STATES OF JERSEY

DRAFT
BUDGET
STATEMENT 2009

MINISTER FOR
TREASURY AND RESOURCES

BUDGET STATEMENT 2009

PROPOSITION

The States are asked to decide whether they are of opinion:

a) to approve the estimate of total taxation revenue in 2009 of £598,340,000 as set out in summary table A on page 32 of the Budget Statement, with the sum to be raised through existing taxation measures and the proposed changes to income tax, impôts duty, stamp duty and land transactions tax for 2009 as set out in the Budget Statement;

MINISTER FOR TREASURY AND RESOURCES

Contents

1. FOREWORD

MINISTER FOR TREASURY AND RESOURCES

This 2009 Budget is being presented during a period of economic turmoil and uncertainty, the like of which has not been seen for generations. Financial markets are in crisis and a world-wide recession appears increasingly probable.

Jersey cannot be immune from these outside events. Islanders have experienced increases in the cost of food and fuel; access to mortgages is becoming increasingly more restricted; and the problems experienced by financial institutions could result in consolidation and job losses. These are indeed difficult times.

Yet because of the policies adopted during the last few years, Jersey is in a strong position to weather this economic storm. We have no government debt. We have been cautious, and during the good times we have protected, and added to, the Strategic Reserve, the so called “Rainy Day Fund”. We have also used surpluses to create a Stabilisation Fund, which can be used to finance essential services, such as health and education if we encounter an economic downturn such that our tax revenues fall.

We have reduced Jersey’s excessive dependence on corporate tax revenues and at the same time improved our competitiveness through the introduction of the 0/10% corporate tax structure. We have broadened our tax base and made it easier to spread the payment of taxes, through the introduction of the Income Tax Instalment System.

We have also made the tax system fairer and more progressive by increasing income tax exemption thresholds for lower and middle earners, whilst reducing income tax allowances for higher earners.

The 2009 Budget continues this theme of increased equity in the tax system.

- I am proposing to increase tax exemption thresholds yet again, by 5% in 2009. I am also proposing to freeze the duty on petrol in recognition of the increased cost of road fuel, which hits lower income households hardest.

- To improve fairness I am not only introducing a Land Transactions Tax on the purchase of residential share transfer properties (as recently agreed by the States) but also proposing a deemed rental charge to ensure that all businesses, both local and non-locally owned, will now make a tax contribution under the 0/10% structure.
- I am also conscious of the difficulties faced by first time buyers trying to enter the housing market, and I am proposing significant reductions to the stamp duty payable by first time buyers on properties with a value of up to £400,000.

Once these proposals are in place, together with the specific measures approved in the Business Plan for winter fuel and income support, plus the additional expenditure for targeted benefits, the States will in 2009, have applied a further £10 million a year to alleviating the burden of increased costs, in addition to the measures already in place.

It is due to measures such as these and other tax reforms in recent years, that Jersey is well placed to face the more challenging times ahead.

The Annual Business Plan 2009 (as amended) also approved increases in other areas of expenditure significantly above those previously agreed and in particular for supplementing old age pensions, nursery education and an initial package of environmental initiatives.

I have taken account of these proposals and the revised financial forecasts when presenting the tax and funding proposals in this Budget.

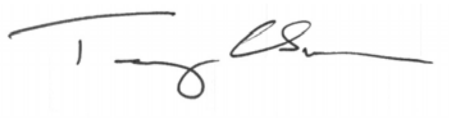
The financial forecast at Table 4.1 shows that despite the expenditure increases and tax concessions the financial position has improved slightly and the States will continue to maintain balanced budgets over the five year planning period. This has been achieved through additional revenues from income tax, goods and services tax and increased returns from States utilities and cash investment.

The financial position is healthy but the forecasts must be viewed in the context of the risks to our financial position in the medium term. These risks are almost entirely on the downside with the potential impact of the global credit crunch on our tax revenues and further significant pressures on States expenditure, including the maintenance of our property and infrastructure and the threat of a wage-price spiral.

It is in recognition of these risks and the current uncertainty within the global finance markets that I am happy to accept the recommendation of the Fiscal Policy Panel that no further transfers to the Stabilisation Fund or Strategic Reserve should be planned for in this Budget. I look forward to a further update from the Panel ahead of the budget, which will take account of the state of the global financial markets at that time and inform the States debate.

I am grateful to the Fiscal Policy Panel for their advice and I am sure that the Island will continue to benefit from this somewhat unique initiative to secure independent economic expertise as we approach such a period of financial and economic uncertainty.

In conclusion I should also like to record my appreciation for the support of the Council of Ministers in bringing together this Budget and following on from the recent Annual Business Plan. I should also like to thank the Comptroller of Income Tax, the Customs and Immigration Director responsible for revenue, the Economic Adviser, the Law Draftsman and a small but dedicated team of officers working under the aegis of the Treasurer of the States, without whom this Budget Statement could not have been produced in such a timely and efficient manner.



Senator Terry Le Sueur
Minister for Treasury and Resources **October 2008**

2. EXECUTIVE SUMMARY

Key features of the 2009 Budget are as follows:

Income Tax Proposals
The Minister's income tax proposals in the 2009 Budget are to:

- Increase income tax exemption thresholds by 5% for 2009 to assist those on low to middle incomes affected by the significant rise in food and fuel prices.
- Provide a range of incentives to save for retirement including raising the level of pension contributions eligible for tax relief and recognising employer contributions into personal pension products.
- Extend child care tax relief to cover the employment of all nannies accredited to the Jersey Child Care Trust.
- Introduce a new Deemed Rental Charge (Blampied proposals) for non-finance non-Jersey companies as part of the provisions within the 0/10% corporate tax structure.
- Offer a discount for the electronic submission of tax returns from the year of assessment 2009.

In addition to these measures, the Minister will also progress the remaining measures in the agreed Fiscal Strategy:

- Implementation of the provisions for the 0/10% corporate tax structure.
- Consultation in 2009 on further options for a new environmental tax, required to provide revenues to support the longer-term environmental spending initiatives, as approved by the States in the Annual Business Plan 2009.

Impôts Duty Proposals
The Minister's impôts duty proposals are to:

- Defer the increase in Fuel Duty for 2009 as part of the package of measures being brought forward recognising the high cost of hydrocarbon fuels.
- Increase the duty on alcohol by 5.6% and tobacco duties by 6% representing:
    - 49 pence on a litre of spirits;
    - 6 pence on a bottle of wine;
    - 1 penny on a pint of ordinary beer;
    - 18 pence on a packet of 20 cigarettes.
- Review in 2009 the duty concession for marine pleasure craft in conjunction with the Economic Development department

Proposals relating to Stamp Duty
The Minister's main proposals relating to stamp duty are to:

- Remove all stamp duty for first-time buyers of properties upto £300,000 and introduce a discount for first-time purchases of between £300,000 and £400,000.
- Introduce the new Land Transactions Tax for residential property share transfer transactions in early 2009.

