	-34	
Spring 2022 Forecast	489	524	566	610	639	665	694
Variance	+16	+13	+20	+29	+29	+24	

Tax outturn

The outturn for the 2020 year-of-assessment was £16.2m higher than forecast, whilst the outturn for the HVR taxpayers was £1.3m lower than forecast. This has been incorporated into the base and therefore recurs and compounds in future years leading to an increase in the forecast of £10m in 2021 and £13m in 2022.

Assessments for taxpayers on the high-value residency (HVR) regime show that £22.9m was assessed for these taxpayers in 2020, falling from £23.4m in 2019. Revenue Jersey have confirmed that the fall in tax in 2020 was due to a couple of material one-off events for a few HVR taxpayers in 2019 which generated above average amounts of income taxed at 1%.

Tax from other entities including clubs/associations, estates and pension schemes grew by 32% in 2019 to £3.5m. However, this fell by £1.3m in 2020, to £2.2m. The forecast predicts this amount to remain flat in nominal terms, under the assumption that the increase in 2019 was a one-off occurrence driven by an increase in estate and club/association income in 2019 which does not recur in 2020.

Revenue Jersey has provided a revised figure for growth in employment income reported through the Income Tax Instalment System (ITIS) for 2021. This indicates that employment income grew by 5.4 per cent in 2021. This is considerably higher than implied by the equation used to forecast earnings, which would suggest growth of 4.5%. Quicker than expected growth in earnings income as approximated by ITIS data increases the forecast by approximately £5m in each year of the forecast.

Policy changes

At the time of the last IFG report, the value of personal exemption thresholds for marginal rate taxpayers were assumed to grow in line with RPI a year prior, due to very low growth of average earnings in 2020. Since the publication of that report, policy has reverted back to grow the value of these exemption thresholds in line with the smaller of earnings growth and RPI a year prior. This increases the forecast for 2023 by £4m and is carried into future years of the forecast.

Personal exemption thresholds for marginal rate taxpayers for 2022 have been updated as published in the Government Plan 2022–2025. The exemptions are as follows; £16,550 for single taxpayers, £26,550 for married taxpayers and £6,550 for second earners. From 2022 onwards the married/single standard and married/single age-enhanced exemption values have converged. This change reduces the forecast by £800k annually from 2022 onwards.

Economic data/assumptions

The FPP's March 2022 economic assumptions have been incorporated into the forecast:

- The higher forecast for inflation results in a small increase in the forecast of less than £1m annually. The increase in shareholder income/distributions which are forecast to rise in line with RPIY is partially cancelled out by the impact of faster growth in exemption thresholds. The period of high inflation expected to begin in 2022, will feed into allowances growth for 2023 onwards
- The projected rebound and growth in financial services profits impact the equation used to forecast taxable employment earnings. The strong growth in 2022-2024 increases the forecast by £11m in 2022, £20m in 2023 and £17m in 2024.
- The higher forecast for compensation of employees, average earnings and employment growth increases the forecast by approximately £3m annually from 2022 onwards, after decreasing the forecast for 2021 by £3m. These economic assumptions are updated together as they each interact with each other in the model, and it would be misleading to try to separate out their individual effects.
- The higher forecast for interest rates increases the forecast by £7m in 2023 and £9m in 2024. This is due to the impact on bank interest, dividend and other unearned income.
- The increased house price forecast results in a small reduction to the forecast which impacts in the first three years, due to a small increase in the projections for mortgage interest tax relief. It is worth noting that mortgage interest tax relief will be phased out by 2026.

Adjustments to personal income tax forecast due to the COVID-19 pandemic

The Income Forecasting Group made additional adjustments to account for the impact of the global pandemic and the resultant restrictions on economic activity. These adjustments were to the smaller income lines, i.e., income other than employment and pension income. This is because the impact on employment income was already included in the FPP forecast. The approach in 'normal times' is to forecast many of these smaller income lines to be flat in real terms, or to grow in line with recent

averages, and IFG took the view that adjustments were needed to these assumptions to reflect the impact of the pandemic not only on the labour market but on other income streams.

The way in which the adjustments have been incorporated in the model means that any remaining adjustments will have a positive impact on the forecast – i.e. they will reflect the Covid impacts gradually easing and growth rates incorporating some bounce-back from their temporarily suppressed 2020 levels. Therefore, it is only appropriate to include adjustments where it can be observed that there was a suppressed level of taxable income in 2020 from which to bounce back.

Figure A2 below shows the growth rate of the outturn data compared with the growth rates predicted in the August 2021 forecast. When considering the adjustments together, previous forecasts have been weighted to the downside, an appropriate action considering the economic outlook and the large degree of uncertainty associated with it at the time of forecasting.

Figure A2. Assessment of the IFG judgement's accuracy in 2020.

	2020 outturn	Forecast for 2020 with IFG	Forecast for 2020 without IFG	Accuracy of IFG	% of Total Personal Income
Business profit	-3.5%	-20.3%	+6.2%	-16.8pp	5.6%
Bank, dividend, and other unearned income	-10.5%	-16.8%	-2.1%	-6.3pp	3.3%
Property income	+0.8%	-0.4%	+6.3%	-1.2pp	3.5%
Shareholder income and distributions	+1.3%	-20.1%	+1.2%	-21.4pp	5.7%

The IFG has removed the adjustments to bank, dividend and other unearned income and shareholder income/distributions. The adjustments to business profits and property income have been reduced to reflect a convergence with the pre-pandemic growth path in 2022. The adjustments required are shown in the table below, given to two decimal places. These adjustments have a small upwards impact on the forecast compared to the scenario where all adjustments are removed, but do not inflate the forecast as much as the previous adjustments. It is important to note that these adjustments are applied differently to adjustments in previous versions of the personal income tax forecast. The adjustments are applied as a percentage point addition to the growth rate in the unadjusted model, rather than a percentage variation from the value in the unadjusted model. The adjustments used are reported in **Figure A3** below.

Figure A3. IFG adjustments

	2021	2022
Business profits	5.64%	5.64%
Property income	2.88%	2.88%

The impact of each individual change is set out below:

1. The removal of the adjustment to business profits reduces the forecast by £8m in 2021, £12m in 2022, and £56m over the remaining three years.
2. The removal of the adjustment to bank, dividend and other unearned income reduces the forecast by £2m in 2021, £4m in 2022 and £19m over the remaining three years.

3. The removal of the adjustment to property income reduces the forecast by £1m in 2021, £2m in 2022 and £7m over the remaining three years.
4. The removal of the adjustment to shareholder income/distributions reduces the forecast by £6m in 2021, £9m in 2022 and £40m over the remaining three years.

The introduction of adjustments to the growth rates of business profits and property income to incorporate a period of higher growth following the pandemic. The impact of these two changes is compared to the forecast in which no adjustments are made and are as follows:

1. The adjustment to business profits increases the forecast by £2m in 2021, £5m in 2022 and £25m over the remaining years.
2. The adjustment to property income increases the forecast by £1m in 2021, £2m in 2022 and £8m over the remaining years.

New relationships

The statistical relationships used to forecast individual types of taxable income have been updated. The equations used to forecast pensions and investment income (bank, dividend and other unearned income) have been re-estimated with the latest tax outturn. The three equations currently used are:

1. Growth in earnings is forecast in line with aggregate earnings in the finance and non-finance sectors, and profits in the finance sector.
2. Growth in pensions is forecast in line with average earnings and growth in the over-65 population.
3. Growth in investment income is forecast in line with changes to the Bank of England Bank Rate.

The equations currently used for earnings and pensions were developed by Oxera in 2017. Changes were made to each of the three equations in Spring 2021 to make the estimated relationships more robust. A full description of these changes and the current methodology is available in the IFG Spring Report 2021, R.151/2021.

The following section sets out a small improvement to the pension equation, to make it more robust. The new equation results in a compounding decrease to the forecast of around £300k each year from 2022 onwards.

Pension Income Equation

Pension income is forecasted to grow in line with average earnings and the change in the number of pensioners, which is approximated by the change in the population aged 65 or over (modelled by Statistics Jersey).

In the previous version of the forecast a lag on average earnings was also included to improve the fit of the model. In 2020, pension income grew 6.4% whilst other income lines saw falls or very slow growth suggesting that pension income was more resilient to the economic shock of the pandemic. Average earnings grew only 1.1% in 2020, with ITIS growth very similar at 1%. An explanation for this may be an increase in the number of pensioners exceeding that of the number of people reaching pensionable age in what has been called the Great Retirement as more over 50s leave the workforce. Across the UK, there were 192,000 fewer over 50s in employment in March 2022 than before the pandemic³.

³ Table A05 SA taken from the Labour Force Survey by the ONS

When incorporating the outturn for 2020 and re-estimating the relationship for pension income, the explanatory power of this equation drops. The re-estimated equation for 2020 is shown below in column (1) of **Figure A4**. The R-squared of this equation falls from 0.89 to 0.83 when 2020 outturn data is incorporated. A lower weight is placed on the change in average earnings and the change in the over 65 population than in previous estimations of the relationship, whilst the constant becomes positive (although still not statistically significant).

Figure A4. Pension equation

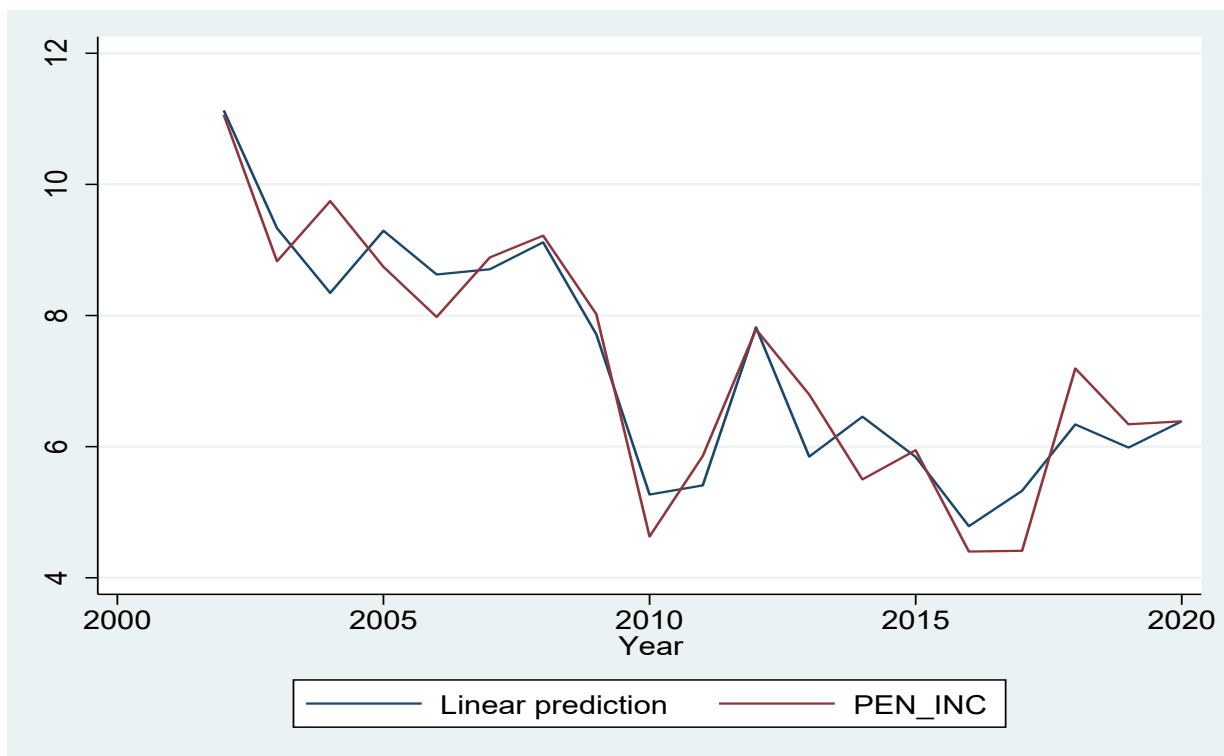
Explanatory variables	(1) Pension income	(2) Pension income
% change in earnings	0.6897*** (0.2115)	0.8856*** (0.1943)
% change in earnings (-1)	0.6074*** (0.1627)	0.5660*** (0.1384)
% change in over 65 population	0.7988** (0.3652)	1.0683*** (0.3259)
D02to12	1.4450** (0.5840)	1.8737*** (0.5209)
D20		2.3015** (0.8954)
Constant	0.5198 (1.3765)	-0.9064 (1.2888)
Observations	19	19
R-squared	0.8291	0.8867

Standard errors in parentheses

*** p<0.01, ** p<0.05, * p<0.1

For this reason, a dummy variable which takes the value of 1 in the year 2020 and 0 otherwise has been added to the model for 2020. The dummy is significant at the 5% level and improves the overall fit of the model. The equation including the dummy is shown in column (2) of **Figure A5**. Incorporating the dummy reduces the forecast by £3.8m over the period 2021-2025 compared to the re-estimating the previous specification.

Figure A5. Fitted and actual values of pension income (new model).



