

STATES OF JERSEY



BUDGET 2008 (P.164/2007): FOURTH AMENDMENT

**Lodged au Greffe on 3rd December 2007
by the Minister for Treasury and Resources**

STATES GREFFE

BUDGET 2008 (P.164/2007): FOURTH AMENDMENT

At the end of paragraph (a), after the words “as set out in the Budget Statement” insert the words –

“except that all income tax exemptions for the year of assessment 2008 shall be increased by 6.5% instead of the 3% increase originally proposed in the Budget Statement”.

MINISTER FOR TREASURY AND RESOURCES

NOTE:

1. The current proposal in the Budget Statement 2008 is for the income tax exemption thresholds to increase by 3% for the year of assessment 2008.
2. This amendment has been lodged by the Minister for Treasury and Resources less than 14 days before the start of the debate in accordance with the provisions of Article 20(3) of the Public Finances (Jersey) Law 2005. Paragraphs (2) and (3) of Article 20 are in the following terms–
 - (2) A draft or proposition to which this Article applies is not capable of being amended during a debate in the States on the draft or proposition except in accordance with an amendment lodged at least 14 days before the start of the debate.
 - (3) Paragraph (2) does not apply to an amendment moved by the Minister if the States agree that the amendment may be debated forthwith or at a time approved by the States.

In accordance with the provisions of paragraph (3) the Minister for Treasury and Resources will seek the agreement of the States to debate this amendment during the debate on the Budget 2008.

REPORT

During the recent debate on the zero-rating of food, I committed to bring forward proposals to assist those households just above the income support threshold. This amendment addresses that support for those 26,000 low-to-middle income households who currently pay income tax at the marginal rate and if approved the necessary legislative changes will also be required.

As part of the “20 means 20” proposals last year I announced a 2.5% increase in income tax exemption limits for each of the next 3 years, but this year I was originally proposing in the Budget that the increase for 2008 and 2009 would be 3%. This would keep more of those on lower incomes out of the tax net and also provide some gain to a proportion of middle income taxpayers.

My commitment during the recent GST exemptions debate was to increase that percentage to 6.5% for year of assessment 2008. For a married couple this will provide an extra £172 per annum to those originally proposed in the Budget. This compares to £43 to £67 per annum being the estimated cost of GST on food to a low-to-middle income household. There is a cost to these proposals, in terms of reduced income tax revenues, totalling £3.1 million per annum.

The increase to income tax exemption limits will also mean that a married couple, both working, with 2 children one at university and a £200,000 mortgage with interest of £14,000 could earn over £46,000 before they pay any tax.

In terms of those households just above the income support threshold, but who do not pay income tax, I am working on a process which we could introduce to reduce the burden of GST on food for those households. I intend to have further details available for Members on Budget day and the final proposals will be in place to ensure that support is available to these householders in time for the introduction of GST on 1st May 2008.

Revised Table 6.1 (from Budget Statement 2008)
Exemption Thresholds for Year of Assessment 2007 to 2009

<i>Exemptions and Allowances</i>	<i>Year of Assessment</i> 2007	<i>Year of Assessment</i> 2008	<i>Year of Assessment</i> 2009
<i>Exemptions</i>			
– Single Person	£11,300	£12,040	£12,400
– Single Person (aged 63+)	£12,610	£13,430	£13,830
– Married Couple	£18,130	£19,310	£19,890
– Married Couple (aged 63+)	£20,760	£22,110	£22,780

Exemptions

Increases in tax exemption limits were approved in last year’s Budget as part of the revised 20% means 20% proposals. As a result of this year’s proposals they will increase by 6.5% for 2008 and 3% for 2009.

Table 3 (extracted from P.169/2007 Comments)

Cash Impact of Zero-Rating on Household Expenditure by Quintiles (£)					
Quintile	1	2	3	4	5
Foodstuffs	-43	-52	-67	-93	-121
Newspapers, books and magazines	-6	-6	-9	-11	-17
TOTAL	-49	-58	-76	-104	-138