- Carry out a consultation, during 2009, on the merits of any further changes to Stamp Duty, which will in particular include:
    - the recommendation of the Corporate Services Scrutiny Panel to consult further on commercial property share transfer.
    - the level of duty on the registration of borrowings.
    - consideration of further bands of stamp duty for higher value properties.

Financial Forecasts

- The figures include the proposed package of tax and benefit measures to distribute £5.8 million to help those most affected by the significant rise in food and fuel costs.
- The forecasts also reflect the decisions made in the 2009 Annual Business Plan debate which increased States expenditure beyond the limits previously set.
- Notwithstanding these increases in expenditure the revised forecasts show a slight improvement to the financial position as lodged in the Annual Business Plan 2009.
- The improvements are in relation to income tax revenues driven by the 7% real economic growth in both 2006 and 2007 which has increased the 2008 and 2009 tax base. Alongside this economic growth personal tax revenues have shown significant increases, including those relating to the 20 means 20 proposals and further growth in the number of taxpayers.
- The forecasts also show the improved estimates of Goods and Services Tax and the assumed introduction of a new environment tax in 2010 as approved in principle in the Annual Business Plan debate.
- There are also increases within “Other Income” from the European Union Savings Directive Retention Tax and improved forecasts of dividends from the various States utilities.
- In contrast, the level of Stamp Duty has fallen significantly in the second half of 2008 reflecting the slowdown in the housing market and future forecasts have been adjusted downwards.
- ***Whilst the forecasts show a slight improvement in the overall financial position the risks to the forecast are almost entirely on the downside, particularly with income tax revenues. The forecasts assume continued economic growth, based on the forecasts from the Fiscal Policy Panel report in September, albeit at much lower levels than in recent years.***
- ***Should Jersey begin to experience significant effects of the global credit crunch then these forecasts would need to be revised downwards substantially.***

Stabilisation Fund Transfer

The Fiscal Policy Panel produced its first report in September and recommended that at this time no further transfers be made from the Consolidated Fund to the Stabilisation Fund as a provision against downturns in the economy. The Minister has accepted this recommendation. The Fiscal Policy Panel will be providing an update ahead of the Budget which will be able to take account of the changes in global financial markets and will be available to inform the budget debate.

Consolidated Fund

The balance on the Consolidated Fund is estimated to be £83 million at the end of 2009.

3. FISCAL FRAMEWORK

The 2009 Budget has been prepared within the following fiscal framework:

The Public Finances (Jersey) Law 2005
The Public Finances Law requires the Minister for Treasury and Resources, before the start of a financial year, to bring forward to the States for debate a budget proposition including:-

- A statement of estimated tax and other income
- Any proposed borrowing requirements
- Any proposed transfers to or from the Strategic Reserve or Stabilisation Fund

The Minister is also required to propose the necessary amendments to tax legislation to give effect to the agreed proposals.

The Minister must not lodge proposals which would result in the Consolidated Fund being overdrawn in the budget year.

Strategic Plan
The agreed States strategic objective for public finances is that States income and expenditure will be in balance over the economic cycle, or five-year financial planning period.

Fiscal Strategy
The States fiscal strategy (P44/2005) is to implement a range of tax measures to substitute the loss of revenues arising from the move to a 0/10% corporate tax structure from 2009.

The majority of the proposals have been agreed and implemented in relation to:

- an Economic Growth Plan;
- the Income Tax Instalment Scheme (ITIS);
- ‘20 means 20’ measures;
- a Goods and Services Tax at 3%;
- a new Income Support Scheme to protect those less well-off.

In addition, the States has approved the establishment of a Stabilisation Fund, a policy for the Strategic Reserve and the appointment of a Fiscal Policy Panel.

The panel’s brief is to advise on Jersey’s fiscal policy, and, in particular to recommend the appropriate movements between the Consolidated Fund, Strategic Reserve and Stabilisation Fund.

The proposals contained in the 2009 Budget are in accordance with the above framework. The financial forecast is for balanced budgets over the period 2009 to 2013 and also for a positive balance to be maintained on the Consolidated Fund.

The next 12 months will see the completion of the Fiscal Strategy with the implementation of the remaining 0/10% provisions and further consultation on environmental taxes.

Finally, the measures included in the 2009 Budget are consistent with the advice of the Fiscal Policy Panel and no transfers to or from the Stabilisation Fund or Strategic Reserve are proposed at this time.

Closer to the Budget the Fiscal Policy Panel will prepare a further update which will take account of the state of the global financial markets at that time and is intended to inform the States debate.

4. FINANCIAL FORECAST 2008 - 2013

Background
The financial forecasts have traditionally been prepared three times a year and in 2008 have been revised at appropriate points to inform the preparation of the draft Annual Business Plan 2009 and this Budget Statement.

The forecast in the 2008 Budget showed an expected surplus of £58 million in 2008 increasing to £71 million in 2009 as GST was planned to be introduced ahead of the effect of the 0/10% corporate tax structure in 2010.

The forecast in the draft Annual Business Plan 2009 included the States decision in July 2008 to provide an additional capital expenditure allocation of £103 million to the new Energy from Waste Plant in 2008 resulting in a planned deficit of £43 million.

Analysis of the Forecast
Since the draft Annual Business Plan 2009 was lodged in July the States has considered and approved the expenditure proposals, including some significant amendments, and spending levels for 2009 and beyond have increased in the order of £10 million to £11 million per annum. The Minister for Treasury and Resources is also intending to bring forward an additional expenditure Report and Proposition alongside the Budget, as agreed by the States in P138/2008. This is a proposal to increase expenditure by a further £3.4 million for targeted benefits to assist those on low to middle incomes affected by the significant rise in food and fuel prices. The effect of these increases is included in the revised forecasts at Table 4.1.

The forecasts of States revenues have been reviewed since the preparation of the Business Plan in June and have identified a number of variations which are summarised as follows:

<u>Income Tax</u>
The forecasts for 2008 show an overall improvement in income tax revenues in the order of £10 million. The improvements in the tax base are driven by the 7% real economic growth in both 2006 and now 2007 and particularly a significant increase in personal tax revenues, including those from the 20 means 20 proposals and further growth in the number of taxpayers.

The Fiscal Policy Panel's recent report included assumptions about economic growth for the next few years. These assumptions coupled with the recent GVA/GNI data, which confirms continued high levels of real economic growth through 2007, have provided new information on which to base future tax forecasts. The forward forecasts therefore assume that low levels of economic growth will continue in Jersey over the forecast years. Clearly this will have to be regularly reviewed as new information becomes available and further economic assumptions are received from the Fiscal Policy Panel.