Summer 2022 Forecast

The significant increases to some components of the FPP's economic assumptions have led to a more buoyant forecast in later years. The upgrade to the FPP's forecast does not bear much influence on the forecast for 2021, as most data included in the forecast for 2021 is outturn data and as such is fixed.

The updated personal income tax forecast is given below in **Figure A6**.

Figure A6. Summer 2022 Personal Income Tax Forecast

Personal income tax							
	2020	2021	2022	2023	2024	2025	2026
(GBP millions)	Outturn	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast
Spring 2022 Forecast	489	524	566	610	639	665	694
Tax outturn	+1	+1	+1	+1	+1	+1	+1
2021 ITIS outturn		+1	+1	+1	+1	+1	+1
Economic data/assumptions		0	+3	+12	+18	+22	+23
Summer 2022 Forecast	490	525	570	623	658	688	719
<i>Variance</i>	<i>+1</i>	<i>+1</i>	<i>+5</i>	<i>+13</i>	<i>+20</i>	<i>+23</i>	<i>+25</i>

Tax outturn

Tax outturn for 2020 has improved by £1m since the Spring forecast. Changes to the outturn on this small scale are expected as returns are processed (estimates received). This increase in the base recurs in subsequent years and as such increases the forecast for each year in the forecast period by £1m.

ITIS outturn

Updated ITIS outturn shows that the growth rate of employment income as reported through the ITIS system grew 5.5% in 2021, an increase of 0.1 percentage points from the figure used in the Spring 2022 forecast. This improves the forecast by £1m in each year.

ITIS data for the first six months of 2022 has been compared to the first 6 months of 2021 to provide support to the earned income equation. As not all returns have been received yet, this data set is incomplete and should not be the only evidence considered. Comparing the average pay from each period showed growth of 6%, whilst the earned income equation predicted growth of 6.1%. This information suggests that the earned income equation is robust.

Economic data/assumptions

The FPP's July 2022 economic assumptions have been incorporated into the forecast. The changes discussed below are additional to the increases to the forecast from the March 2022 economic assumptions.

- The higher forecast for inflation results in a small increase in the forecast of less than £1m annually. The increase in shareholder income/distributions which are forecast to rise in line with RPIY is partially cancelled out by the impact of faster growth in exemption thresholds. The period of high inflation expected to begin in 2022, will feed into allowances growth for 2023 onwards

- The projected rebound and growth in financial services profits impact the equation used to forecast taxable employment earnings. The strong growth above that previously projected in 2022-2024 increases the forecast by £3m in 2023, £6m in 2024 and £9m in 2025 and 2026.
- The higher forecast for compensation of employees, average earnings and employment growth increases the forecast by approximately £3m in 2022 and approximately £7m from 2023 onwards. These economic assumptions are updated together as they each interact with each other in the model, and it would be misleading to try to separate out their individual effects.
- The higher forecast for interest rates increases the forecast by £1m in 2023 and £3m in 2024. This is due to the impact on bank interest, dividend and other unearned income.
- The increased house price forecast results in a small reduction to the forecast which impacts in the first three years, due to a small increase in the projections for mortgage interest tax relief. It is worth noting that mortgage interest tax relief will be phased out by 2026.

IFG adjustments

The adjustments made to the Spring 2022 forecast remain in place in this version of the forecast. The IFG have received no new evidence to challenge their inclusion. The adjustment to property income is an additional 2.8 percentage points in 2021 and 2022, with overall growth of this income line at 9.3%. The rental price index grew 12.2% in the year to Q1 2022, implying that the bounce-back adjustment to property income is appropriate. The adjustment to business profits is an additional 5.6 percentage points with overall growth of 12.5% in 2021 and 2022. Finding data which supports this is difficult as business profits relate to sole traders such as plumbers and electricians, and partnerships, so a comparison to the performance of public companies through the global or UK stock markets would be misleading. The number of single person undertakings grew 10.9% in the year to December 2021 which provides some supporting evidence that it still remains appropriate to include a period of higher growth to business profits.

Domestic Tax Compliance

Treasury and Exchequer complete a regular programme of work that aims to increase domestic tax compliance. A proportion of this work is done on PIT compliance. However, as data on the allocation of compliance activities to each income line in PIT is uncertain, the gains to PIT outturn in 2020 are considered to recur in future years. Whether work to make individuals tax compliant recurs in future years without the input of the compliance team again, or if other individuals are made tax compliant in subsequent years cannot be accounted for in this model. Therefore, the domestic tax compliance forecast should take care not to double count revenue.

Range of forecasts

The IFG has produced an upper and lower estimate of the Personal Income Tax forecast using a judgement on the margin of error around the FPP's assumptions. The error margins used are shown in the table below.

Figure A7. Margin of error around the FPP’s assumptions.

	Variation (pp)
RPI	+/- 3.0
RPIY	+/- 2.0
Financial Services GOS	+/- 10.0
Financial Services CoE	+/- 3.0
Non-Finance CoE	+/- 3.0
Employment	+/- 1.5
Average earnings	+/- 3.0
Interest rates	+/- 1.0
House prices	+/- 2.0

Each of the FPP’s assumptions has a different impact on the forecast, and often these variables interact. For example, the personal exemption threshold for marginal taxpayers is assumed to grow in line with the lower of RPI and earnings, so the impact on the forecast of a change in either of these variables will be subject to changes in the other. Some variables also affect both income lines and allowances. For example, an increase in inflation will increase the forecast through its impact on shareholder income/distributions and decrease the forecast through increased exemption thresholds for marginal taxpayers. Figures A8 and A9 below show the upper and lower estimates of this forecast.

Figure A8. Range of forecast estimates

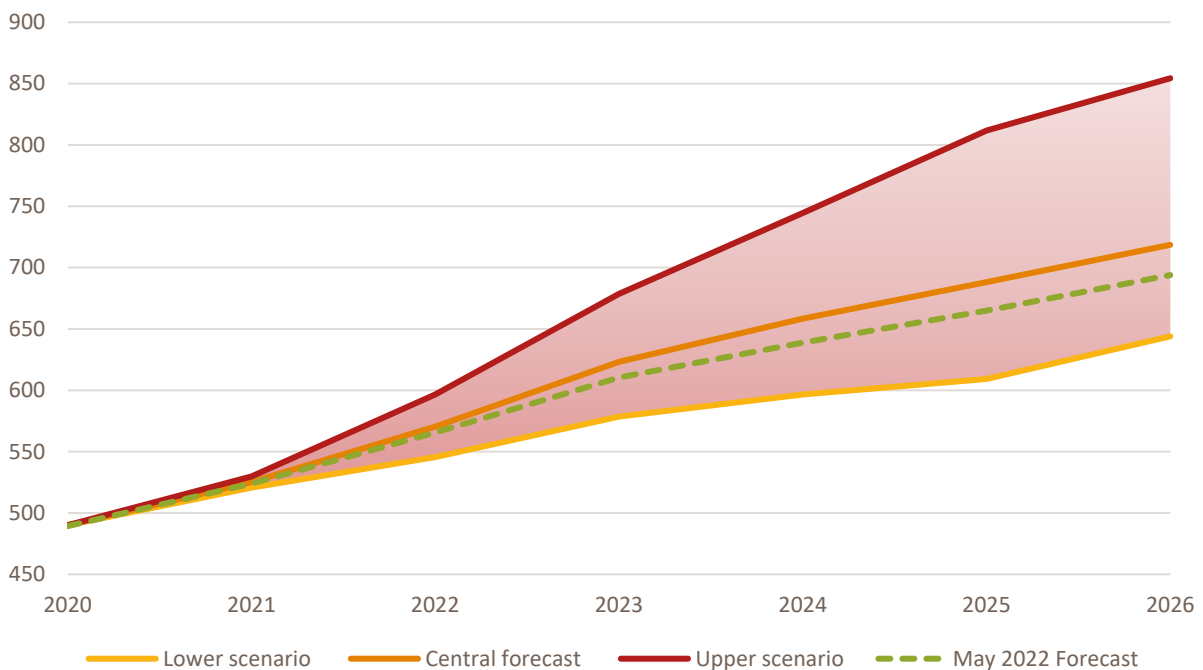


Figure A9. Range of estimates around the central PIT forecast

Personal income tax range of estimates							
(GBP millions)	2020 Outturn	2021 Forecast	2022 Forecast	2023 Forecast	2024 Forecast	2025 Forecast	2026 Forecast
Lower scenario	490	521	546	579	597	609	644
Central forecast	490	525	570	623	658	688	719
Upper scenario	490	530	597	679	745	812	854

Mini-budget considerations

P.80/2022 also referred to as the mini-budget proposes an increase in the marginal exemption thresholds of 12% in 2023 instead of the current policy of uprating by the lower of RPI and average earnings. The exemption thresholds specified in P.80/2022 are listed in the **Figure A10** below, with the monetary impact on the central case forecast. The impact of the changes to the marginal exemption thresholds proposed in the mini-budget is approximately £19m in 2023.

Figure A10. Impact of the measures proposed in P.80/2022 on the Personal Income Tax forecast

Impact of mini-budget measures		2023 Forecast	2024 Forecast	2025 Forecast	2026 Forecast
(GBP million's)					
Married	£29,750	-17.4	-18.3	-19.2	-20
Single	£18,550	-1.4	-1.4	-1.4	-1.4
Child	£3,450	-0.3	-0.3	-0.3	-0.3
APA	£5,150				

Appendix B – Corporate Income Tax Forecast

Review of the Spring 2022 Forecast

A brief overview of the changes made to each income line in the previous Spring 2022 forecast is given below. The Spring 2022 forecast changes are summarised in **Figure B1**.

Financial Services

This remained to be forecast based on FPP Finance Sector profit growth forecasts.

Property

The Spring 2022 forecast suggested flat growth between 2020 and 2021 however, outturn saw a modest fall of 3%. Some of this will have been caused by improvements in categorisation by Revenue Jersey, therefore assumption of flat growth in these years was continued before growth in line with RPI-Y as previously forecast.

Large Corporate Retailers

The Spring 2022 forecast assumed flat growth in large corporate retailers' profits in 2020 and 2021 and growth in-line with RPI-Y from 2022 onwards. This was revised once outturn data suggested 2.7% growth in 2020. The new forecast consisted of flat growth in 2020, growth by RPI+1.5ppt across 2021 and 2022, and growth in line with RPI-Y for 2023 onwards.

Other

The previous forecast was based on FPP growth forecasts for all sectors which expected a big fall in profits in 2020. When this was not reflected in the 2020 outturn data, the forecast was revised to match RPI-Y inflation after flat growth in 2020 – this was more consistent with the growth rate for other sectors.

Figure B1. Changes to the Corporate Tax forecast since Autumn 2021 forecast

Corporate Income Tax							
	2020	2021	2022	2023	2024	2025	2026
(GBP millions)	Outturn	Outturn	Forecast	Forecast	Forecast	Forecast	Forecast
Autumn 2021 Forecast	120	96	99	109	123	130	
Tax outturn	+1	+2	+2	+2	+2	+3	
Growth assumptions – FS		0	+9	+9	+39	+32	
Growth assumptions – non-FS		0	+1	+2	+3	+3	
Methodological changes (non-FS)		0	0	-1	-2	-2	
Spring 2022 Forecast	121	98	111	131	165	165	162
Variance	+1	+2	+12	+22	+42	+35	

Some columns may not sum due to rounding

Summer 2022 Forecast

Figure B2 summarises the corporate tax forecast. The Income Forecasting Group corporate income tax forecast for 2021 was very close to outturn. The forecast was £96.1m compared to an outturn of £97.6m.

The forecast receipts for the rest of the horizon have not increased significantly since the previous forecast, they do however remain notably higher than last summer's forecast in the financial services industry, in-line with the Fiscal Policy Panel's (FPP) assumptions. The increase in financial services profits is driven by higher market expectations for interest rates. The forecast for tax from other sectors has remained stable as upward revisions to inflation forecasts, which are a key determinant, are considered. The only methodological change to this forecast is the removal of a change made in the previous forecast. This consisted of an artificial 'catch-up' figure added to the 2022 and 2023 forecasts in the 'Other' category upon reviewing the outturn data; this was removed in this forecast upon reviewing updated outturn data.

Figure B2. Changes to the Corporate Tax forecast since Spring 2022 forecast

Corporate Income Tax							
(GBP millions)	2020	2021	2022	2023	2024	2025	2026
	Outturn	Outturn	Forecast	Forecast	Forecast	Forecast	Forecast
Spring 2022 forecast	121	98	111	131	165	165	162
Impact of tax outturn	-2	-1	-1	-1	-0	-0	-1
Growth assumptions - FS		0	0	+0	+6	+15	+21
Growth assumptions – non-FS		0	-0	-0	+1	+1	+1
Summer 2022 forecast	120	98	110	131	171	181	184
Variance	-2	-1	-1	0	+6	+16	+22

Some columns may not sum due to rounding. Grey background is previous forecast and outturn.

