

STATES OF JERSEY



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

Lodged au Greffe on 25th August 2022
by Deputy M.R. Scott of St. Brelade
Earliest date for debate: 13th September 2022

STATES GREFFE

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

1 PAGE 2, PARAGRAPH (a) –

After “2023;” insert the words “and re-introducing a higher personal income tax threshold of £20,512 for individuals aged 75 years or more whose income does not exceed £25,000 in the year of assessment”.

DEPUTY M.R. SCOTT OF ST. BRELADE

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; and re-introducing a higher personal income tax threshold of £20,512 for individuals aged 75 years or more whose income does not exceed £25,000 in the year of assessment.
- (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) 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
- (e) 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

This Proposition has been brought to help alleviate the relatively high amount of pensioner poverty in the Jersey compared to that in the UK.

Until its removal in 2015, income tax law provided for a higher income tax allowance for individuals aged 65 or more (the relevant age was lower in years preceding year of assessment 2014).

I have been indirectly informed by Revenue Jersey that the reason for the removal of the age-enhanced threshold, was it was considered unfair for the tax system to discriminate on the basis of age rather than income level, with the result being that a 20 year old earning £25K would pay more tax than a 75 year old (who does not pay social security contributions) with the same level of income).

This argument overlooks the difference in earning potential between a person of working age and a person well past retirement age, with inflation having caused the value of income to fall in real terms. It also overlooks the significant amount of pension poverty that we have in the Island.

- Approximately 1 in 3 Pensioners in the past 7 years received less than 60% of median household income after housing costs which is twice the proportion of pensioners on a relatively low income after housing in the UK¹. 34% of Pensioner households received less than £336 per week (or £17,472 a year) in 2014/2015². 28% of Pensioner households received less than £414 per week (or £21,528 per year) in 2019/2020³.
- The recent annual increase in cost of living of 7.9% in June 2022 is higher than the 6.4% rise in September 2008 which was the highest in a period of 20 years before June of this year⁴.
- Those pensioners who pay rent have faced increased rental costs (the Private Sector Rental Index shows an increase in private rents of approximately 40% from 2015 to 2022).
- Pensioners also have been deprived since 2017 of a higher income tax threshold available to Islanders over the age of 64/65. Those who stopped working ten years ago, having budgeted for retirement, are unlikely to have predicted such events.
- Proposals in the mini budget to reduce social security contributions will not benefit those over retirement who are not paying social security contributions. The anticipated increase in pension mentioned in Proposition P.80/2022 to a full single Jersey pension of £13,176.80 is not to occur until 2023 and hardly equates to a living wage.

¹ [Jersey Household Income Distribution Survey 2019/2020 published by Statistics Jersey](#)

² Source: [Jersey Household Income Distribution survey 2014/15 published by Statistics Jersey](#)

³ Source: Jersey Household Income Distribution survey 2019/2020 published by Statistics Jersey (<https://www.gov.je/SiteCollectionDocuments/Government%20and%20administration/R%20Income%20Distribution%20Report%202019%2020220506%20SJ.pdf>)

⁴ [Jersey Retail Prices Index published by Statistics Jersey](#)

The structure of the proposed amendment

- (i) In view of staffing shortages caused by Brexit and the pandemic, and the Island's relatively high proportion of population over the age of 65, the Outline Economic Strategy for Jersey published in 2022 anticipates that 'those aged 65 and above will play a much greater role in shaping our economy'. For this reason, and to contain the cost of the proposed amendment, the age-enhanced allowance is only being proposed for individuals aged over 75.
- (ii) The higher income tax threshold proposed for those over the age of 75 is the equivalent of a 35-hour week for those on the living wage. The States Assembly supported part of a proposition brought by Deputy Geoff Southern to require the then Social Security Minister to ask the Employment Forum to consult on the feasibility of aligning the Minimum Wage with the 'Living Wage'. It therefore seems reasonable to provide this much of an allowance to those less able than most Islanders to work for such a wage to compensate for additional expenses caused by events such as the cost-of-living crisis and the removal of the enhanced income tax threshold itself.
- (iii) The requirement in the amendment that income does not exceed £25,000 reduces the availability of a tax reduction for wealthier pensioners benefitting from marginal relief.

Financial and manpower implications

An estimate provided by Revenue Jersey has indicated that, in 2020, 850 single taxpayers aged over 75 paid tax on an income of less than £25,000 (roughly 10% of the number of Islanders (8,652) over the age of 74 shown in 2021 census⁵). A number of these will no longer pay tax following the general increase in the single income tax threshold proposed by the mini-budget.

The mini budget proposes an increased single income tax threshold of £18,550. The difference between the proposed single tax threshold of £18,550 and the proposed enhanced threshold of £20,512 is £1,962. The cost of the age-enhanced threshold for 2023, based on the 2020 figures for low income taxpayers provided, therefore is likely to be around $850 \times £1,962 = £1,667,700$

Consideration needs to be given to the rate at which the over-75 population has increased since 2020 or will increase in the future. The 2021 census showed the 70-74 year old population to be just over a third larger than the 75-79 year old population). Jersey's 2020 mortality statistics showed approximately 510 deaths last year of those aged 75 and over (and an average age of death of 79), suggesting an annual increase in the over-75 population of 24 each year over the next four years.

The manpower implications of implementing this Proposition if adopted by the States Assembly are unlikely to be significant. The additional expenses faced by more elderly pensioners caused by the events mentioned in this report will accelerate the rate at which

⁵ [Census 2021 Population bulletin published by Statistics Jersey](#)

they will exhaust their savings and likewise accelerate the time when they are likely to have to look to government for income support funded by the taxpayer along with related administrative costs: this amendment aims to delay that need. Other expenses such as amendment of income tax forms and legislative changes should be covered by the costs of current government staff already employed in the preparation of the mini-budget.