A proportion of the increase in tax revenues in future years is in relation to income tax companies and to this extent the effect on the level of the 0/10% deficit has been reviewed. Together with a further adjustment for the loss of Exempt Company fees the range of the deficit has increased to between £99 million and £116 million and the mid-point of £108 million has been included in these forecasts.

The presentation of an improvement in income tax forecasts must however include significant caveats that the risks for both economic growth and tax revenues are almost entirely on the downside, given the recent turmoil in financial markets and increased likelihood of world-wide recession.

Goods and Services Tax

Following the first quarter's returns for GST a revised but still provisional estimate of the potential yield was produced. This has had to be based on incomplete data and could not fully reflect the levels of compliance. With these caveats a forecast between £49 million and £51 million was produced and the mid-point is included in the Budget forecasts. A further forecast should be possible early next year, once the 2008 outturn is known.

Impôts Duties

The most significant change has been the removal of Vehicle Registration Duty and to date no replacement environmental tax has been agreed. The result is that the yield for 2008 and 2009 will be reduced by over £4 million in each year.

However, the States has agreed that proposals for a new environment tax be consulted on during 2009, for introduction in 2010, and which would be required to fund future environmental spending initiatives at a level of £4 million to £5 million.

Otherwise the forecasts are largely unchanged and include the duty increases proposed for 2009 and an assumption that similar duty increases will be applied in future years.

Stamp Duty

The second half of 2008 has seen a significant fall in stamp duty revenue and assuming this trend continues in the short-term, then a decrease of up to £7 million is likely for the year.

It is unclear how the housing market will recover over the next 12 months but with a shortage of borrowing the market is unlikely to recover quickly so a significantly reduced forecast is proposed for 2009 and beyond.

The Minister's proposals to help first-time buyers will also reduce duty levels slightly and have some impact on the yield from the planned introduction of Land Transactions Tax for residential property share transfer transactions though as yet this is unclear.

Other Income

The forecast for 2008 is largely unchanged but there have been some significant improvements in certain revenue forecasts for future years.

The value of EUSD Retention Tax was expected to decrease over time as the level of tax increased and funds moved to other jurisdictions. This has not been the case and revenues have been maintained and even increased slightly at almost £9 million in 2008 and the forward forecasts revised accordingly.

The returns from the various States owned utilities are also forecast to improve based on their latest business models and the Minister's objective will continue to be to review the potential for improved returns from these investments.

The overall improvement in the financial position has also contributed to a small improvement in the forecast return on States cash balances over the forecast period.

Summary

The revised financial forecast at Table 4.1 shows that notwithstanding the amendments to increase States expenditure in the business plan there is still a small improvement on the forecasts produced in June, particularly in the forecast years. The forecast financial position over the five-year planning period remains balanced with no significant reductions forecast in the Consolidated Fund, which remains at a healthy level.

However, the achievement of the forecast financial position relies on States spending not increasing above the levels now approved and the Jersey economy continuing to show low levels of growth in what will be an uncertain global economy. In this context the views of the Fiscal Policy Panel are important in that they stress that most of the risks in relation to economic growth, tax revenues and from expenditure pressures are more likely to result in a deterioration of the forecast financial position rather an improvement.

Table 4.1 Revised Financial Forecast (October 2008)

Probable 2008 £m		2009 £m	2010 £m	2011 £m	2012 £m	2013 £m
		<------ Forecasts				------>
	States Income					
470	Income Tax	**490**	505	525	550	570
-	0/10% Corporate Tax Structure	**(12)**	(80)	(88)	(96)	(108)
33	Goods and Services Tax	**50**	51	53	54	55
50	Impôts Duty	**49**	49	48	48	48
	Proposed Environment Tax	**-**	4	5	5	5
23	Stamp Duty	**20**	21	21	22	22
-	Land Transaction Tax (Share Transfer)	**1**	1	1	1	1
44	Other Income	**41**	40	38	36	33
10	Island Rate	**11**	11	11	11	12
630	**States Income**	**650**	602	614	631	638
	States Expenditure					
526	Net Revenue Expenditure	**546**	563	581	598	616
143	Net Capital Expenditure Allocation	**38**	40	37	35	16
669	**Total States Net Expenditure**	**584**	603	618	633	632
(39)	**Forecast Surplus/(Deficit) for the year**	**66**	**(1)**	**(4)**	**(2)**	**6**
-	Transfer to Strategic Reserve	**-**	-	-	-	-
(38)	Transfer to Stabilisation Fund	**-**	-	-	-	-
17	**Estimated Consolidated Fund balance**	**83**	**82**	**78**	**76**	**82**

Assumptions:

There are a number of assumptions behind the Financial Forecast in Table 4.1. These are:

Income Tax

- *The 2008 tax revenues are based on the latest tax assessments for earnings and profits in 2007.*
- *The forward forecasts are for the first time primarily based on the economic growth assumptions from the Fiscal Policy Panel in September and updated for the 2007 economic growth figures.*
- *The impact of the change to a corporate structure 0/10% has been reassessed in line with changes to corporate tax forecasts and has increased to a range of £99 million to £116 million between 2009 and 2013, and the mid-point of this range at £108 million is included in these forecasts.*
- *The forecasts include the effect of the budget proposals to increase exemptions limits by 5% in 2009 and also the effect of the proposals for a Deemed Rental Charge from 2009 year of assessment.*

Goods and Services Tax

- *The revised forecast has been based on the figures from the first quarter returns and until more complete information is available these must be considered as only provisional.*

Impôts Duty

- *The impact of the current budget proposals to increase tobacco and alcohol increases are included in the 2009 forecast.*

- *The forward forecasts reflect the predicted trends in consumption, which include a drop off for some goods, but also include an assumption that there would be annual increases in duty at a level equivalent to the Island RPI.*
- *The proposals are in accordance with the currently agreed Alcohol and Tobacco Strategies.*
- *The forecasts assume that proposals for a new Environment Tax will be brought forward and introduced in 2010 at a level sufficient to fund the environmental spending initiatives*

Stamp Duty

- *The forecasts for 2008 assume the reduced activity in recent months will continue in the short term and for 2009 the shortage of borrowing is assumed to indicate that any recovery will be fairly slow.*
- *The estimated impact of the proposals to further increase the discounts to first-time buyers are included together with a best estimate of duty to be derived from the new Land Transactions Tax.*

Other Income

- *Within the forecasts are components of other income that may both increase and decrease so a cautious appraisal has been made.*
- *The calculation of the return on cash balances assumes that the forecast financial position is delivered and that interest rates will fall slightly in line with economic projections.*
- *The return on the States investment in utilities is based on the business models provided.*

Island Rate

- *The Island Rate will increase annually according to the Island RPI (March) as prescribed in the Rates Law and the proposed rate is reported annually to the States by the Comité de Connétables.*

