

STATES OF JERSEY



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

Lodged au Greffe on 30th August 2022
by Deputy T.A. Coles of St. Helier South
Earliest date for debate: 13th September 2022

STATES GREFFE

MINI-BUDGET 2022 (P.80/2022) – SIXTH AMENDMENT

1 PAGE 2, PARAGRAPH (b) –

Insert a new paragraph (b) as follows and re-designate the remaining paragraphs accordingly –

“(b) introducing a new personal tax allowance, the effect of which would be to offset any taxation obligations for taxpayers receiving a wage of less than 60% of the annual median weekly wage for the preceding year, with the Minister for Treasury and Resources to bring forward the necessary legislative changes within the 2023 Government Plan for debate by the Assembly during 2022;”.

DEPUTY T.A. COLES OF ST. HELIER SOUTH

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) introducing a new personal tax allowance, the effect of which would be to offset any taxation obligations for taxpayers receiving a wage of less than 60% of the annual median weekly wage for the preceding year, with the Minister for Treasury and Resources to bring forward the necessary legislative changes within the 2023 Government Plan for debate by the Assembly during 2022;
- (c) 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;
- (d) doubling the value of the Community Costs Bonus for 2022 by increasing the value of the bonus from £258.25 to £516.50.
- (e) 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

- (f) 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 purpose of this amendment is to specifically target relative low-income earners and to remove the tax burden placed on them, without costing the Treasury additional millions on top of the generous increase to tax thresholds the Minister has already proposed. It is hoped that, if the minimum wage is increased to a living wage, this allowance will eventually become superfluous but still act as a safety net should relative incomes become disproportionate.

The term of relative low income is defined as 60% of the median income. The 2022 median income for a full-time employee was reported as £750 per week, making the relative low income £450 per week or an annual income of £23,400. The proposed 12% increase to the tax threshold, taking the threshold to £18,550, would still leave an individual receiving a relative low income, without further deductions, liable for tax on £4,850 of their income, an amount of £1,309. This amendment would mean individuals receiving relative low income would no longer be paying tax.

It is worth noting that the median equivalised household income is skewed, due to a number of households having very high incomes, and so does not transversally apply to tax thresholds and relative low incomes. So, to ensure that there is no disadvantage to those who are married or in a civil partnership, with either with a single or second earner, the proposed amendment works by doubling the relative annual income of a single full-time employee to £46,800 as the maximum income that this additional allowance would apply up to with two earners. Therefore taking 80% of £46,800, an amount of £37,440, to apply as the maximum earning before a married couple or those in a civil partnership with single income.

Financial and manpower implications

The estimated cost to the Treasury is shown in the table below -

Household category	Income (pa)	Cost to Treasury
Single person	£23,400	£1,309
Married/CP one earner	£37,440	£1,999
Married/CP two earner	£46,800	£2,522

The government suggests there is a cost of £5,000 to update the tax system, and it is appreciated that there may be further administrative costs in relation to this amendment.

Re-issue Note

This amendment has been re-issued to correct figures cited in the Financial and Manpower implications statement.