Revised 2021 outturn

The aggregate outturn for 2021 was in line with the Autumn 2021 IFG forecast. Tax from financial services was hit strongly during the pandemic, primarily due to the impact of the reduction in the bank rate which fell in March 2020 from 0.75% to 0.1% and remained at that level for the remainder of the year. Tax outturn for financial services fell from £81.4m to £59.7m between 2020 and 2021. This includes a £0.2m upwards revision to 2021 outturn. Note that corporate income tax is paid one year in arrears, so tax in 2020 relates to profits in 2019.

Tax from property activities (property development and rental profits) fell by £0.8m in 2021. This includes a £0.1m upwards revision to both 2020 and 2021 outturn. This is while tax from large corporate retailers (LCRs) remained relatively stable with growth of around £0.4m despite lockdown restrictions impacting trade. This does, however, include downwards revisions for both 2020 and 2021 of £0.7m and £0.5m respectively.

Tax from utilities grew by just over £0.5m, whereas tax from all other sectors fell by around £0.4m; the other sector has been significantly revised downwards by £0.9m in 2020 and £0.3m in 2021.

Overall corporate income tax fell by 18% between 2020 and 2021 (a revision from 19% in the previous forecast), nearly all of which was due to falls in tax from financial services, assumed to be largely due to the impact of lower interest rates on financial services profits. This was reflected in previous IFG forecasts.

Financial services

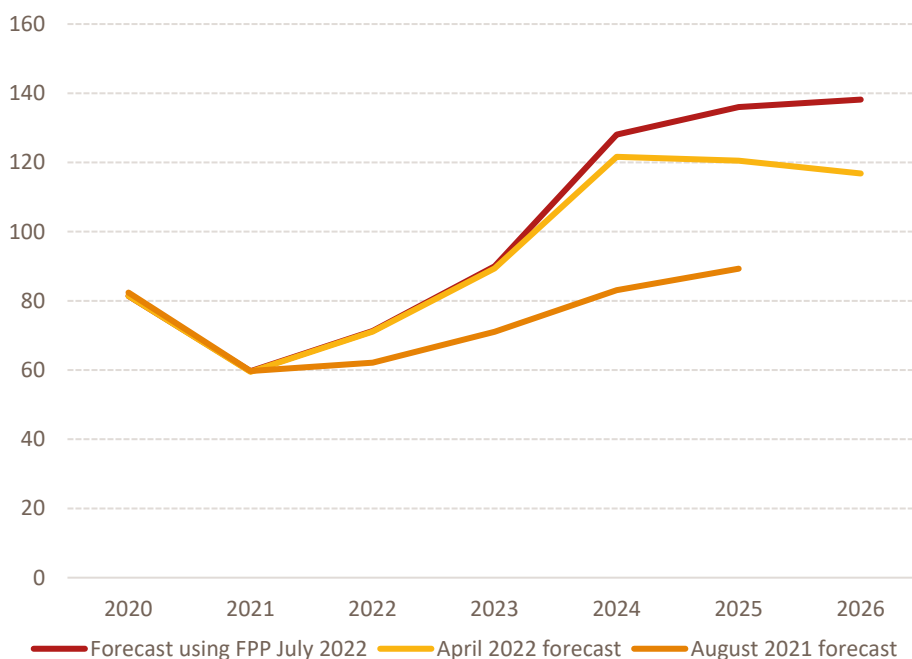
The forecast has been updated with the new FPP economic assumptions, which were published on 15 July 2022. The new economic assumptions forecast a large increase in financial service gross operating surplus (FSGOS – a measure of profits) in 2021-23 which will drive increases in the tax forecast between 2022 and 2024. Interest rates are currently expected to average 1.2% in 2022 and 2.5% in 2023. Given Jersey is primarily a deposit-taking centre, interest rate rises usually lead to an increase in net interest margins. The subsequent increase in FSGOS is consistent with previous changes to the interest rates such as the large fall in FSGOS in 2020 with a corresponding smaller base rate change.

Jersey Financial Services Commission data also suggests some reductions in banks operating expenses in 2021, particularly by Jersey Incorporated Banks. This is incorporated in the FPP’s assumptions, which leads to a forecast increase in corporate income tax received from financial services companies in 2022.

The FPP forecast that growth in FSGOS will slow towards the end of the horizon as market expectations are for interest rates to come down from a peak, which translates to slower growth in the forecast for corporate income tax in 2025 and 2026.

The impact of these revisions is that there is a doubling of corporate income tax between 2021 (latest outturn) and 2024.

Figure B3: Forecast corporate tax from financial services (£m - budget year)



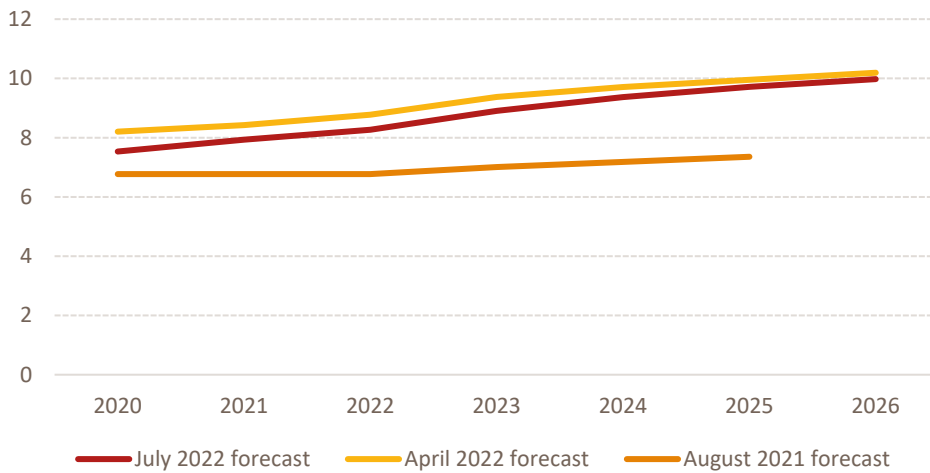
Note: tax is collected one year in arrears, so tax in 2020 relates to profits in 2019

Large corporate retailers

The previous forecast assumed flat growth in large corporate retailers’ profits in 2020, growth by RPI+1.5ppt across 2021 and 2022, and growth in line with RPI-Y for 2023 onwards. Latest outturn shows there was growth of 5.3% in 2020, which was higher than inflation. Further growth now appears more likely in 2021 and 2022, particularly as spring’s GST outturn data for 2021 suggests a large increase in consumer spending. Therefore, the growth assumption of RPI+1.5ppt has been maintained for 2021 and 2022 and follows RPI-Y growth from 2023 onwards.

There has also been a slight downward revision in the outturn for LCRs in 2020 and 2021. However, this may be due to movements in categorisation of companies which underwent a refresh from Revenue Jersey before the spring forecast.

Figure B4: Forecast corporate tax from large corporate retailers (£m - budget year)



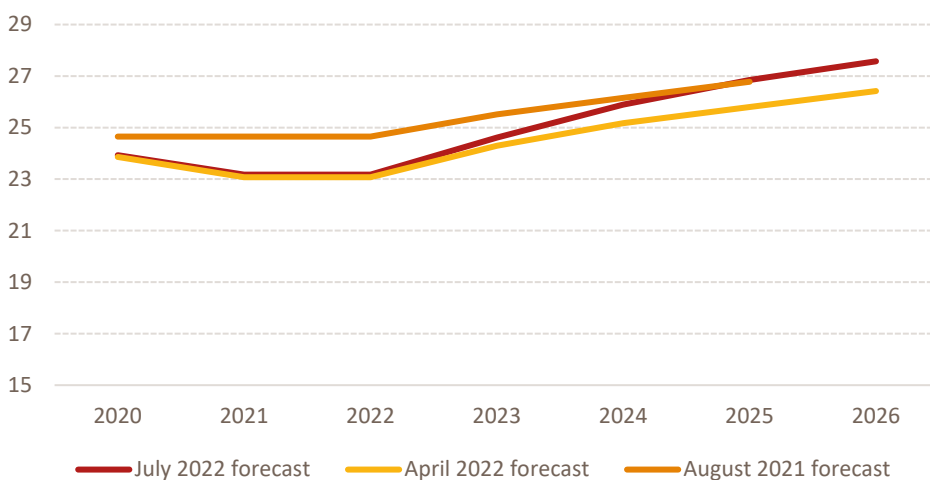
Note: tax is collected one year in arrears, so tax in 2020 relates to profits in 2019

Property

The previous two IFG forecasts suggested flat growth between 2020 and 2021 for corporate income from property. Outturn shows that there was a modest fall of 3%; this includes a downwards revision to both 2020 and 2021 outturn since April, although some of this may be due to the improvements in categorisation by Revenue Jersey.

The IFG forecasts that there will be flat growth for property rental and development profits in 2021, which will then grow in line with RPI-Y from 2022 onwards. This is consistent with the previous forecast.

Figure B5: Forecast corporate tax from property rental and development (£m - budget year)



Note: tax is collected one year in arrears, so tax in 2020 relates to profits in 2019

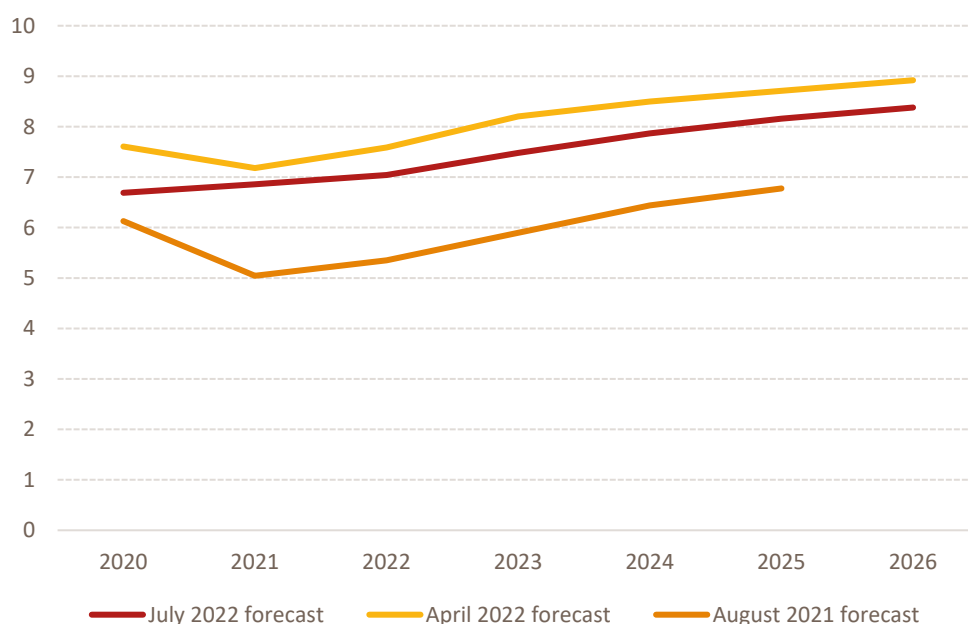
Other corporate tax

The 'Other' corporate tax grouping is a set of businesses predominately utilities, oil and mining. Previously, the IFG August 2021 forecast assumed a large drop in profits in 2020 and then considerable subsequent increases recovering profits. The growth rate was based on the growth in profits across the whole economy.

Outturn data from April suggested the fall in profits in 2020 was much smaller than previously forecast and the subsequent large increases in profits thus seemed less likely. Therefore, the forecast for profits for 2021 onwards was updated in spring to match RPI-Y inflation, which is consistent with the growth rate for other sectors. An additional 'catch-up' figure was added to forecasts in the Spring 2022 forecasts for 2022 and 2023, although this has now been removed as revised outturn data in July suggests a slight rise in profits in 2020.

There also have been a downward revision in the outturn for the 'other' catch all sector in 2020 which may be due to changes in categorisation of companies by Revenue Jersey, this is in addition to a downward, albeit smaller revision for 2021.

Figure B6: Forecast corporate tax from other sectors (£m - budget year)



Note: tax is collected one year in arrears, so tax in 2020 relates to profits in 2019

Consideration of Global Interest Rates

A considerable proportion of CIT revenue comes from banks whose profits can be heavily dependent on interest rates. Financial Services Gross Operating Surplus (FSGOS) is forecast using a rule of thumb figure based on Bank of England (BoE) interest rates. As interest rates rise, so does FSGOS. A higher level of FSGOS is directly correlated to more CIT revenue.

As of March 2022, 55% of deposits in Jersey were in other currencies, not sterling⁴. This leaves the forecast vulnerable to foreign exchange rates. For the most part, the Federal Reserve's (Fed) base rate in the US has tracked that of the BoE, albeit with larger differences. This is useful for forecasting changes in

⁴ JFSC: [JFSC Deposits Q1:2022](#)

CIT revenue. Should the Fed or ECB rates begin to take a divergent path to that in the UK, the forecasting method of FSGOS should be re-evaluated.

Whilst it is not anticipated that foreign interest rates will impact the CIT forecast beyond the effect of BoE rates, it is something to be aware of for future iterations of the forecast.

Assumptions used

Below, **Figure B7**, are the growth rate assumptions used in the CIT forecast.