Total States Net Expenditure

- *The forecasts for total States net expenditure represent the revenue and capital expenditure allocations agreed in the Annual Business Plan 2009 as amended.*
- *The forecasts include the additional expenditure allocation for environmental initiatives from 2010 on the assumption that the required environmental tax to raise the additional funding will be introduced.*
- *The forecasts also assume that the States will approve a proposition to be brought by the Minister for Treasury and Resources, alongside the Budget, to provide a £3.4 million increase in targeted benefits to help those affected by higher food and fuel prices.*

Net Capital Expenditure Allocation

- *The allocations for the next five years have been reduced to reflect the fact that the EFW plant has been wholly funded in 2008.*
- *The total capital allocations for 2010 – 2013 of £128 million allocation will need to be prioritised to annual allocations of broadly £32 million p.a. in the next Business Plan*

Revised Forecast Surplus/(Deficit)

- *The figures can only be forecasts and are as accurate as the assumptions they are based on. Beyond 2009 the forecasts, in particular of States revenues, can only be considered to be indicative. This is particularly apparent given the current turmoil in global financial markets and the risks identified by the Fiscal Policy Panel.*

5. INCOME TAX PROPOSALS

Background

Income tax revenues represent 75% of States income and these tax revenues remain relatively volatile as a high proportion is derived from tax on company profits. The States Fiscal Strategy has begun to broaden the tax base of the Island with the introduction of a new indirect tax in the form of a Goods and Service Tax. As well as mitigating some of the loss in revenues anticipated from the move to a competitive 0/10% corporate tax structure the change will also increase the stability of tax revenues.

The Fiscal Strategy proposals have also introduced new measures for personal income tax in the form of an Income Tax Instalment System (ITIS), the apportionment of allowances for new and ceasing resident as well as seasonal workers and the gradual withdrawal of certain tax allowances as part of the '20 means 20' measures. Together these measures have increased both the number of personal taxpayers and the level of personal tax paid by those on higher incomes. However, at the same time significant increases in the tax exemption thresholds have protected those on low to middle incomes from the full effect of these changes.

The 2009 Budget consolidates this position with the third year of the five year withdrawal of tax allowances, but offset by a further 5% increase in tax exemption thresholds.

Detailed Proposals for 2009

<u>Further Increases in Income Tax Exemption Limits</u>

In last year's Budget the States approved proposals to increase exemption limits by a total of 6.5% for 2008 and to increase 2009 exemption limits by 3% as part of the '20 means 20' measures.

The Minister is now proposing a further increase of 2% to a total of 5% for 2009. The proposal is part of a package of £5.8 million of tax and benefit measures being brought forward following a commitment by the States to protect those most in need from the impact of the current higher food and fuel prices.

The further increase in exemption limits will ensure that more taxpayers in the lower income range are kept out of the 'tax net'. The enhanced exemption limits will also ensure that those in the middle income range also gain.

<u>Child care tax relief extension for nannies</u>

Child care tax relief is currently available to those in the marginal band of tax (27%) if they pay a day nursery, a childminder and certain others. It is now proposed to extend this relief to those who employ and pay a qualified nanny who has met the strict criteria laid down by the Jersey Child Care Trust and who is accredited by the Trust.

Amendments to occupational and private pensions tax legislation

The Minister is bringing forward further incentives to save for retirement. The proposals increase the flexibility and choice in pensions provision, following on from the proposals last year in respect of a new pension trust vehicle.

This year's proposals include:

- raising the contribution levels attracting tax relief to make them comparable to other jurisdictions
- recognising employer contributions into personal pension products
- increasing the tax free lump sum available from the current 25% of the fund value to 30%
- allowing piecemeal exercise of the tax free lump sum once age 60 is attained, even whilst remaining in the same employment
- raising the full commutation for small funds to a more realistic level

Electronic Tax Returns

Following the proposal to introduce electronic tax returns in last year's Budget, the Minister is now bringing forward the necessary changes to the tax legislation. It is proposed that with effect from January, 2010, i.e., year of assessment 2009, that individual taxpayers will have the facility to file their Income Tax Returns electronically through the Income Tax Office electronic online facility currently being used for ITIS monthly payments from employers and retention tax payments from paying agents for the European Union Savings Directive Bilateral Agreements and also for GST. This will enable automatic self assessment and a credit of £20 is to be given against the tax bill. If there is no tax due there will be no such credit. Those who use a professional agent to submit their Tax returns will not get this £20 credit.

Detailed guidance notes will be available for those who wish to use this new service and it is expected that self assessment will be available from January 2010 for year of assessment 2009. A robust system of random checks will be employed to ensure compliance. There will be no additional resource cost for this new service as it will be possible to introduce it within the current operational budget of the Income Tax Office.

Charities and non profit organisations

So as to bring administrative and legal certainty to both the Income Tax and the Goods and Services Tax Laws, it is now proposed that a common exemption from tax be extended to associations and bodies formed for the following purposes:

- Advancement of education
- Relief of poverty
- Furtherance of religion
- Purposes beneficial to the community as a whole
- Non profit organisations established for an artistic or cultural purpose and which are also either wholly or mainly supported by the States of Jersey

Amendments to the Income Tax Instalment System

It is proposed that all taxpayers who are now on the current year basis of assessment, i.e., a ‘new taxpayer’, no longer revert to the preceding year basis after a transitional period of 7 years, as the current Article 41H provides for. It was originally thought that not to allow this would be a breach of Human Rights, but it is now thought that putting ‘new taxpayers’ on the current year basis, where they pay their current year’s tax in the current year, on to a previous year basis would be irresponsible as it (a) puts them into tax arrears, by law, and, also, (b) that tax is unlikely to be lost if they leave Jersey permanently whilst on the current year basis but that it would be possible to evade their final year of residency tax bill by absconding with an outstanding tax debt if on the previous year basis. What this change also means is that, in due course, every single taxpayer in Jersey will be on a current year basis. Currently, some 11,000 taxpayers, seasonal and permanent, are already in this position.

Deemed rental charge (Blampied proposals)

It is proposed that a new deemed rental charge be introduced to ensure that non-finance non-Jersey owned companies, who will have a 0% rate of tax under the new zero/ten corporate tax provisions, make a suitable contribution to corporate tax revenues in Jersey. This will entail a new charge under Schedule A based on the market value rental that would be received by the corporate owner of a property in Jersey if it was let out on the open market. This new provision is estimated to raise in the order of £4 million.

Profits from furnished lettings and lodging houses to be taxed under Schedule A

There is an inequity between the tax treatment of shareholders of companies with profits from furnished lettings and lodging income. Whilst a resident company with letting furnished income and lodging income will have the individual Jersey resident subject to Jersey tax under the 0/10% attribution provisions, there is no such charge on the non-resident beneficial owner of a company with the same sources of income. Additionally, all that the non resident beneficial owner of a company subject to the Schedule A provisions at 20% has to do to avoid that tax charge is to add some furniture and thereby, convert his treatment for tax from Schedule A at 20% to Schedule D Case 6 and liability to the 0% rate.

