

STATES OF JERSEY



GOVERNMENT PLAN 2021-2024 (P.130/2020): SIXTH AMENDMENT (P.130/2020 AMD.(6)) - COMMENTS

**Presented to the States on 11th December 2020
by the Council of Ministers**

STATES GREFFE

COMMENTS

The Council of Ministers opposes this proposal and urges States members to reject the Amendment.

Conclusions

- Child Care Tax Relief (CCTR) is a relief created to support working families; Enhanced CCTR applies to children aged 0-4 and Wrap Around Care, to children aged 4-12 years. CCTR was introduced to help working families who incur professional registered childcare costs; thereby enabling them to work and contribute to the economy.
- It is not universally available to marginal rate taxpayers with children. As it is a tax relief (rather than a tax allowance), the relief that can be claimed is limited to the eligible costs incurred, up to a maximum cap. There is no set amount that people can claim.
- An increase to the cap(s) will not necessarily benefit many taxpayers – only those that are currently claiming the maximum amount. Even then, taxpayers will only benefit from an increased cap if their childcare costs are at the level of the new cap.

Background

- GP 2020 – 2023 allocated new resources to support children and this is due to start in 2021.
- The amendment will not necessarily help those that are most in need as those on lowest income would not benefit from either measure as they are only available to families earning enough to be paying income tax.
- Use of tax allowances and reliefs may not be the most effective means of providing additional support. The changes may only benefit those with enough income already to take advantage of them, or those that are currently claiming the maximum amounts possible.
- Research carried out by the Early Years Policy Development Board (EYPDB) indicates there are better ways of supporting children than the use of tax reliefs of this type.
- The EYPDB is to bring forward recommendations imminently on how these new resources will be best spent
- Historically the CCTR caps have been based on CCTR costs. The amendment does not include any evidence that these costs have increased.
- The structure of child related reliefs and allowances is being considered within the Personal Tax Review in advance of introducing independent taxation – the level of

reliefs due (if they are to remain in the tax system) may vary depending on the outcome of this work.

Financial and Manpower Implications

- The financial implications of this amendment would be 2021 Estimate for Personal Income will be reduced by £240,000
- If this amendment is adopted by the Assembly then the reduction in the forecast Consolidated Fund balance for 2021 will be managed in the first instance by adjusting the Consolidated Fund working balance in that year, without proposing to increase the maximum borrowing requirement proposed in part (c) of P.130/2020.
- Depending upon which amendments are adopted by the Assembly, the Chief Minister or Minister for Treasury and Resources may request an adjournment of the debate for a specified period to consider the consequences of the amendment under Standing Order 70A. Under Standing Order 80A the Chief Minister or Minister for Treasury and Resources may propose, without notice an amendment to the Government Plan at any time during the debate.
- Reducing this income will increase the level of borrowing required by an equivalent amount each year over and above the amount of borrowing otherwise required.
- The Council of Ministers will be bringing a proposition to the Assembly during 2021 seeking approval for long-term financing relating to Our Hospital. In the event that the maximum Covid-related borrowing requirement as approved in part (c) of P.130/2020 needs to be adjusted as a result of the value of amendments approved by the Assembly and updated forecasts, as well as the 2019 outturn, then approval will be sought for an amendment to the approved Government Plan at that time in accordance with Article 16 of the Public Finances (Jersey) Law 2019.

Statement under Standing Order 37A [Presentation of comment relating to a proposition]

These comments were submitted to the States Greffe after the noon deadline as set out in Standing Order 37A due to final due diligence and checking taking place.