Figure B7: Assumptions used in corporate tax forecast

Corporate Income Tax growth rates						
(% growth rate)	2021	2022	2023	2024	2025	2026
Financial services	19.5	26.2	42.3	6.2	1.6	3.2
Property	0.0	6.2	5.2	3.7	2.7	2.4
Large corporate retailers	4.2	7.7	5.2	3.7	2.7	2.4
Other	2.7	6.2	5.2	3.7	2.7	2.4
RPIY inflation forecast	2.7	6.2	5.2	3.7	2.7	2.4

Range in forecasts:

The FPP margins of error outlined in **Figure A7** have varying impacts on different parts of the corporate income tax forecast. The difference between these changes can be seen by the higher and lower estimates seen in **Figures B8 and B9**, below.

Figure B8: Range of forecast estimates

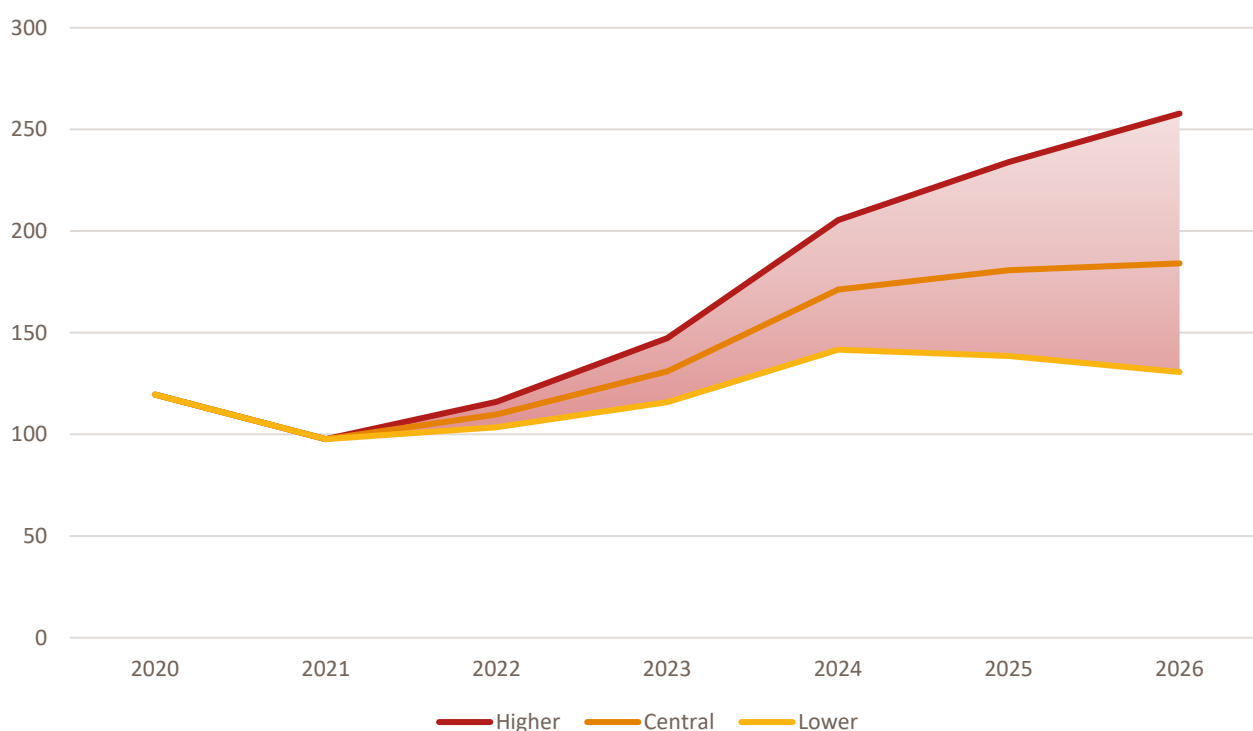


Figure B9: Tabulated range of estimates

Corporate Tax Range of Estimates							
	2020	2021	2022	2023	2024	2025	2026
GBP millions	Outturn	Outturn	Forecast	Forecast	Forecast	Forecast	Forecast
Lower scenario	120	98	104	116	142	139	131
Central forecast	120	98	110	131	171	181	184
Upper scenario	120	98	116	147	205	234	258

Appendix C – Goods and Services Tax (GST)

Forecast

The IFG's Spring 2022 forecast for Goods and Services Tax (GST) has been updated to incorporate the FPP's July 2022 economic assumptions.

Review of Spring 2022 Forecast

A summary of the changes between the Autumn 2021 and Spring 2022 forecasts is shown below in Figure C1.

Figure C1. GST forecast Spring 2022

Goods and Services Tax Spring 2022						
£m	2021	2022	2023	2024	2025	2026
Autumn 2021 Forecast	99.6	103.6	105.8	107.8	110.0	
Changes to de minimis level		0.0	+1.1	+1.1	+1.1	
Updated CoE assumptions and outturn data		+0.7	+1.3	+1.2	+1.0	
Model re-estimation		-1.7	-1.8	-2.0	-2.1	
Spring 2022 Forecast	106.4	102.6	106.5	108.2	110.0	111.9
Variance	+6.8	-1.1	+0.7	+0.4	-0.1	

Note: Figures are rounded to the nearest £m

Removal of the pandemic adjustments

Adjustments that were made to account for the pandemic may have been overly negative. Whilst this view was justified at the time of publication, there have been a number of recent economic indicators which point to the economy having weathered the pandemic better than expected. In the previous IFG Spring report, a downwards adjustment of £2.8m was made to the forecast for 2021. Outturn data for 2021 came in £7m higher than forecast in Autumn 2021. For this reason, we will not be making any pandemic related post estimation adjustments to the forecast for 2022 onwards.

Reductions in the de minimis level and registration of LCR's

In October 2020, the "de minimis" level for paying GST on unaccompanied imported goods was reduced from £240 to £135. Amendments to this have been approved from January 2023 which further reduce the de minimis level from £135 to £60.

The impact of the change from £240 to £135 was estimated to increase GST receipts by £0.8m annually. This was included in the previous August 2021 forecast. The additional reduction in the de minimis level from £135 to £60, approved in the Government Plan 2022-25, is estimated to increase GST receipts by £1.1m from 2023 onwards⁵. The additional investment required to administer this change is estimated to be around £350k per annum. In this version of the forecast, we have not accounted for the impact of the requirement for large retailers such as Amazon to register for GST. However, the impact of this on the GST forecast is anticipated to be minimal as this would simply transfer some import GST to on-Island GST.

⁵ Government Plan 2022-2025 page 191

Summer 2022 Forecast

The IFG's Spring 2022 forecast for Goods and Services Tax (GST) has been updated to incorporate the FPP's July 2022 economic assumptions, there was no new outturn data that would impact this forecast.

The updated GST forecast is summarised in **Figure C2**. The increases to the forecast are attributed to the increases in the FPP assumptions since the previous release in March 2022.

Figure C2. Changes to the GST forecast since May 2022

Goods and Services Tax						
	2021	2022	2023	2024	2025	2026
GBP millions	Outturn	Forecast	Forecast	Forecast	Forecast	Forecast
Spring 2022 Forecast	106.4	102.6	106.5	108.2	110.0	111.9
Updated FPP assumptions		+0.6	+1.7	+2.4	+2.5	+2.4
Summer 2022 Forecast	106.4	103.2	108.2	110.6	112.5	114.3

Note: Figures are rounded to the nearest £m

Forecast methodology

The GST forecast models the relationship between GST excluding International Service Entity Fees (ISE Fees), denoted as GSTx, compensation of employees (CoE) and the tax rate. The forecast for GSTx is then added to the forecast for ISE fees. No changes to the model have been made for this version of the forecast. The model is set out below in **Equation C1** and is estimated over the period 2009-2020

Equation C1

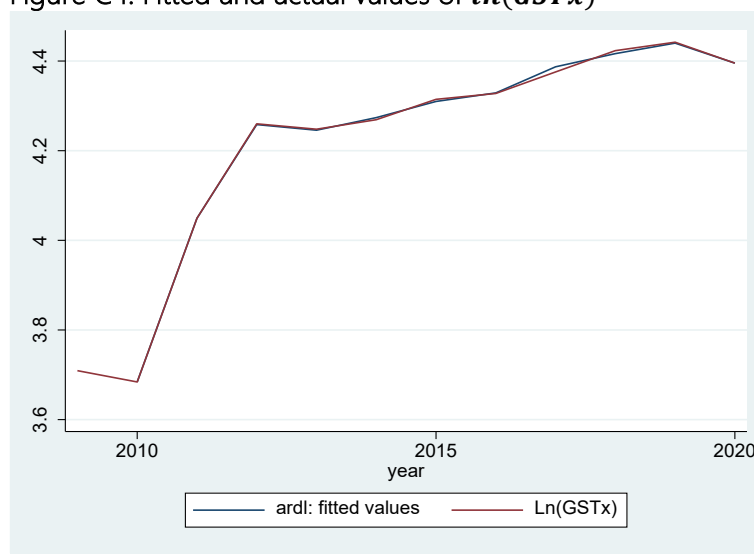
$$\ln(GSTx_t) = 2.87 - 0.12 \ln(GSTx)_{t-1} + 0.72 \ln(CoE_t) + 1.20 \ln(GSTrate_t) + \epsilon \quad (1)$$

The forward-looking forecast uses the FPP's assumptions for the growth of CoE and is conditional on the tax rate being held at 5% for period of the forecast. **Figure C3** shows the coefficients, standard errors, p-values, and diagnostic statistics for the regression model in **Equation C1**. **Figure C4** plots the natural log of the GSTx outturn, and the fitted values predicted by the model.

Figure C3. ARDL with GSTx dependent variable

	GSTx
GSTx (-1)	-0.116** (0.077)
CoE	0.717*** (0.095)
GST Rate	1.194*** (0.096)
Constant	2.868*** (0.592)
Observations	11
R-squared	0.997
Adjusted R-squared	0.995
Log-Likelihood	33.08

Figure C4. Fitted and actual values of $\ln(GSTx)$



Standard errors in parentheses (***) $p < 0.01$, ** $p < 0.05$, * $p < 0.1$

Updated FPP assumptions

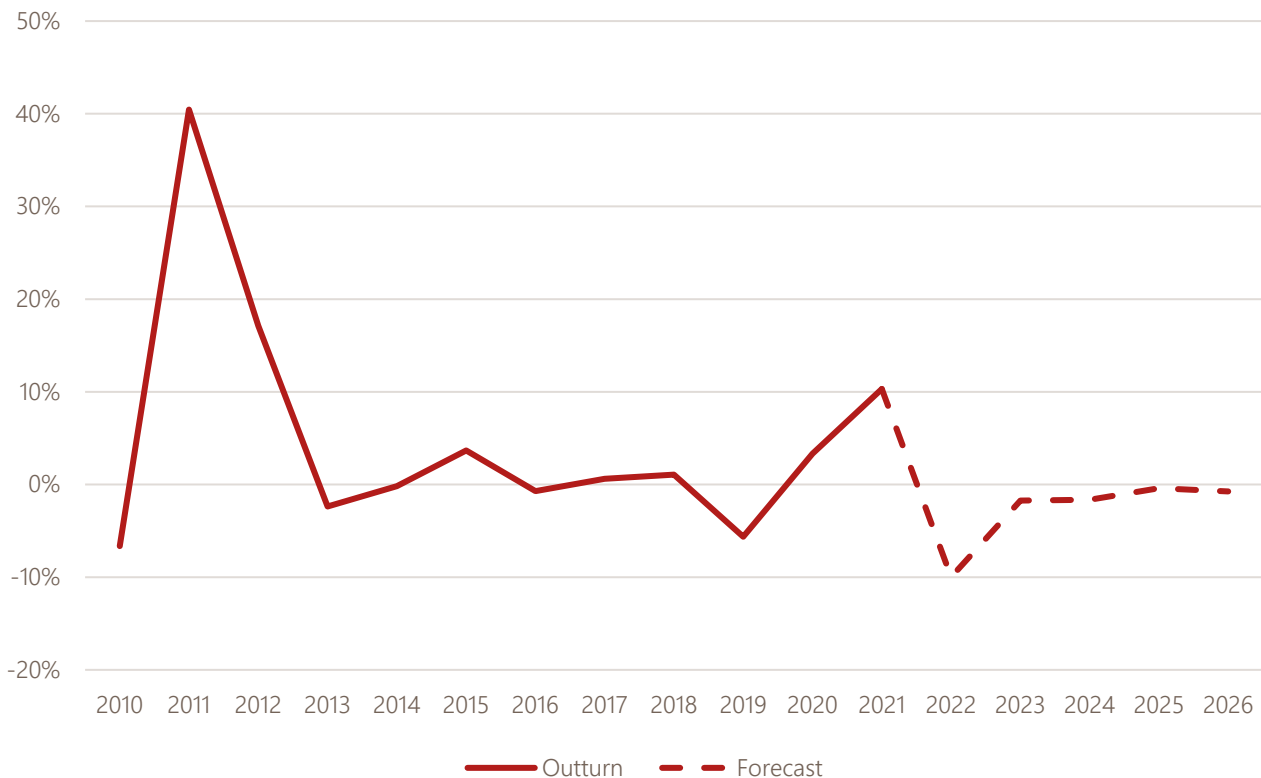
The FPP July 2022 economic assumptions for compensation of employees has been upgraded by 0.4 percentage points and by 1.8 percentage points for 2023, with subsequent years seeing smaller increases. This has increased the forecast by £600k in 2022 and approximately £2m per annum in future years.