It is now proposed, to remove this loophole, and to provide that all profits from furnished lettings and lodging houses are all taxed under the Schedule A provisions.

Penalties for fraud and neglect equalised as between the Income Tax and Goods and Services Tax Laws

The Comptroller of Income Tax is responsible for administering both the Income Tax Law and the newly introduced Goods and Services Tax Law. The introduction of the latter has brought to light a number of disparities which are inappropriate, i.e., differing fines and penalties for what can be considered similar offences, and which may lead some to believe an offence against the Income Tax Law is not as serious as one against the Goods and Services Tax Law. It is proposed that penalties for fraud and neglect now be equalised between both Laws.

<u>Prevention of non resident from claiming repayment of Jersey tax on dividends except by way of a non resident relief claim</u>

It is proposed that Article 118B of the Income Tax Law be amended so that non-residents cannot automatically claim all of the tax suffered by them on dividends received from a Jersey company paying tax at either 10% or 20%.

<u>Payments made for corrupt or other criminal purposes</u>

It is proposed that all expenditure incurred for a corrupt or criminal purpose, whether in Jersey or elsewhere, is disallowed for all Jersey tax purposes.

Exemptions and Allowances

<u>Exemptions</u>

It is proposed that Income Tax Exemption limits will increase by 5% for 2009.

Table 5.1

Exemption Thresholds for Year of Assessment 2008 and 2009

Exemptions and Allowances	*Year of Assessment* 2008	***Year of Assessment* 2009**
Exemptions		
- Single Person	£12,040	**£12,650**
- Single Person (aged 63+)	£13,430	**£14,110**
- Married Couple	£19,310	**£20,280**
- Married Couple (aged 63+)	£22,110	**£23,220**

<u>Allowances</u>

The allowances for year of assessment 2008 and 2009, as proposed under the '20 Means 20' measures, are shown in Table 6.2 for illustrative purposes. This illustrates that for taxpayers affected by the '20 means 20' measures the allowances reduce by one fifth each year starting from year of assessment 2007 through to year of assessment 2011. However, for the purposes of assessment of taxpayers under the 27% marginal rate, all tax allowances remain unchanged.

Table 5.2
Proposed Allowances for Year of Assessment 2008 and 2009

Allowances	*Year of Assessment* 2008 (at Marginal 27% rate)	*Year of Assessment* 2008 (at Standard 20% rate)	***Year of Assessment* 2009 (at Marginal 27% rate)**	***Year of Assessment* 2009 (at Standard 20% rate)**
- Single Person	N/A	£1,560	**N/A**	**£1,040**
- Married Person	N/A	£3,120	**N/A**	**£2,080**
- Earned Income (max)	N/A	£2,040	**N/A**	**£1,360**
- Wife's Earned Income (max)	£4,500	£2,700	**£4,500**	**£1,800**
- Child Allowance	£3,000	£3,000	**£3,000**	**£3,000**
- Child Allowance (higher education)	£6,000	£6,000	**£6,000**	**£6,000**
- Additional Allowance*	£4,500	£4,500	**£4,500**	**£4,500**

**for people with single-handed responsibility for children*

TAX FACTS

The following **Tax Facts** provide an illustration of the existing personal tax structure and also provide relative comparisons against other jurisdictions.

The tax threshold, i.e. the point above which an individual starts to pay income tax, is determined by the individual's personal circumstances. For example, a married couple, who are both working and have two children (one at university) paying mortgage interest of £7,500, do not become liable to income tax in 2008 until their income exceeds £40,310. For 2009 this would increase to **£41,280** under the current proposals, calculated as follows:

	2008	**2009**
Married Couple Exemption	£19,310	£20,280
Wife's Earned Income (max)	£4,500	£4,500
Child Allowance	£3,000	£3,000
Child Allowance (higher)	£6,000	£6,000
Mortgage Interest	£7,500	£7,500
	£40,310	**£41,280**

Comparisons

The historically generous tax thresholds in Jersey mean that despite the freezing of most allowances and exemptions for several years, many Islanders still pay less tax than in most neighbouring territories.

The **income tax payable by a married couple** in 2008 with a joint income of £40,000, without children or a mortgage, is as follows:

Isle of Man	£2,334
Jersey	**£4,690**
Guernsey	£4,700
United Kingdom	£6,393

The **income tax payable by a married pensioner** in 2008 (aged 63+) with an income of £20,000, without a mortgage, is as follows:

Jersey	**£NIL**
Guernsey	£100
Isle of Man	£230
United Kingdom	£1,843

The figures in respect of the Isle of Man reflect the fact that a significant proportion of its tax revenues are generated from a rate of 17.5% VAT rather than from Income Tax.

6. IMPÔTS DUTY PROPOSALS

Background

The most significant change in the last year has been the withdrawal of Vehicle Registration Duty (VRD). The Minister had committed to removing this duty in advance of the introduction of the new Goods and Service Tax (GST) in May this year. At this time a proposal for a more environmentally targeted vehicle tax was brought to the States in the form of a Vehicle Emissions Duty (VED). However, the States decided not to introduce the new VED proposals and instead requested that progress be made towards a package of environmental tax and spend initiatives.

The Council of Ministers proposed such a package in the draft Annual Business Plan 2009 in September, but following an amendment the initial spending initiatives were agreed but the proposal for a low level VED was rejected.

Further consultation will now take place in 2009 to identify a preferred environmental tax which will be required to fund further spending initiatives from 2010.

Proposals for 2009

It should also be noted that the long-term trend of revenue from impôts duty is declining, which reflects the balance between the objectives of the twin Health strategies to reduce consumption and that of raising additional revenue from increasing impôts duties. Consequently, annual increases in duty, broadly in line with inflation, are fundamental to maintain the current level of revenues in the future.

The Minister is continuing the policy of including the proposed duty increases in the Budget Statement ahead of Budget Day, and the proposals for 2009 are indicated in Table 6.1.

The Minister continues with this consistent policy in relation to increases in duty, and importers now expect increases at budget time and make any decision regarding extra stocks accordingly.

As it is now customary it is proposed that this year's increases in duty will not take effect until midnight on 31st December 2008.

Alcohol

The Alcohol Strategy for Jersey was adopted by the States in 2004. One of the Strategy's aims is to reduce consumption, and price increases are identified as a potential tool. At the same time it recognises that there is a need to ensure that duty increases do not have a negative impact on the Island's economy, in particular local producers and the hospitality industry.

To inform his decision the Minister consulted with the Health and Social Services Department and the Economic Development Department.

The Health and Social Services Department consider that as Jersey has one of the highest recorded consumption rates of alcohol per litre per head and it is their stated strategic aim to reduce consumption and therefore reduce related harm, the level of duty on all alcohol should be raised above the rate of inflation.

