

STATES OF JERSEY



MINI-BUDGET 2022 (P.80/2022) : THIRD AMENDMENT

Lodged au Greffe on 30th August 2022
by Deputy L.V. Feltham of St. Helier Central
Earliest date for debate: 13th September 2022

STATES GREFFE

MINI-BUDGET 2022 (P.80/2022): THIRD AMENDMENT

1 PAGE 2, PARAGRAPH (c) –

After paragraph (c), insert the following new paragraph and re-designate the remaining paragraphs accordingly –

“(d) increasing the current income threshold for access to the Community Cost Bonus to include all those households where no household member had a tax liability of more than £2,735 for the previous year;”

2 PAGE 2, PARAGRAPH (c) –

After paragraph (c), insert the following new paragraph and re-designate the remaining paragraphs accordingly –

“(d) extending the deadline by which applicants must apply for the Community Cost Bonus to no later than six months after the year end to which the application relates, and correspondingly reducing the maximum late application extension to 1 month;”

DEPUTY L.V. FELTHAM OF ST. HELIER CENTRAL

Note: After this amendment, the proposition would read as follows –

THE STATES are asked to decide whether they are of opinion –

to agree that the following actions should be taken to address cost of living concerns –

- (a) increasing the personal income tax thresholds and allowances by 12% above the 2022 thresholds and allowances, in accordance with the Table in Appendix 2 of the report accompanying the proposition, to take effect for the year of assessment 2023;
- (b) temporarily reducing by 2 percentage points Class 1 and 2 social security contributions for the period 1st October 2022 to 31st December 2022, comprising a reduction, in respect of earnings below the standard earnings limit (SEL), from 6% to 4% for the Class 1 employee contribution rate, and from 12.5% to 10.5% for the Class 2 contribution rate;
- (c) doubling the value of the Community Costs Bonus for 2022 by increasing the value of the bonus from £258.25 to £516.50.
- (d) increasing the current income threshold for access to the Community Cost Bonus to include all those households where no household member had a tax liability of more than £2,735 for the previous year;

- (e) extending the deadline by which applicants must apply for the Community Cost Bonus to no later than six months after the year end to which the application relates, and correspondingly reducing the maximum late application extension to 1 month;
- (f) setting a fixed value at £70 per month for the Cold Weather Bonus and Cold Weather Payments, regardless of temperature, for the winter months (October 2022 to March 2023 inclusive); and
- (g) postponing the commencement of the obligation for offshore retailers to register under the Goods and Services Tax (Jersey) Law 2007 from 1st January 2023 to 1st July 2023.”

REPORT

The Community Cost Bonus exists to provide targeted support to low-income households likely to be the most impacted by the cost of GST on food and sought to alleviate some of that burden. The Council of Ministers has rightly sought to address the financial pressures arising for islanders due to the current cost of living increases. The proposed increase to the Community Cost Bonus is timely. However, the eligibility criteria should be better targeted to include individuals with a low income and working families in the low to middle-income bracket.

The purpose of this amendment is to improve the targeting of the Community Cost Bonus to include households with a relatively low income but are not eligible to receive income support-related benefits. It acknowledges that people in this scenario are more likely to be adversely affected by high inflation and increased cost of living than higher earners.

According to Statistics Jersey a commonly used threshold of relative low income is 60% of the median equivalised income for a jurisdiction.

In Jersey in 2021 / 2022:

- the relative low income threshold was £510 per week before housing costs and £420 per week after housing costs
- 24% of households and 21% of individuals were in relative low income
- one in four children were in relative low income, a lower proportion than the UK
- more than one in four pensioners were living in relative low income, twice the proportion of the UK

Under the current tax arrangements, single-person households with a relatively low income of £510 per week or less could still be eligible to pay income tax and therefore not meet the current criteria for the Community Cost Bonus. Revenue Jersey has advised that an individual in this situation could have a tax liability for 2021 of up to £2,735. Therefore, I am proposing that the current criteria relating to zero tax liability be changed to include households in which individuals have a tax liability of £2,735 or less for the previous tax year. In addition to including single-person households with a low income, this change will also enable working families on a low-middle income to claim the bonus.

The case for extending the Community Cost Bonus to include more households was made well by the then Senator Moore in [P.39/2022](#). Particularly within the following quote:

After speaking with Citizen's Advice, it is clear that increasing groups of people are experiencing financial hardship in the island. According to the CEO of that organisation:

“In our experience, those who meet the criteria to claim Income Support have some protection from the increasing cost of living due to the safety net it provides and the additional assistance it gives access to. Those in receipt of Income Support have access to Special Payments, the Health Access Scheme, Cold Weather Payments, the Jersey Christmas Appeal and other charities and food banks who request pre-screening with evidence of Income Support. We

cannot see an equivalent provision or area of support for those who do not qualify for Income Support. This may be due their income being slightly above the means tested entitlement or due to having a mortgage, which is being affected by the increasing Bank of England base rate. These households can struggle just as much as Income Support households without having access to other support. Income Support is increased annually as a buffer against the increasing cost of living, but those who are not in receipt of Income Support have to make ends meet with stagnating wages. Many of these Islanders also need access to food banks, provisions, dry goods and toiletries. This is a vulnerable group that deserves more focus.”

In light of this evidence it would be right for the Council of Ministers to consider widening the remit of the Community costs bonus to include people who are not paying income tax, but do not receive income support and those who pay the marginal rate of tax.

Since P.39/2022 was lodged, the Cost of Living Temporary Scheme was put in place to help households receiving income support with the increased cost of living, the value of this benefit has been doubled by the Government, therefore, I have not sought to extend the Community Cost Bonus to households in receipt of income support within this amendment.

Upon reviewing the previous Government’s comments on P.39/2022 it is clear that extending the Community Cost Bonus to all those taxpayers on a marginal rate would not be sufficiently targeted and would be unaffordable.

I have sought within this amendment to identify an achievable means of widening the remit of the Community Cost Bonus, as I am sure was the intention of Deputy Moore when she lodged P.39/2022.

To assist with managing the increased number of potential applications and in support of the Government’s wider intention to communicate the existence of the bonus more broadly, I am also proposing that the application deadline for eligible households is extended by six months. This extension intends to make the Community Cost Bonus more accessible to eligible households who are unaware they can claim.

Financial and manpower implications

The Government has allocated up to £3.6 million to increase the uptake of the Community Cost Bonus. This figure is based on its estimate that an additional 7,000 households may be eligible but not claiming (these are additional households to the 1,000 that have previously claimed).

Due to time constraints following the publication of statistics on Friday 26 August 2022 it has not been possible to identify the number of individuals with a tax liability of £2,735. However, Revenue Jersey estimates that there are c.12,260 individuals with a liability of >£0 and <£2,330. As the Community Cost Bonus is a household benefit, many of these individuals will be in households that will remain ineligible on the following basis:

- The household is in receipt of income support

- The household includes one or more individuals with a greater tax liability

The expected number of eligible households is further reduced because many people will be taxed independently as they are not married or in a civil partnership but will be classified as in a household with others as they are living together as a couple. Considering this, it is estimated that this amendment could make a further 6,000 households eligible with a potential cost of up to £3.1million.

The Government has already made provision for an additional Full Time Equivalent to manage increased applications for the Bonus, and the amendment has been made in such a way that the application process for the Bonus can remain the same. Therefore, this amendment will have a minimal administrative impact.