Changes to the annual ISE fees from 2021 were expected to increase the GST forecast by £3.5m each year to approximately £12.6m. Outturn data for 2021 suggests that this assumption was accurate as value of ISE fees in 2021 was £12.63m. The growth of ISE fees is expected to be flat in nominal terms throughout the years of the forecast.

Real growth

Low retail price inflation in 2020 and strong demand growth in 2021 gave positive real growth in GST receipts for the two years. The only other year to see significant real growth since the change in the GST rate was 2015, the year in which Jersey hosted the Island Games and saw an additional expenditure of visitors of £3.8m⁶ during the week of the Games.

Figure C5. Annual real growth in GST receipts.



GSTx spending relative to CoE

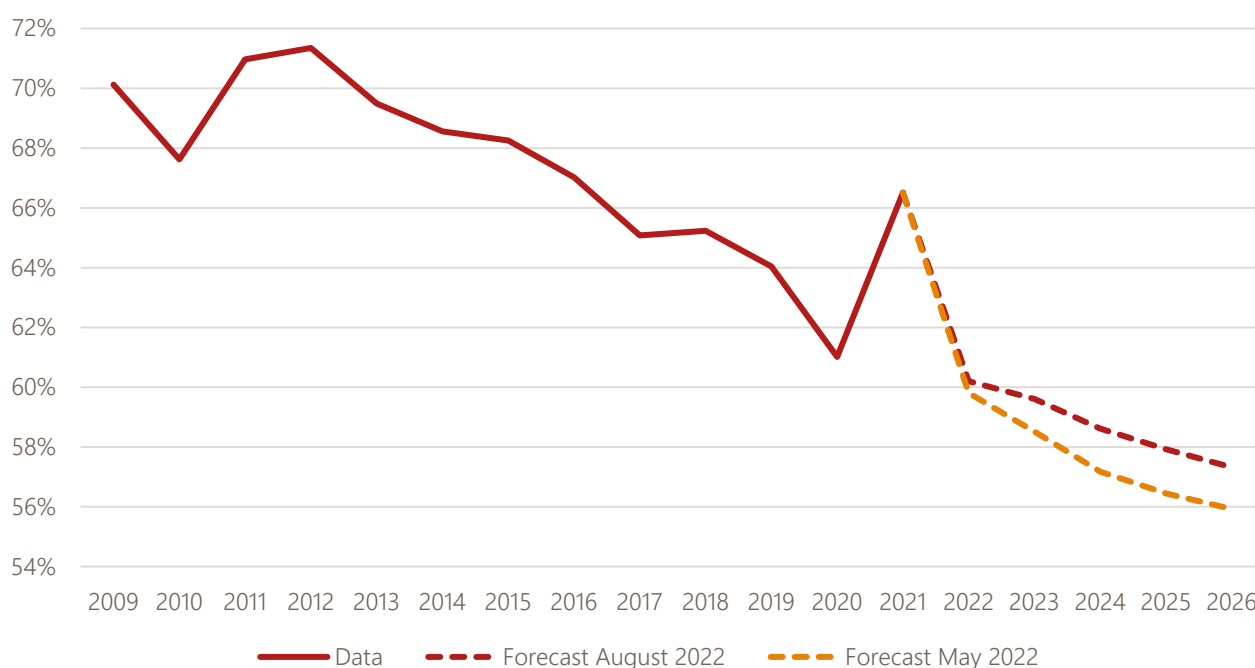
The ratio of GSTx spending to compensation of employees, which acts as a proxy for household income, is expected to continue to fall over the duration of the forecast. This is a trend seen in the data over the previous decade. 2021 seems to be an outlier in this regard and when considering the global context of fast paced economic recovery, this does not appear to be a reversal of the previous trend.

⁶<https://statesassembly.gov.je/assemblyquestions/2016/dep%20martin%20to%20edtsc%20re%20cost%20analysis%20of%20island%20games%202015.pdf>

Explaining this phenomenon of falling taxable expenditure relative to income requires considering the context of the local economy. In recent years, property and rental prices have risen considerably faster than both inflation and average earnings, this indicates that households may have less disposable income when accounting for housing costs. Similarly, this can also be explained by a shift towards a greater density of higher paid roles in the economy. Those with lower incomes tend to spend more of their income on GST liable goods and services and tend to have a lower savings rate. An increase in the average income could therefore explain the lower proportion of taxable expenditure relative to compensation of employees.

This trend may also be explained by a behavioural shift from high street spending to online shopping. Since smaller online purchases are not subject to GST, they may be cheaper than products bought in high street stores. Reductions in the *de minimis* level may mitigate this as more online purchases are subject to GST.

Figure C6. GSTx spending relative to CoE income.



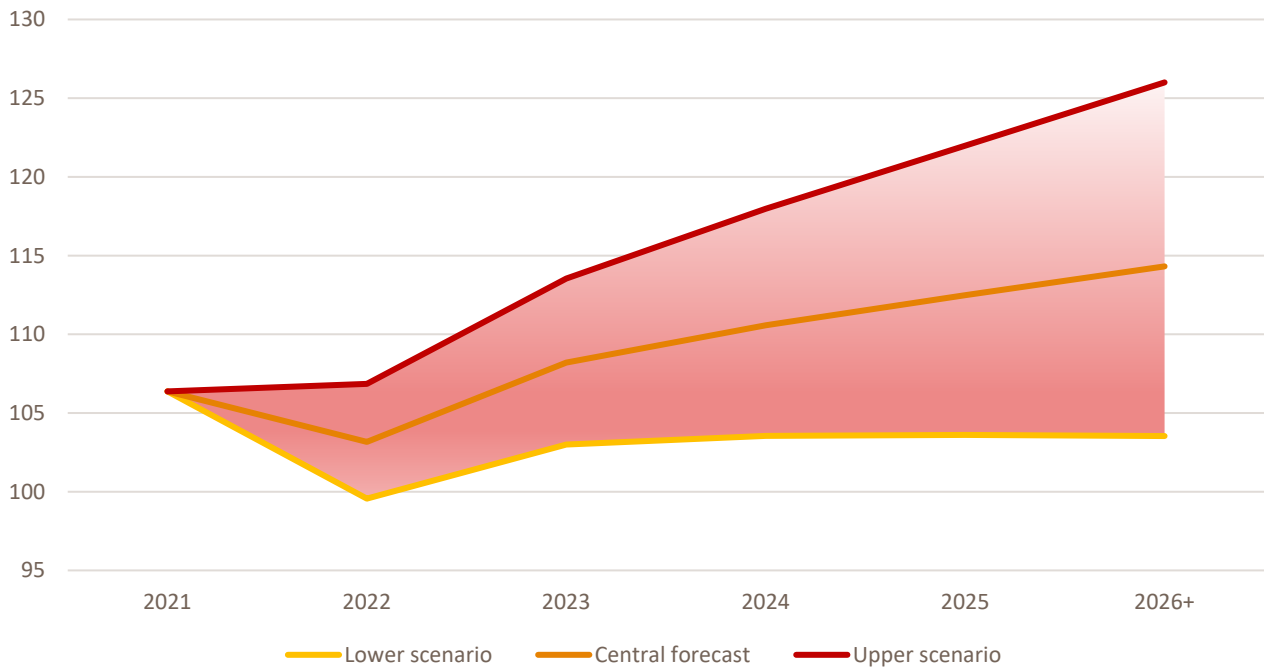
Range of estimates

The IFG have produced a range around the GST forecast using judgements on the variation around FPP assumptions. This is a range of +/- 3.0 pp for their estimate of the growth of compensation of employees. The table below shows the upper and lower estimates of this forecast.

Figure C7. Range of estimates around the central GST forecast

GBP millions	2021	2022	2023	2024	2025	2026
Lower scenario	106	100	103	104	104	104
Central forecast	106	103	108	111	112	114
Upper scenario	106	107	114	118	122	126

Figure C8. Graph of upper and lower estimates of this forecast



Mini budget considerations

Included in the proposed mini budget is the deferral of the registration of offshore retailers to charge GST at source and the reduction in the de minimis level from £135 to £60, from the start of 2023 to 1 July 2023. The change has been made following requests from some offshore retailers for more time to introduce changes to their systems. This is set to be debated by the States Assembly in September. If the later start date is to be agreed, it would cause a decrease of £750K⁷ from the expected additional £1.1m *de minimis* revenue in 2023.

⁷ P.80/2022 page 12

Appendix D – Impôts Forecast

Summary

The Impôts duty forecast has been updated to reflect in-year data from January to June 2022, intelligence from the trade and revised economic assumptions from the Fiscal Policy Panel for 2023-2026 forecasts. The 2022 forecast has been decreased by £4.8m, of which £3.5m is accounted for by a revised estimate of tobacco receipts.

Revised FPP Economic Assumptions (July 2022)

The Fiscal Policy Panel (FPP) July 2022 report adjusted the RPI assumptions for the years 2023-2026 which, as a result, has required adjustments to the impôts forecast for those years. Two scenarios have been applied taking account of the following assumptions in 2023:

- 1 RPI increases for alcohol, fuel, and VED, RPI +5% increase for cigarettes and RPI +8% increase for hand rolling tobacco and cigars as per the Government Plan;
- 2 A freeze on duty rates in 2023 for alcohol and fuel, with RPI increases for tobacco and VED.

In-year trends and intelligence

The 2022 forecast has remained largely unchanged except for tobacco, the domestic sales for which continue to fall (between 20% and 40% less than the equivalent period in 2021).

Alcohol

No further adjustments have been made to the original 2022 forecast.

Tobacco

The tobacco trade believes that the over-riding reason for this decrease is the sharp return of passenger arrivals into Jersey this year and the resultant increase in duty free sales. Ports of Jersey passenger arrivals to date this year are in the region of 1.2 million people and their original forecast of 1.4 million arrivals is likely to be topped.

As a result of this, which is supported by Q1 and Q2 data, a 15% decrease in the 2022 tobacco forecast has been applied.

Fuel

Fuel importers are not yet experiencing significant negative effect of high fuel costs and anticipate that 2022 volumes will be a few percentage points below 2021, returning to pre-pandemic volumes levels in 2023. Adjustments have been made to the original 2022 forecast due to an erroneous rate being applied to diesel calculations.

Vehicle Emissions Duty (VED)

The 2022-2025 Government Plan, as part of the Island's road map towards carbon neutrality, introduced an increase in VED payable on CO₂ emissions bands on non-commercial vehicles to discourage the purchase of high CO₂ emitting vehicles and to incentivise the purchase of lower emissions vehicles of, more ideally, electric or hybrid alternatives. Income from this measure is hypothecated into the Climate

Emergency Funds. The VED forecast for 2022 has been reduced to take into account in-year data and the 2023-2026 forecast has been re-adjusted accordingly.

Policy TR4 of the Carbon Neutral Roadmap, approved by the States Assembly on 29 April 2022, introduced a Vehicle Emissions Duty (VED) optimisation whereby no level of VED would be introduced on zero carbon vehicles but duty would be increased on all domestic petrol and diesel vehicles each year until at least 2030. The expectation in policy TR5 would be to bring into force legislation that prohibits the importation and exportation of petrol and diesel cars and small vans that are new to the Island by 2030 at the latest.

Ministers are yet to agree options on the exact levels of increases to domestic petrol and diesel vehicles for the period 2023 onwards. Therefore, for the purpose of this forecast, RPI increases have been applied equally across all VED bands for the period 2023-2026 but it is recognised that the forecast is likely to be superseded by additional budget proposals before the end of 2022.