The States Economics Unit consider that a modest increase in the region of 5% is unlikely to work against the Island's economic interests and may in fact work in its favour as a moderate increase will not significantly harm the hospitality industry or local beverage producers and should serve to raise money for the States.

The Minister has taken note of the aims of the Alcohol Strategy and the comments from Health and the Economics Unit and believes that for 2009 the correct basis for the duty increases should be the increase in the Retail Price Index. At the time of writing the most recent RPI figure was for June 2008 which showed an increase of 5.6%.

Accordingly the Minister proposes that the duty on alcoholic beverages should rise by 5.6%

The percentage increase on the retail price would be significantly lower than the duty increases. The current differentials between duty and retail price can be seen in Table 6.3

Tobacco

The policy of increasing duty on tobacco at a level above the cost of living is being continued. The 'Tobacco Strategy for Jersey' has as an objective; "to ensure that the cost of tobacco products increases annually over and above the level of inflation". The proposed new duty rates are 6% higher than the current rates, and are thus above the assumed inflation rate of 5.6%. This is consistent with the Minister's policy, as while the short-term effect is a small increase in the Retail Price Index, in the medium to long-term increases in indirect taxation reduce inflationary pressures.

The increase in tobacco duty is intended to discourage consumption and the Health and Social Services Department believe that the policy is having success.

Undoubtedly the high cost of tobacco is playing an important part in reducing consumption but there is also evidence to show that locals and tourists are increasingly turning to duty free sources for their tobacco supplies. The Customs and Immigration Service are monitoring this activity and personal importations in excess of the allowance continue to be detected. There is however no evidence or intelligence to suggest that there has been a marked increase in passengers evading Impôts duty by exceeding their statutory allowances or that commercial quantities of cigarettes are being smuggled into the Island.

Fuel

The Minister continues to consider all issues regarding the duty on fuel and in particular the need to address both the current high worldwide price of hydrocarbon oil and also the high margins which appear to exist in the retail price of fuel in Jersey. In this Budget, alongside a package of measures being brought forward by the Council of Ministers, **the Minister proposes to defer an increase in the rate of duty on fuel** by maintaining current duty rates for 2009.

The Minister for Treasury and Resources will continue to monitor the global price of hydrocarbon oil and review the appropriate duty rates accordingly over the coming year.

The Minister remains keen to pursue, together with the Economic Development Minister, the issue of high price margins in monopoly markets. There still appears to be significant scope to encourage competition to reduce the retail price of fuel in Jersey as can be seen by the relative margins within the retail price between Jersey and the UK in Table 6.2. The Minister will continue to support the work of the Economic Development department to pursue initiatives to encourage and increase competition.

Marine Fuel

There is no impôts duty imposed on hydrocarbon oil used for the propulsion of marine vessels. This relief is subject to certain conditions imposed by the Agent of the Impôts (the Head of the Customs and Immigration Service).

In 2006 the Minister wished to explore the issues concerning the application of Impôts duty to fuel used by marine pleasure craft. In order to inform any decision as to whether there should be a proposal to include the duty in that year's budget the States of Jersey Customs and Immigration Service conducted a public consultation.

The consultation attracted both local and national media attention with news items in the local press and UK boating publications. It was also the subject of discussion forums on the internet and public meetings.

It was clear that there were wider economic implications to the withdrawal of the marine fuel duty rebate and the Minister decided at that time that there would be no proposals for the withdrawal of the duty concession for marine pleasure craft.

The Minister believes it now appropriate to re-examine this duty concession, particularly relative to other competitor jurisdictions, and in 2009 this issue will be the subject of discussions with the new Minister for Economic Development in the context of the promotion of the marine leisure industry.

Detailed Duty Increases for 2009

Table 6.1
Duty Increases Proposed for 2009

	Current Duty		Proposed Duty		Increase
Litre of Whisky @ 40%	£8.88		£9.37		£0.49
Bottle of table wine	£1.06		£1.12		£0.06
Pint of beer <5% alcohol	£0.27		£0.28		£0.01
Pint of beer >5% alcohol	£0.40		£0.42		£0.02
20 King Size cigarettes	£2.97		£3.15		£0.18
Litre of diesel	£0.41		£0.41		Nil
Litre of unleaded petrol	£0.41		£0.41		Nil

Comparisons with neighbouring jurisdictions

Table 6.2
A Comparison of Typical 2008 Tax and Duty Levels for a Range of Commodities

	Jersey Including GST		Guernsey		UK Including VAT		France Including TVA
Litre of whisky @ 40%	£9.42		£7.97		£10.96		£6.52
Bottle of table wine	£1.20		£1.28		£2.07		£0.35
Pint of beer < 5% alcohol	£0.34		£0.32		£0.73		£0.69
Pint of beer > 5% alcohol	£0.48		£0.32		£0.87		£0.60
20 king size cigarettes	£3.12		£2.40		£4.25		£2.67
Litre of unleaded petrol	£0.44		£0.29		£0.70		£0.67
Litre of diesel	£0.45		£0.29		£0.68		£0.53

Table 6.3
2008 Retail Price Margins – Comparisons with the UK (June 2008)

	Jersey Retail Price	Jersey Duty	GST	Price net of Duty and GST	Duty and GST as % of price	UK Retail price	UK Duty	VAT	Price net of Duty and VAT	Duty and VAT as % of price
Litre of whisky	£18.53	£8.88	£0.54	£9.11	51%	£17.90	£8.29	£2.67	£6.94	61%
Pint of beer <5%	£2.52	£0.27	£0.07	£2.18	14%	£2.41	£0.37	£0.36	£1.68	30%
20 king size cigarettes	£5.18	£2.97	£0.15	£2.06	60%	£5.35	£3.45	£0.80	£1.10	79%
Litre of unleaded petrol	£1.09	£0.41	£0.03	£0.65	41%	£1.18	£0.52	£0.18	£0.48	59%
These figures are before the impact of the budget proposals.										

Table 6.3 illustrates that in all the above examples of dutiable products the proportion of price made up by duty and tax is significantly lower in Jersey than the UK. Even allowing for other cost factors in Jersey there would still appear to be a much greater margin in the retail price of products in Jersey than exists in the UK.

7. STAMP DUTY PROPOSALS

Background
Since last year's budget the focus of activity has been on preparing for the implementation of the new Land Transactions Tax, hopefully in January 2009.

The value at which first-time buyers receive a discounted rate was increased significantly in last year's budget and this year the Minister is proposing that further incentives for first-time buyers are introduced including increasing the value of a property on which that discount can apply.

There have been no proposals forthcoming during the year in respect of clarifying the interpretation of the existing legislation or closing other loopholes which have become apparent. However, the Minister is proposing a review in 2009 to consider the merits of any further changes to Stamp Duty, which will include the recommendation of the Corporate Services Scrutiny Panel to consult further on commercial property share transfer transactions.

