

23.05.02

1 Deputy L.J. Farnham of St. Mary, St. Ouen and St. Peter of the Minister for Treasury and Resources regarding tax paying couples (OQ.76/2023)

Will the Minister state how many tax-paying married couples and civil partnerships have voluntarily elected for independent taxation from the year of assessment 2023 and what percentage of all tax-paying couples this represents?

Deputy I.J. Gorst of St. Mary, St. Ouen and St. Peter (The Minister for Treasury and Resources):

I wonder if I could ask Deputy Millar to answer this question as she is bringing forward this legislation.

Deputy E. Millar of St. John, St. Lawrence and Trinity (Assistant Minister for Treasury and Resources - rapporteur):

For the pilot group in the year of assessment 2022, 121 couples elected to be taxed independently. Eligibility to make the selection is restricted to a small pool of couples who had already elected to be separately assessed. For the year of assessment 2023, a further 282 couples made the election. The deadline for electing the year of assessment 2024, which may still be made on a voluntary basis, has not yet passed but 60 elections from couples have been received to date. It is important to remember that in addition to these volunteer couples, since 1st January 2022 independent taxation has been mandatory for all couples who have married since then, some 405, and all married couples who have arrived in Jersey as married couples, which are 98. In total, therefore there are 966 couples taxed independently, representing around 5 per cent of married couples in the tax system.

4.1.1 Deputy L.J. Farnham:

Can I thank the Assistant Minister for her answer and ask if she knows why such a low number of married couples and civil partnership couples have elected voluntarily to go on to independent taxation? The States approved the principle some time ago and it has been broadly advertised. I wonder if she would have any idea as to why there is such a low take up.

Deputy E. Millar:

I am afraid I do not know why the numbers are as they are. We have promoted it and if people do not come forward they do not come forward.

4.1.2 Deputy S.Y. Mézec of St. Helier South:

Given the Minister's answer to those questions just now, can she advise the Assembly what lessons she has taken from the efforts that they have made so far to encourage people to voluntarily elect for independent taxation and for low take up that she has revealed that there is, and how she will be using that experience to inform her strategy for moving for compulsory independent taxation in the coming years?

Deputy E. Millar:

I think we have to accept that there will always be a degree of inertia. People are used to doing things in a certain way and if they are asked to choose to do something differently they may not rush forward to make that election, even though for some women it is an entirely appropriate thing to do. There may be many reasons why people have remained with the current system of taxation for married couples which is, again, possibly due to inertia. We have a very full programme of communication planned as we move forward. We are still in the first half. In fact we are only just in the second quarter of 2023. The tax year 2024, will also be independently taxed on a voluntary basis, so we do have some 18 months to work on our planning and our communications. We will be considering that very carefully to make sure that when independent taxation does become compulsory that people have a full understanding of what will be expected of them.

4.1.3 Deputy S.Y. Mézec:

When the Corporate Services Scrutiny Panel canvassed the public to hear from them their concerns over the move from voluntary independent taxation to compulsory we encountered a great deal of confusion over what that will specifically mean for households and a great deal of anxiety. What is the Minister doing now to communicate with those people - those who we spoke to were just those with access to the internet, many may not have that - to reassure them about the impacts that the move from voluntary to compulsory will have on their household tax liability? And at what point she will be able to say that she has confidence that our community fully understands this and will not suffer any negative consequences because of any misunderstandings on it.

Deputy E. Millar:

I would remind the Assembly that I believe the move to independent taxation has been approved by the Assembly. As I say, we have some 18 months to continue our communications programme. In fact, I only had some emails with one of my officers yesterday asking if it was permissible to ask the Scrutiny Panel if it would release the input it had received from members of the public to help inform our communication programme. I hope that the chair will be willing to give that material to us to help. Everything that is relevant will be taken into account.

[9:45]

I can assure the Assembly we understand that some people may be worse off through the system of independent taxation but we have planned a compensatory allowance which will manage that and make sure that no one is worse off. That compensatory allowance will be in place for some 10 years. But we will take every step to make sure that people understand the implications. Where people need support in filling a tax return, which they have not done previously, that support will be provided. The department, Revenue Jersey, already deals with people who are filing a tax return for the first time in old age. We will be making sure that people understand the compensatory allowance and how that is applied.

Deputy M.R. Scott of St. Brelade:

Could I please for the défaut to be lifted from Constable Honeycombe who is in fact attending by Teams and can hear the Chamber, but for some technical reason his response to the appel was not heard.

The Bailiff:

Very well, that seems to be entirely reasonable. Thank you very much.

4.1.4 Deputy M. Tadier of St. Brelade:

Would the Minister agree that it might be a reasonable assumption that those who have elected for independent taxation, those couples, might be ones who would benefit financially from independent taxation as opposed to joint taxation? Does she have any statistics about the financial situation of those couples, who have elected, to share with us?

Deputy E. Millar:

No, I do not have any statistics to hand, and I am not sure if my officers have those statistics. There may be many reasons why people have elected for independent taxation. It may be because the married woman wishes to be treated as an independent person and not to have her income treated as that of her husband. There may be all sorts of reasons but I cannot explain that at present, no.

4.1.5 Deputy M. Tadier:

I am quite surprised to hear that piece of work or even that consideration was not thought about before embarking on this experimental period because, not least, there may be financial consequences for the Treasury. It does seem reasonable that whatever one's moral objections to women having to rely on their husbands that if you are going to be worse off for a few years you are probably not going to elect for independent taxation. Could the Minister seek to provide that information about the breakdown of demographics to share; if not with the Assembly certainly I would have thought Scrutiny would be interested in it?

Deputy E. Millar:

I can ask if the officers have that data but, as I said, I do not know if it exists at present. As I say, there may be many reasons why people have chosen to be taxed independently. I would imagine going to 9,000 couples to ask for their reasons may be a piece of work that is more administratively burdensome than it is useful.

4.1.6 Deputy L.J. Farnham:

I am sure the majority of Members are fully supportive of independent taxation. It is quite right that all new taxpayers move on to that basis. But it is clear from work that has been done that the majority of existing tax-paying couples do not like the retrospective nature of having paid joint taxation for most of their married lives do not want to be forced into compulsory taxation. Does the Assistant Minister, or could I hear her views or perhaps does she accept that perhaps a low number of tax-paying couples, some 5 per cent of all tax-paying couples, have volunteered to pay independent taxation? Can she not accept that that might be just due to the unpopular nature of the move to force people on to this? Would she consider perhaps rethinking it?

Deputy E. Millar:

I do not agree with Deputy Farnham that there is overwhelming or in fact very much evidence at all that people are opposed to this move. It was supported by this Assembly. It is entirely the right thing to do. There may be small groups of people who object to the move, I think particularly the

older people who, as I said, will be supported. People who are worse off will be supported by the compensatory allowance. I have to say I am not clear whether people are necessarily better off through moving to independent taxation. I see no reason to now move from the stated intention of this Assembly and to not introduce independent taxation across the board. The reasons for doing that on a mandatory basis was set out in my very recent letter to Scrutiny, and I am sure that letter could be made available to all Members if Scrutiny agreed. I am not sure if it has already been published.