Figure D1 - Summary 2022 forecast for Impôts duty (including RPI Increases for 2023-2026)

Impôts Forecast (RPI Increases 2023-2026)						
£'000 (unless stated)	2021 Outturn	2022 Forecast	2023 Forecast	2024 Forecast	2025 Forecast	2026 Forecast
Spirits	9,312	8,507	8,171	8,805	9,241	9,586
Quantity (Litres of alcohol)	222,800	198,476	176,243	178,005	179,785	181,583
<i>Spring 2022</i>		8,507	8,027	8,480	8,814	9,088
Variance		-	144	325	427	498
%		0%	2%	4%	5%	5%
Wine	9,638	9,728	9,920	10,585	10,997	11,294
Hectolitres	43,970	43,300	40,971	40,971	40,971	40,971
<i>Spring 2022</i>		9,728	9,745	10,193	10,488	10,709
Variance		-	175	392	509	585
%		0%	2%	4%	5%	5%
Cider	880	836	926	968	985	994
Quantity (Hectolitres)	11,740	10,887	10,507	10,087	9,683	9,296
<i>Spring 2022</i>		836	910	933	940	941
Variance		-	16	35	45	53
%		0%	2%	4%	5%	5%
Beer	6,040	6,361	7,227	7,634	7,852	7,984
Quantity (Hectolitres)	75,890	78,603	82,722	81,945	81,125	80,314
<i>Spring 2022</i>		6,379	7,100	7,352	7,489	7,569
Variance		(18)	127	282	363	415
%		0%	2%	4%	5%	5%
Tobacco	25,669	18,412	19,027	17,748	17,333	16,734
Quantity (KG)	47,270	30,600	28,000	24,478	23,010	21,629
<i>Spring 2022</i>		21,662	18,747	17,151	16,589	15,923
Variance		(3,250)	280	597	744	811
%		-18%	1%	3%	4%	5%
Fuel	25,131	27,023	30,173	31,873	32,785	33,334
Quantity (Hectolitres)	427,097	422,675	438,374	433,990	429,650	425,354
<i>Spring 2022</i>		27,775	30,461	31,544	32,134	32,481
Variance		(752)	(288)	329	651	853
%		-3%	-1%	1%	2%	3%
Customs Duty	1,142	1,000	1,000	1,000	1,000	1,000
<i>Spring 2022</i>		1,000	1,000	1,000	1,000	1,000
Variance		-	-	-	-	-
%		0%	0%	0%	0%	0%
Vehicle Emissions Duty	2,510	2,400	2,644	2,644	2,644	2,644
<i>Spring 2022</i>		3,130	3,044	3,044	3,044	3,044
Variance		(730)	(400)	(400)	(400)	(400)
%		-30%	-15%	-15%	-15%	-15%
Total Impôts	80,322	74,267	79,088	81,257	82,837	83,570
<i>Spring 2022</i>		79,017	79,034	79,697	80,498	80,755
Variance		(4,750)	54	1,560	2,339	2,815
%		-6%	0%	2%	3%	3%

Effect of freeze on fuel and alcohol duty in 2023

IFG have been asked to provide data to show the effect of a potential freeze in alcohol and fuel duty in 2023 (see Figures 2 and 3 below), the effect of which not only impacts 2023 but future years unless compensatory measures are subsequently taken.

The headline is that the freeze would result in approximately a 5% decrease in receipts for 2023 and subsequent years but this figure does not take into account any potential changes to behaviours or consumption patterns if the measures were introduced.

Figure D2 - Summer 2022 forecast for Impôts duty (freeze duty increases for Alcohol and Fuel in 2023, RPI increases 2024-2026)

Impots Forecast (Freeze Alcohol and Fuel Duty in 2023)						
GBP 000's	2021 Outturn	2022 Forecast	2023 Forecast	2024 Forecast	2025 Forecast	2026 Forecast
Spirits	9,312	8,507	7,587	8,176	8,580	8,899
Quantity (Litres of alcohol)	222,800	198,476	176,243	178,005	179,785	181,583
<i>Spring 2022</i>		8,507	8,027	8,480	8,814	9,088
Variance		-	(440)	(304)	(234)	(189)
%		0%	-6%	-4%	-3%	-2%
Wine	9,638	9,728	9,211	9,828	10,212	10,486
Hectolitres	43,970	43,300	40,971	40,971	40,971	40,971
<i>Spring 2022</i>		9,728	9,745	10,193	10,488	10,709
Variance		-	(534)	(365)	(276)	(223)
%		0%	-6%	-4%	-3%	-2%
Cider	880	836	861	900	916	922
Quantity (Hectolitres)	11,740	10,887	10,507	10,087	9,683	9,296
<i>Spring 2022</i>		836	910	933	940	941
Variance		-	(49)	(33)	(24)	(19)
%		0%	-6%	-4%	-3%	-2%
Beer	6,040	6,361	6,711	7,088	7,292	7,414
Quantity (Hectolitres)	75,890	78,603	82,722	81,945	81,125	80,314
<i>Spring 2022</i>		6,379	7,100	7,352	7,489	7,569
Variance		(18)	(389)	(264)	(197)	(155)
%		0%	-6%	-4%	-3%	-2%
Tobacco	25,669	18,412	19,027	17,748	17,333	16,734
Quantity (KG)	47,270	30,600	28,000	24,478	23,010	21,629
<i>Spring 2022</i>		21,662	18,747	17,151	16,589	15,923
Variance		(3,250)	280	597	744	811
%		-18%	1%	3%	4%	5%
Fuel	25,131	27,023	28,017	29,594	30,441	30,951
Quantity (Hectolitres)	427,097	422,675	438,374	433,990	429,650	425,354
<i>Spring 2022</i>		27,775	30,461	31,544	32,134	32,481
Variance		(752)	(2,444)	(1,950)	(1,693)	(1,530)
%		-3%	-9%	-7%	-6%	-5%
Customs Duty	1,142	1,000	1,000	1,000	1,000	1,000
<i>Spring 2022</i>		1,000	1,000	1,000	1,000	1,000
Variance		-	-	-	-	-
%		0%	0%	0%	0%	0%
Vehicle Emissions Duty	2,510	2,400	2,644	2,644	2,644	2,644
<i>Spring 2022</i>		3,130	3,044	3,044	3,044	3,044
Variance		(730)	(400)	(400)	(400)	(400)
%		-30%	-15%	-15%	-15%	-15%
Total Impots	80,322	74,267	75,058	76,978	78,418	79,050
<i>Spring 2022</i>		79,017	79,034	79,697	80,498	80,755
Variance		(4,750)	(3,976)	(2,719)	(2,080)	(1,705)
%		-6%	-5%	-4%	-3%	-2%

Figure D3 – Effect of Freezing duty on Alcohol and Fuel in 2023

Effect of Freezing duty on Alcohol and Fuel in 2023						
GBP 000's	2021 Outturn	2022 Forecast	2023 Forecast	2024 Forecast	2025 Forecast	2026 Forecast
Alcohol						
RPI increase 2023	25,870	25,432	26,244	27,992	29,075	29,858
No RPI increase 2023	25,870	25,432	24,370	25,992	27,000	27,721
Variance	-	-	(1,874)	(2,000)	(2,075)	(2,137)
Fuel						
RPI increase 2023	25,131	27,023	30,173	31,873	32,785	33,334
No RPI increase 2023	25,131	27,023	28,017	29,594	30,441	30,951
Variance	-	-	(2,156)	(2,279)	(2,344)	(2,383)
Total Variance	-	-	(4,030)	(4,279)	(4,419)	(4,520)

Upside / downside scenario

Upside / downside assumptions for 2023-2026 have been provided below to take account of potential greater inflationary moves than anticipated of 3% above and 3% below the economic assumptions provided by the Fiscal Policy Panel in July 2022.

Figure D4 – +/- Assumptions

GBP 000's	2022	2023	2024	2025	2026
Lower scenario	75,019	77,863	77,867	76,294	75,925
Central forecast	75,019	79,088	81,257	82,837	83,570
Higher scenario	75,019	82,064	86,610	90,254	94,529

Appendix E – Stamp Duty Forecast

Summary

The stamp duty forecast has been updated to reflect the revised economic assumptions from the Fiscal Policy Panel, and to incorporate relevant in-year data. The in-year data provides a c.£1m (-2.0%) decrease in each year of the forecast 2022 to 2025, with the updated assumptions minimising the effect of this in 2026 to c.£0.1m.

Revised FPP Economic Assumptions (July 2022)

The Fiscal Policy Panel (FPP) Medium Term Report⁸, published in July 2022, adjusted the economic assumptions for the trend forecast (2026 onwards), in respect of house prices (+0.2pp) and housing transactions (+2.5pp).

The variation in the assumptions from March 2022 is based upon the FPP's judgement that interest rate rises, and reduced affordability in the property market, will restrict the current buoyancy of prices. The increased assumption in housing transactions has been updated to reflect the ten-year trend in the number of households.

Figure E1: FPP Economic Assumptions July 2022

July 2022 Assumptions (% change)	2021	2022	2023	2024	2025	2026
House Prices	16.0	6.0	5.0	4.0	3.0	2.9
Housing Transactions	15.1	3.5	3.0	2.5	2.5	4.0

Figure E2: Variation to FPP Economic Assumptions from March 2022

Variation to March 2022 (% change)	2021	2022	2023	2024	2025	2026
House Prices	-	-	-	-	-	+0.2
Housing Transactions	-	-	-	-	-	+2.5

⁸ Fiscal Policy Panel economic assumptions July 2022 -

<https://www.gov.je/SiteCollectionDocuments/Government%20and%20administration/ID%20FPP%20Medium-term%20Report%2015%20July%202022.pdf>

Transactions Q1 & Q2 2022

In-year data for January to May has been incorporated into the forecast for property transactions. However, June data is materially less than the three-year adjusted average due to the reduced number of Royal Court sittings resulting from the public holiday for the Platinum Jubilee, and therefore this month has not been included at this time.

The in-year data is considered alongside the seasonal variation in transactions, based upon the three-year monthly average. Due to the restrictions in housing market activity in 2020, it would not be appropriate to include that year within the three-year average, and therefore this is based upon the average monthly transactions for 2018, 2019 and 2021.

Data for Land Transaction Tax (LTT) and Probate is available for January to July, and these have therefore been included in the forecast for those components.

Summer 2022 proposed forecast for Stamp Duty

Transactions under £2m

The value of in-year transaction data for 2022 was c.9.0% lower than the previous seasonally adjusted forecast. This component has therefore been reduced by c.£1.2m for each of the years 2022 to 2025.

The seasonal adjustment will be reviewed further in future forecasts to consider whether there has been a change in trend.

Transactions over £2m

The tapering of stamp duty means that property transactions over £2 million are increasingly difficult to forecast, with recent transfers of property producing significant amounts of duty from single transactions.

In-year data, and intelligence received from Locate Jersey, support the current estimate and therefore there is no change to the current forecast.

Land Transaction Tax (LTT)

In-year transaction data from January to July 2022 has provided a c.£100k increase to each year of the forecast.

This is supported by the Statistics Jersey Q1 2022 House Price Index report⁹ which shows an overall increase in the price of flats, which form the majority of transactions subject to LTT.

⁹ Statistics Jersey House Price Index – First Quarter 2022:

<https://www.gov.je/SiteCollectionDocuments/Government%20and%20administration/R%20House%20Price%20Index%20Q1%202022%2020220518%20SJ.pdf>

Wills and Probate

The forecasts for the stamp duty on Wills and Probate are both based upon a five-year average.

In-year data suggests that the current forecast methodology is not unreasonable, and therefore there is no change to these components.

Enveloped Property Transaction Tax (EPTT)

The introduction of Enveloped Property Transaction Tax (EPTT), following the debate by the States Assembly¹⁰ in February 2022, provided an estimated £1m in each year of the forecast. There is no change to this component for the Summer 2022 update.

¹⁰ Enveloped Property Transactions proposition P.119/2021 - <https://statesassembly.gov.je/Pages/Propositions.aspx?ref=P.119/2021>

Figure E3: Summer 2022 stamp duty central forecast 2022 – 2026

Stamp Duty Forecast						
(GBP 000's)	2021 Outturn	2022 Forecast	2023 Forecast	2024 Forecast	2025 Forecast	2026 Forecast
Stamp Duty						
- Transactions <£2m	30,329	32,145	34,764	37,059	39,125	41,870
<i>Spring 2022</i>	24,197	33,274	35,986	38,361	40,499	42,217
- Transactions >£2m	22,339	15,357	13,438	11,520	11,520	11,520
<i>Spring 2022</i>	13,467	15,357	13,438	11,520	11,520	11,520
- Wills	2,124	960	960	960	960	960
<i>Spring 2022</i>	900	960	960	960	960	960
	54,792	48,462	49,162	49,539	51,605	54,350
<i>Spring 2022</i>	38,564	49,591	50,384	50,841	52,979	54,697
Variance	16,228	(1,129)	(1,222)	(1,302)	(1,374)	(347)
%	42.1%	-2.3%	-2.4%	-2.6%	-2.6%	-0.6%
Probate						
- Probate	3,004	2,700	2,700	2,700	2,700	2,700
<i>Spring 2022</i>	2,500	2,700	2,700	2,700	2,700	2,700
Variance	504	-	-	-	-	-
%	20.2%	0.0%	0.0%	0.0%	0.0%	0.0%
Land Transaction Tax						
- LTT	3,352	3,759	4,065	4,333	4,575	4,896
<i>Spring 2022</i>	2,851	3,647	3,944	4,205	4,439	4,627
Variance	501	112	121	128	136	269
%	17.6%	3.1%	3.1%	3.0%	3.1%	5.8%
Enveloped Property Transaction Tax						
- EPTT	-	1,000	1,000	1,000	1,000	1,000
<i>Spring 2022</i>	-	1,000	1,000	1,000	1,000	1,000
Variance	-	-	-	-	-	-
%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Total Stamp Duty	61,148	55,921	56,927	57,572	59,880	62,946
<i>Spring 2022</i>	43,915	56,938	58,028	58,746	61,118	63,024
Variance	17,233	(1,017)	(1,101)	(1,174)	(1,238)	(78)
%	39.2%	-1.8%	-1.9%	-2.0%	-2.0%	-0.1%