The legislation will continue to be kept under review and any opportunities to improve it's clarity will be pursued as law drafting time allows.

Proposals for Stamp Duty in 2009

The Minister is proposing that Stamp Duty rates are frozen for the fifth consecutive year, recognising the significant changes in other aspects of the tax structure and the slowdown in the current housing market.

Table 7.1 – Stamp Duty Rates for 2009

Property Value (£)	Current Duty Rate (%)
0 – 50,000	0.50
50,001 – 300,000	1.50
300,001 – 500,000	2.00
500,001 – 700,000	2.50
> 700,001	3.00

Removing Stamp Duty for First-Time Buyers upto £300,000

The Minister is proposing that a first-time buyer of a property upto £300,000 would be free from stamp duty from 1 January 2009. This significantly improves on the current discounted rate and would save a first-time buyer upto £4,000 on stamp duty.

Increased Discount for First-Time Buyers

The Minister is also proposing that the level of property on which a first-time buyer receives a discounted rate is increased by 33% from £300,000 to £400,000. This will mean that a first-time buyer purchasing a £400,000 property would save upto £5,000 in stamp duty.

It is difficult to estimate the additional amount of duty that will be lost under these proposals but it is not expected to significantly affect the stamp duty forecasts.

Land Transactions Tax (Share Transfer)

In July 2008 the States approved the draft Law to introduce Land Transactions Tax, as announced in the 2008 Budget. This Tax will ensure that all residential share transfer property transactions in Jersey attract tax at a rate exactly equal to the stamp duty which would have been paid on the purchase of a freehold property. Associated borrowing will also be taxed, in the same way as stamp duty is paid for borrowing on freehold properties.

The draft Law is currently with the Privy Council in the UK for approval. Once returned it is anticipated the new tax will be brought into effect in early 2009. Systems are already in place to collect the tax and information is available on the Income Tax area of the States' website.

Since data on stamp duty purchases is sketchy, the estimated yield of £1 million per year is by no means certain. Consequently the effects of mirroring the benefits for first-time buyers outlined above cannot be reliably quantified at this stage.

Proposed Review of Stamp Duty in 2009

The Minister is proposing to carry out a consultation, during 2009, on the merits of any further changes to Stamp Duty, which will in particular include:

- the recommendation of the Corporate Services Scrutiny Panel to consult further on commercial property share transfer.
- the level of duty on the registration of borrowings.
- consideration of further bands of stamp duty for higher value properties.

8. ENVIRONMENTAL TAXES

Background
As part of the Fiscal Strategy debate (P.44/2005) the States agreed to the investigation of potential environmental taxes on waste, motor transport and energy. In addition the Minister for Planning and Environment was asked to advise on an environmental tax that could replace the current Vehicle Registration Duty. A proposal for a Vehicle Emissions Duty (VED) was brought to the States in May 2008, alongside the introduction of GST and the promised withdrawal of VRD, but at that juncture the States decided not to introduce the proposals. The States requested that progress be made on a package of environmental tax and spend initiatives.

Draft Annual Business Plan 2009
The Council of Ministers proposed such a package in the draft Annual Business Plan 2009 in September, but following an amendment by Senator Cohen the proposal for a low level VED was rejected. However, commitment was agreed to undertake a further period of public consultation to identify a new funding stream for the approved environmental spend package for consideration by the assembly before the 2010 budget. This funding stream will take the form of an environmental tax (or package of taxes) that will be designed to apply to environmentally negative actions in order to encourage behavioural change. The proceeds of the tax will be earmarked and used to fund environmentally positive measures, in the first instance promoting energy efficiency, increased recycling and more sustainable travel and transport initiatives. In order to fund the identified initiatives the following amounts are required: for 2010 - £3.8 million; 2011 - £5.0 million and for future years a level of £5.2 million.

Proposed Consultation for 2009
The Minister for Planning and Environment has committed to full consultation prior to the proposal of any new environmental tax. The Department will be examining the options available over the remainder of 2008. During this process the Minister will be initiating discussions with key stakeholders and others such as the Environmental Think Tank and the Jersey Environment Forum. A consultation paper will be bought forward in the first quarter of 2009. With the assistance of the feedback from the consultation process, a set of proposals will be formulated and put before the Council of Ministers in the second quarter of 2009 followed by a Report and Proposition being put before the States for debate.

A critical factor in the development of the tax will be a consideration of the collection mechanism. Those options with pre-existing collection routes are likely to be favoured in order to minimise bureaucracy and facilitate the introduction of a new tax in time for 2010.

There has also been some initial research carried out into the options for a Land Development Levy and further work is required to develop a preferred option during 2009.

9. FINANCIAL AND MANPOWER IMPLICATIONS

Financial Implications

The financial implications of the budget proposals are summarised in the financial forecast at Table 4.1 and in detail are as follows:

- Income Tax
  - The increase in exemptions of 3% for 2009, agreed in the 2008 Budget as part of the 20% means 20% proposals is estimated to reduce tax revenues by £3.6 million
  - The proposal to increase tax exemptions by a further 2% for 2009 as part of a package to help those affected by the increased fuel and food prices is estimated to reduce tax revenues by £2.4 million
  - The introduction of a new Deemed Rental Charge (Blampied proposals) for non-finance non-Jersey companies as part of the provisions within the 0/10% corporate tax structure is estimated to raise an additional £4 million in tax revenues from 2010.

- Impôts Duty
  - The proposal to increase impôts duties is estimated to generate additional States income of £1.56 million in 2009.

- Stamp Duty
  - The introduction of the proposed Land Transactions Tax is estimated to generate additional tax revenues of at least £1 million in a full year.
  - The cost of the proposals to increase first-time buyer relief from Stamp Duty is difficult to estimate but it is anticipated this should be less than £1 million.

Manpower Implications

The proposals within the Budget Statement 2009 will be implemented without any increase to current approved manpower levels. The income tax proposals for a new Deemed Rental Charge will require additional resource but this will be found from savings arising from the change to a 0/10% corporate tax structure.