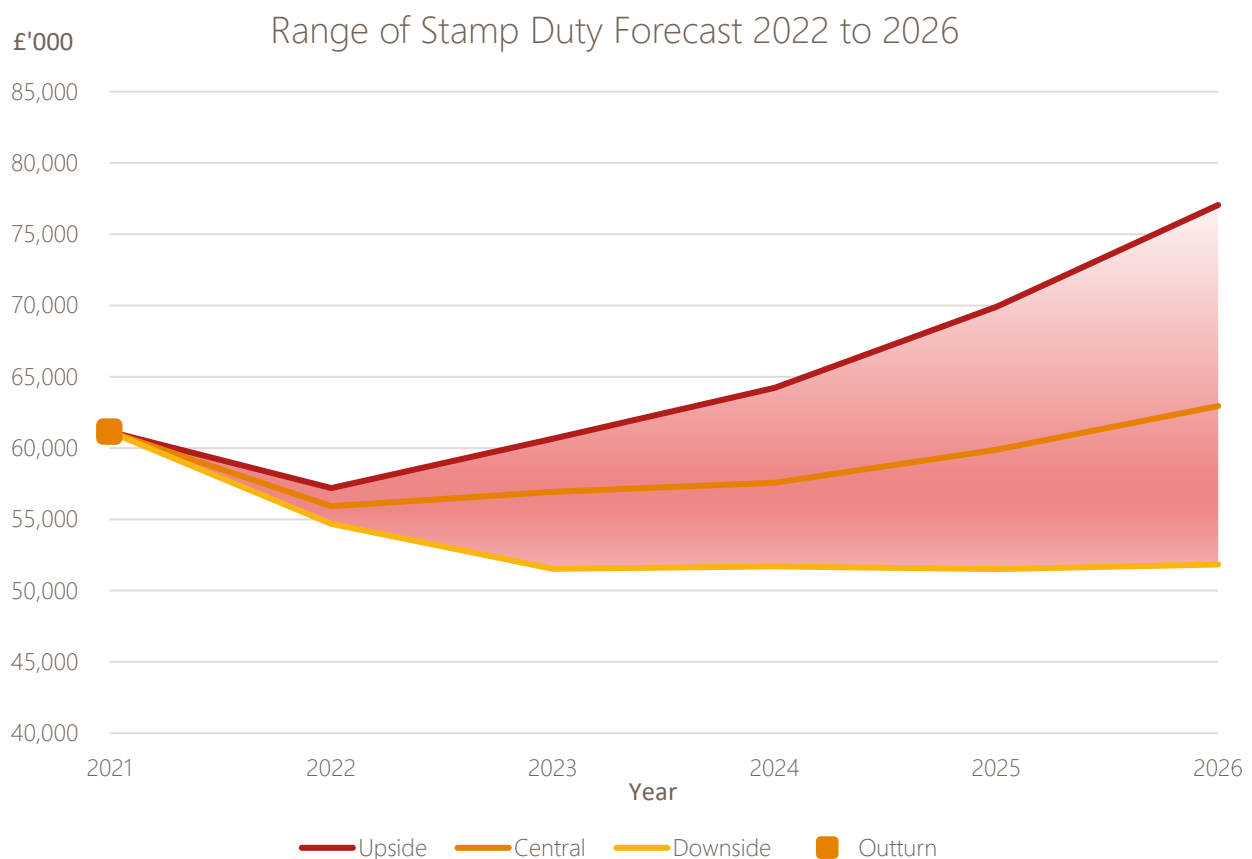
Upside / downside scenario

To present the forecast within a range, the FPP assumptions for house prices have been varied by +/- 2.0pp and for housing transactions by +/- 4.0pp. This results in an upside variation of £1.3m (2.3%) in 2022, extending to £14.1m (22.4%) in the final year of the forecast. The downside variation ranges from -£1.2m (-2.2%) in 2022 to -£11.1m (-17.7%) in 2026.

A further downside adjustment for the transactions of properties over £2m has been made for the first two years of the forecast. This has reduced the assumptions for transactions by High-Value Residents (HVR's) by 50% from 2023 to 2026, which provides a decrease of -£1.9m in 2023. This adjustment reflects a decrease in overall transactions by HVR's who are already resident, as well as the potential for a reduction in the number of new arrivals.

Figure E4: Range of forecast 2022 – 2026

Stamp Duty Forecast Range					
(GBP 000's)	2022 Forecast	2023 Forecast	2024 Forecast	2025 Forecast	2026 Forecast
Upper	57,192	60,661	64,228	69,910	77,052
Central	55,921	56,927	57,572	59,880	62,946
Lower	54,679	51,525	51,691	51,508	51,826



Appendix F – Other Income Forecast

Summary

Other Income combines several income lines for the Government of Jersey which do not relate to taxation and charges. At a high level, these are:

- Island-wide rates (part of the rates system and collected by parishes)
- Income from dividends and returns (from States-owned entities)
- Non dividends (crown revenues, miscellaneous interest, fees and fines)
- Returns from Andium Homes and Housing Trusts

The Spring 2022 forecast total income from these sources was **£65 million** in 2022. The total income (outturn) from these sources in 2021 was **£109 million**, which includes a one-off dividend from Jersey Telecom of £40 million. The updated forecast Other Income for 2022 is now **£62 million**, which is a decrease of **£2.5 million** compared to the Spring forecast. This variance can largely be attributed to a nil return now forecast on the Currency Notes Fund, which is now projected to incur losses in 2022.

Figure F1: Other Income Forecast – Summer 2022

Other Income Summary						
GBP 000's	2021 Outturn	2022 Forecast	2023 Forecast	2024 Forecast	2025 Forecast	2026 Forecast
Island Wide Rate	13,754	14,578	15,555	16,161	16,598	16,996
Other Income - Dividends	48,667	9,223	9,669	10,157	10,716	11,113
Other Income - Non-Dividends	16,485	10,147	7,776	7,779	10,183	10,086
Other Income – Housing Returns	30,580	28,613	29,156	29,702	30,210	30,618
Total Other Income	109,486	62,561	62,156	63,799	67,707	68,813
Spring 2022 Forecast	109,486	64,667	63,378	64,365	65,360	66,406
Variation to Spring Forecast	-	(2,106)	(1,222)	(566)	2,347	2,407

Table 1 – Summer 2022 Other Income Forecast

The full forecast and variances are included as an Appendix.

Island-wide Rates

Island wide rates have been updated for 2022 based on formula set out in law, calculated on March 2022 RPI of 6.0%¹¹.

The projections for 2023 onwards takes the Retail Price Index percentage for the given year and applies it to the previous year to reflect the 2023 – 2026 forecast.

¹¹ [R.97-2022 Island Wide Rate for 2022](#)

Figure F2: Island-wide rates

Island-wide rates						
(GBP 000's)	2021 Outturn	2022 Forecast	2023 Forecast	2024 Forecast	2025 Forecast	2026 Forecast
Island-wide rates	13,754	14,578	15,555	16,161	16,598	16,996
Year-on-Year Change %	-	6.00%	6.70%	3.90%	2.70%	2.40%

Dividends

The forecasts for dividends from both wholly or majority States owned entities are based on the following assumptions:

- Jersey Electricity Company – an inflationary increase in forecast dividends;
- Jersey Water – an inflationary increase in forecast dividends;
- JT Group – following the sale of the JT (Internet of Things) business, the special dividend in 2021 and the use of the sale proceeds to reinvest in the business, £3m a year is anticipated by the Board to be paid as a dividend for next 5 years;
- Jersey Post – a small dividend in 2023 with modest increases year on year as their strategic business objectives and investment start to yield results;
- Ports of Jersey – continuing no forecast dividends for the period due to the projected investment in the Harbour and Airport;
- States of Jersey Development Company – continuing no forecast dividends for the period as all profits are being reinvested into future projects at South Hill and the Waterfront.

The dividends are paid according to the defined dividend policies and forecasts are prepared in line with the company's latest business model. In most cases the dividends are directly related to trading performance but can be affected by projects being undertaken.

Forecasts are based on detailed conversations with the board of the companies and the reviews of their Strategic Business Plans.

Figure F3: Other income -dividends

Other Income - Dividends						
(GBP 000's)	2021 Outturn	2022 Forecast	2023 Forecast	2024 Forecast	2025 Forecast	2026 Forecast
Jersey Electricity	4,014	3,923	4,186	4,349	4,467	4,574
Jersey Water	2,190	2,300	2,454	2,550	2,619	2,682
SoJDC	-	-	-	-	-	-
Jersey Post	-	-	29	258	630	857
JT Group	42,463	3,000	3,000	3,000	3,000	3,000
Ports of Jersey	-	-	-	-	-	-
Total Dividends	48,667	9,223	9,669	10,157	10,716	11,113

Table 2 – Summer 2022 Dividend forecast

Non-Dividends

Non dividends include other types of income, including investment returns on the Consolidated Fund and Jersey Currency Fund. It also includes tax penalties, miscellaneous fines, returns from the Jersey Financial Services Commission and Crown Revenue.

The forecasts for returns on the Consolidated Fund and Jersey Currency Fund are based on the following:

- The Currency Notes Fund average balance is projected to continue to remain stable at circa £90 million. There remains a risk that the value of currency in circulation will fall over time, though at present little evidence of this has been seen so does not feature in our core assumptions.
- The Currency Fund is invested, in line with its published Investment Strategy.
- The Currency Fund is now forecast to incur losses in 2022, there is no expected surplus return to the Consolidated Fund until 2026, this is to allow for the recovery of losses in subsequent years before and to allow for a sufficient buffer before any returns to the Consolidated Fund are projected.
- The Consolidated Fund is expected to hold only frictional cash balances, based on timing differences between receipts and payments. Non-dividends income is therefore conservatively assumed to be nil.

Income from tax penalties in 2021 were significantly above forecast, with increased revenues expected over the forecast period. This is related to increased tax revenues through the continued enhancement of domestic tax compliance.

This forecast includes, for the first time, income from OfCom for the provision of radio licenses. This income was previously included as departmental income for Treasury and Exchequer, but from 2022 onwards, will be recognised as general income instead.

Non-Dividends

Figure F4: Non-dividends

Other Income - Non-Dividends						
	2021	2022	2023	2024	2025	2026
(GBP 000's)	Outturn	Forecast	Forecast	Forecast	Forecast	Forecast
Investment Income	45	-	-	-	-	-
Jersey Currency Notes	1,900	-	-	-	2,500	2,500
Tax Penalties	8,090	4,350	2,400	2,400	2,400	2,400
Miscellaneous Loan	661	500	500	500	400	300
Miscellaneous Fines	1,006	654	230	230	230	230
JFSC	4,027	3,900	3,900	3,900	3,900	3,900
OfCom income	436	518	518	518	518	518
Crown Revenue	320	225	228	231	235	238
Total Non-Dividends	16,485	10,147	7,776	7,779	10,183	10,086

Table 3 – Summer 2022 Non-Dividend forecast

Returns from Andium and Housing Trusts

The returns from Andium Homes and the Housing Trusts arise from the incorporation of the housing function in July 2014. Andium is obliged to make a return based on the transfer agreement and an agreed rental and return policy.

The return is influenced by the prevailing RPI with a cap and collar in place. Rents in 2022 were again frozen, and in addition a policy to limit rents to 80% of the market rate was approved by the States Assembly. There is an increase to the Andium Return from the Spring 2022 forecast, which is due to a revised forecast of the impact of the 80% rent policy. The impact over the period has reduced due to less tenancies having their rent increase capped that previously expected.

Figure F5: Andium and Housing Trusts

Other Income – Andium and Housing Trusts						
(GBP 000's)	2021 Outturn	2022 Forecast	2023 Forecast	2024 Forecast	2025 Forecast	2026 Forecast
Andium Homes	30,194	28,613	29,156	29,702	30,210	30,618
Housing Trusts	386	-	-	-	-	-
Total Returns	30,580	28,613	29,156	29,702	30,210	30,618

Table 4 – Summer 2022 Returns from Housing Trusts forecast

Income previously received from Housing Trusts is now forecast to be nil. The agreements with Housing Trusts provided for an annual contribution intended to off-set the cost of increase in Income Support for tenants on benefits and arising from the 90% of market rental policy. Now that the States have adopted an 80% of market rental policy, which is the general target for the Housing Trusts, there is no further agreement from the Housing Trusts to provide a contributory return.

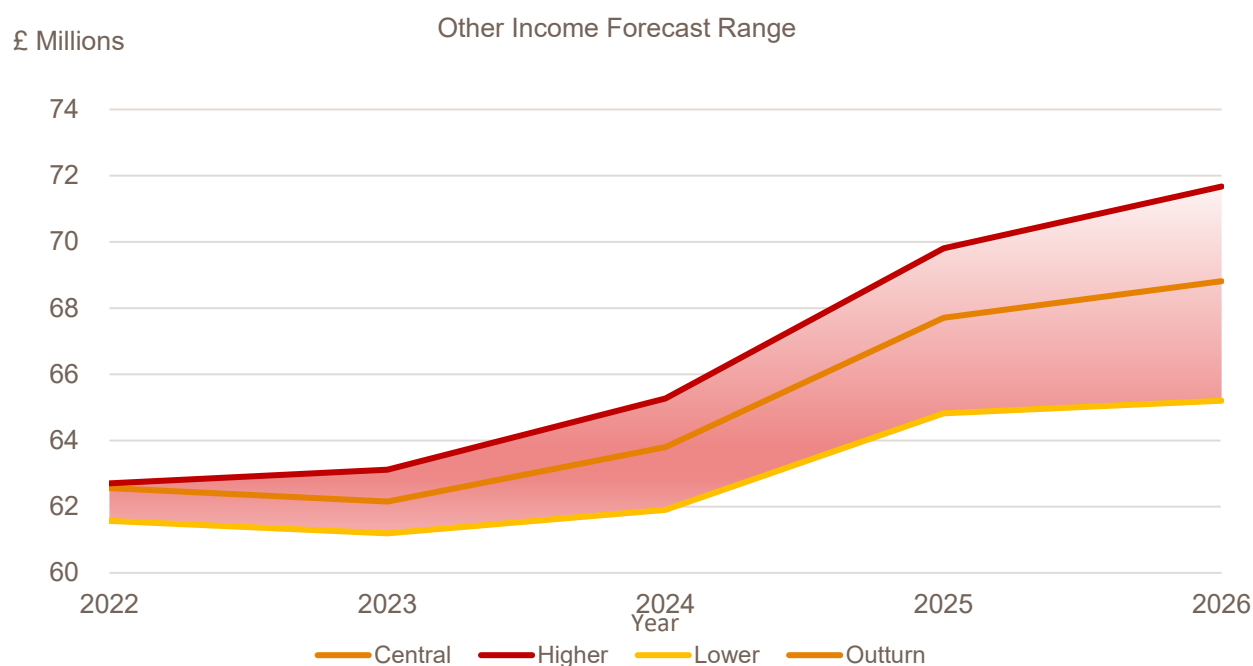
Upside and Downside Scenario

The other income forecast has been prepared based upon the FPP economic assumptions with additional consideration by IFG.

Due to the uncertainties that may be expected around the forecast, a central forecast of other income has been considered within an illustrative range. For other income the main economic driver is RPI, this has been considered within a range of +/-3% on the FPP economic assumptions. The range is shown below;

Figure F5: Range of forecast

Range of Forecast						
	2021 Outturn	2022 Forecast	2023 Forecast	2024 Forecast	2025 Forecast	2026 Forecast
Upper Forecast	109,486	62,706	63,116	65,271	67,231	69,098
Central Forecast	109,486	62,561	62,156	63,799	67,707	68,813
Lower Forecast	109,486	61,569	61,195	61,907	62,395	62,777
Spring 2022 Forecast	109,486	64,667	63,378	64,365	65,360	66,406



Other Income Tables

Figure F6: Full Summer 2022 Forecast

Other Income Forecast

	2021	2022	2023	2024	2025	2026
	Outturn	Forecast	Forecast	Forecast	Forecast	Forecast
Island-wide Rates	13,754	14,578	15,555	16,161	16,598	16,996
Jersey Electricity	4,014	3,923	4,186	4,349	4,467	4,574
Jersey Water	2,190	2,300	2,454	2,550	2,619	2,682
SoJDC	-	-	-	-	-	-
Jersey Post	-	-	29	258	630	857
JT Group	42,463	3,000	3,000	3,000	3,000	3,000
Ports of Jersey	-	-	-	-	-	-
Other Income - Dividends	48,667	9,223	9,669	10,157	10,716	11,113
Investment Income	45	-	-	-	-	-
Jersey Currency Notes Surplus	1,900	-	-	-	2,500	2,500
Tax Penalties	8,090	4,350	2,400	2,400	2,400	2,400
Other Loan Income	661	500	500	500	400	300
Other Fines	1,006	654	230	230	230	230
JFSC - Financial Services	4,027	3,900	3,900	3,900	3,900	3,900
OfCom income	436	518	518	518	518	518
Crown Revenues	320	225	228	231	235	238
Other Income - Non-Dividends	16,485	10,147	7,776	7,779	10,183	10,086
Andium Homes	30,194	28,613	29,156	29,702	30,210	30,618
Housing Trusts	386	-	-	-	-	-
Other Income – Returns	30,580	28,613	29,156	29,702	30,210	30,618
Total Other Income	109,486	62,561	62,156	63,799	67,707	68,813

Figure F7: Full Spring 2022 Forecast

Other Income Forecast – Spring 2022						
(GBP 000's)	2021 Outturn	2022 Forecast	2023 Forecast	2024 Forecast	2025 Forecast	2026 Forecast
Island -wide Rates	13,754	14,552	15,221	15,663	15,991	16,407
Jersey Electricity	4,014	3,923	4,103	4,222	4,311	4,423
Jersey Water	2,190	2,300	2,406	2,476	2,528	2,593
SoJDC	-	-	-	-	-	-
Jersey Post	-	-	29	258	630	857
JT Group	42,463	3,000	3,000	3,000	3,000	3,000
Ports of Jersey	-	-	-	-	-	-
Other Income - Dividends	48,667	9,223	9,538	9,956	10,469	10,873
Investment Income	45	-	-	-	-	-
Jersey Currency Notes Surplus	1,900	2,500	2,600	2,700	2,700	2,700
Tax Penalties	8,090	4,350	2,400	2,400	2,400	2,400
Miscellaneous Loans	661	500	500	500	400	300
Miscellaneous Fines	1,006	230	230	230	230	230
JFSC - Financial Services	4,027	3,900	3,900	3,900	3,900	3,900
OfCom Income	436	518	518	518	518	518
Crown Revenues	320	225	228	231	235	238
Other Income - Non-Dividends	16,485	12,223	10,376	10,479	10,383	10,286
Andium Homes	30,194	28,319	27,877	27,890	28,132	28,445
Housing Trusts	386	350	366	377	385	395
Other Income - Returns	30,580	28,669	28,243	28,267	28,517	28,840
Total Other Income	109,486	64,667	63,378	64,365	65,360	66,406

Figure F7: Variance Summer 2022 Vs Spring 2022

Other Income Forecast Variance						
GBP (000's)	2021 Outturn	2022 Forecast	2023 Forecast	2024 Forecast	2025 Forecast	2026 Forecast
Island-wide Rates	-	26	334	498	607	589
Jersey Electricity	-	-	83	127	156	151
Jersey Water	-	-	48	74	91	89
SoJDC	-	-	-	-	-	-
Jersey Post	-	-	-	-	-	-
JT Group	-	-	-	-	-	-
Ports of Jersey	-	-	-	-	-	-
Other Income - Dividends	-	-	131	201	247	240
Investment Income	-	-	-	-	-	-
Jersey Currency Notes Surplus	-	(2,500)	(2,600)	(2,700)	(200)	(200)
Tax Penalties	-	-	-	-	-	-
Miscellaneous Loans	-	-	-	-	-	-
Miscellaneous Fines	-	424	-	-	-	-
JFSC - Financial Services	-	-	-	-	-	-
OfCom Income	-	-	-	-	-	-
Crown Revenues	-	-	-	-	-	-
Other Income - Non-Dividends	-	(2,076)	(2,600)	(2,700)	(200)	(200)
Andium Homes Return	-	294	1,279	1,812	2,078	2,173
Housing Trusts Return	-	(350)	(366)	(377)	(385)	(395)
Other Income - Returns	-	(56)	913	1,435	1,693	1,778
Total Other Income	-	(2,106)	(1,222)	(566)	2,347	2,407

Appendix G – Social Security and Long-Term Care Contributions Forecast

Summary

This paper details the forecast for social security contributions which are received into both the Social Security Fund and Health Insurance Fund (HIF), and long-term care contributions, which are received into the Long-Term Care (LTC) Fund. Contributions paid into the Social Security Fund are used for the purpose of providing the funds required for paying social benefits payments, such as the old age pension and incapacity benefit. Contributions paid into the HIF for the purpose of paying medical and pharmaceutical benefits. LTC contributions are collected for the purpose of paying out benefits and expenditure relating to the provision of long-term care.

Forecasts have been prepared based on the economic assumptions provided by the Fiscal Policy Panel in July 2022.

Social Security Contributions

Social security contributions are received under the following 3 classes of contributions.

(a) Class 1 contributions, which include;

- (i) employed persons' primary class 1 contributions, and;
- (ii) employers' secondary class 1 contributions

(b) Class 2 contributions which are either full rate or reduced rate contributions.

The contributions model is updated based on outturn data, economic assumptions provided by the Fiscal Policy Panel are then applied to the outturn data to adjust for earnings and employment. An adjustment is made for the annual uplift in earning limits and a further adjustment for assumptions of unemployment levels.

In 2021, as part of the covid response measure the rate for primary class 1 contributions was reduced to a lower rate of 4% before reverting to the normal rate of 6% in July. To rebase the 2021 outturn and strip out the effect of the reduced rate an adjustment has been made in the 2022 forecast for the contributions foregone.

An element of total social security contributions shown below is also paid into the Health Insurance Fund.

Figure H1: Social security contributions

Social Security Contributions						
	2021	2022	2023	2024	2025	2026
GBP (000's)	Outturn	Forecast	Forecast	Forecast	Forecast	Forecast
Social Security Contributions	231,086	257,747	271,473	281,789	289,961	298,080
% Change		11.5%	5.3%	3.8%	2.95	2.8%
Spring 22 Forecast	231,086	256,400	263,579	270,432	277,196	284,677
Variation to GP 22 Forecast		1,347	7,894	11,357	12,765	13,403

Table 1 – Spring 2022 Other Income Forecast

Mini-budget impact

P.80/2022 also referred to as the mini-budget proposes temporarily reducing class 1 and class 2 social security contributions by 2% for quarter 4 2022.

The impact of the mini budget, due to be debated in September 2022 is outlined as follows.

Figure H2: mini-budget impact social security contributions

Social Security Contributions	
	2022 Forecast
GBP (000's)	
Social Security Contributions	257,747
Reduced Contributions – Q4	(8,173)
Social Security Contributions after mini-budget	249,574

Long-Term Care Contributions

Every insured person who pays income tax, pays into the long-term care fund with a long-term care contribution. The long-term care contribution is based on personal income tax and is therefore a function of changes to personal income tax forecasts.

The long-term care forecast is based on the 2021 outturn data, and then adjusted in line with the year-on-year change in the personal income tax forecast

The methodology of the forecast in personal income tax is described in the appendix A.

Figure H3: Long-term care contributions

Long-Term Care Contributions						
	2021 Outturn	2022 Forecast	2023 Forecast	2024 Forecast	2025 Forecast	2026 Forecast
Long-Term Care Contributions	32,357	35,130	38,397	40,554	42,403	44,314
% Change		8.6%	9.3%	5.6%	4.6%	4.5%
Government Plan 22 Forecast		33,611	35,661	37,623	39,842	-
Variation to GP 22 Forecast		1,519	2,736	2,931	2,561	-

Appendix H – Terms of Reference

Purpose

The group is established as an advisory function on the forecasts of all States income from taxation and social security contributions which will be informed by economic assumptions produced by the Fiscal Policy Panel with additional forecasts for other States income prepared by Treasury officers.

Objectives

To produce an absolute minimum of two forecasts each year

A full review of states tax, social security contributions and duty revenue forecasts will take place following the provisional outturn and no later than May of each year.

A further forecast to inform the Government Plan debate, including any revised economic assumptions and experience from the current year actual revenues.

To produce reports on the forecasts of states income from taxation and social security contributions, including:

Forecasts for income tax revenues

Forecasts for goods and services tax and ISE Fees

Forecasts for impots duties

Forecasts for stamp duties

Forecasts for social security contributions

Forecasts for long-term care contributions

Forecasts for other States income

Economic assumptions used; and

Factors and risks that should be considered

The forecasts will cover a period of at least four years and include a range within which a central forecast can be applied.

Reporting

The reports will be presented to the Treasury and Resources Minister in advance of the Council of Ministers consideration.

Once a report is approved by the Treasury and Resources Minister it will be published alongside the Government Plan.

Other reports can be prepared on the request of the Treasury and Resources Minister.

Administration

All meetings will be minuted with agreed actions.

Quorum – at least six members be present for the meetings to be considered quorate. In exceptional circumstances a delegate may be appointed by an official, however external members cannot delegate.

Quarterly internal review meetings will also be held.

Any variations to the group membership once established are to be agreed by the Treasury and Resources Minister or Chief Minister.

It will be the responsibility of the Chief Executive and Treasurer of the States to ensure that the group has sufficient resources to fulfil its responsibilities.

Group Membership

The members of the group are:

Director General, Treasury and Exchequer (Chair)

Director General, Customer and Local Services

Director General, Department of the Economy

Comptroller of Revenue

Deputy Comptroller of Revenue

Group Director, Strategic Finance

GoJ Chief Economic Adviser

GoJ Economist

At least two external members appointed by the Treasury and Resources Minister

The meetings of the group may be attended by the following officers in a supporting role:

Head of Financial Planning (secretary)

Revenue Accountant

Tax Policy Unit Officer

The group will invite other officers and external advisers to attend as appropriate which will be documented.

The group will operate independent of any political influence.