SUMMARY TABLES

DRAFT BUDGET STATEMENT 2009

SUMMARY TABLE A: STATES INCOME 2009

States Income Analysis - Sources of Income

2007 Actual £	2008 Revised Estimate £		2009 Estimate £
		Income Tax	
199,068,000	225,000,000	Employees	235,000,000
37,800,000	37,000,000	Self Employed and Investment Holders	36,000,000
196,026,000	208,000,000	Companies	207,000,000
432,894,000	**470,000,000**	**Total Income Tax**	**478,000,000**
-	**33,000,000**	**Goods and Services Tax**	**50,000,000**
		Impôts Duty	
3,928,000	3,740,000	Impôts on Spirits	3,720,000
5,661,000	5,730,000	Impôts on Wines	6,060,000
710,000	690,000	Impôts on Cider	750,000
4,961,000	5,100,000	Impôts on Beer	5,220,000
12,672,000	13,230,000	Impôts on Tobacco	12,760,000
19,876,000	20,880,000	Impôts on Motor Fuel	20,730,000
193,000	100,000	Impôts on Goods Imported	100,000
5,837,000	750,000	Vehicle Registration Duty	-
53,838,000	**50,220,000**	**Total Impôts Duty**	**49,340,000**
29,147,000	**23,000,000**	**Stamp Duty**	**21,000,000**
515,879,000	**576,220,000**	**Total Taxation Revenue**	**598,340,000**
9,745,000	10,050,000	**Island Rate**	10,560,000
		Other Income	
8,697,000	9,600,000	Interest on Cash Balances	8,200,000
10,855,000	11,830,000	Dividends	14,210,000
4,100,000	4,400,000	Financial Services Commission	-
-	-	New Company Fees via Financial Services Commission	3,700,000
729,000	700,000	Income Tax Penalties	720,000
3,434,000	3,400,000	Currency and Coinage Surplus	3,480,000
2,087,000	5,170,000	Interest and Repayments on Loans	1,240,000
366,000	450,000	Financial Returns from States Trading Operations	250,000
7,326,000	8,700,000	Commission from European Union Retention Tax	9,000,000
455,000	450,000	Miscellaneous Income	460,000
38,049,000	**44,700,000**	**Total Other Income**	**41,260,000**
£ 563,673,000	**£ 630,970,000**	**Total States Income**	**£ 650,160,000**

SUMMARY TABLE B:
STATES NET EXPENDITURE 2009-2013

States Funded Bodies	2009 Expenditure Allocation	2010 Expenditure Allocation	2011 Expenditure Allocation	2012 Expenditure Allocation	2013 Expenditure Allocation
	£'000	£'000	£'000	£'000	£'000
Ministerial Departments					
Chief Minister	15,844	16,432	16,952		
- Grant to the Overseas Aid Commission	7,731	8,118	8,524		
Economic Development	16,422	16,814	17,209		
Education, Sport and Culture	98,513	101,665	104,175		
Health and Social Services	153,600	160,276	167,507		
Home Affairs	45,587	46,618	47,720		
Housing	(22,362)	(22,947)	(23,559)		
Planning and Environment	7,141	8,277	8,924		
Social Security	157,066	159,247	164,063		
Transport and Technical Services	23,705	24,969	26,606		
Treasury and Resources	61,073	62,454	63,264		
Non Ministerial States funded bodies					
- Baliff's Chambers	1,253	1,282	1,312		
- Law Officers' Department	5,912	6,286	6,434		
- Judicial Greffe	3,968	4,059	4,155		
- Viscount's Department	1,425	1,457	1,492		
- Official Analyst	599	613	627		
- Office of the Lieutenant Governor	743	760	778		
- Office of the Dean of Jersey	22	23	23		
- Data Protection Commission	224	229	235		
- Probation Department	1,544	1,640	1,679		
- Comptroller and Auditor General	729	746	764		
States Assembly and its services	5,203	5,324	5,447		
Savings target from CAG proposals	-	(1,600)	(3,100)		
Net Revenue Expenditure Allocation	**£ 585,942**	**£ 602,743**	**£ 621,231**	**£ 637,747**	**£ 655,535**
Capital Expenditure Allocation	**£ 54,851**	**£ 61,399**	**£ 52,209**	**£ 61,874**	**£ 35,663**
Total States Net Expenditure Allocation	**£ 640,793**	**£ 664,142**	**£ 673,440**	**£ 699,621**	**£ 691,198**

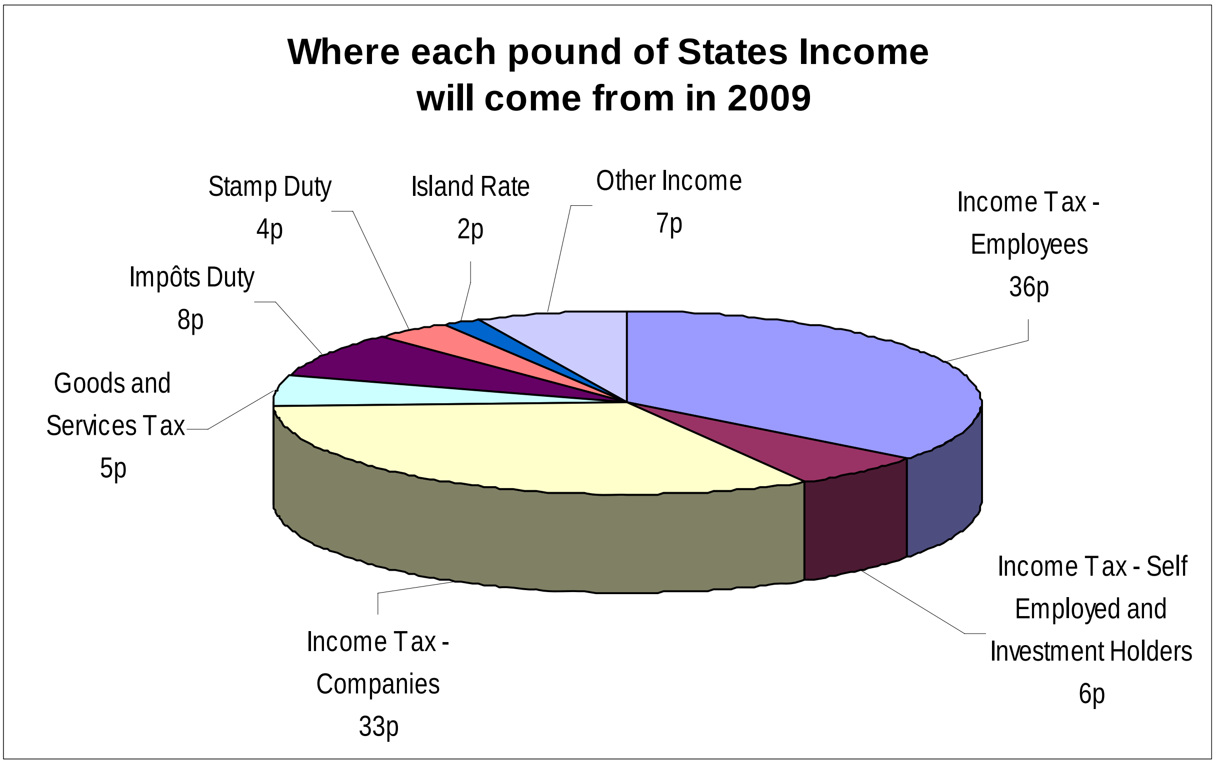
Adjustments to reconcile to Financial Forecasts:					
Net Revenue Expenditure Allocation	*£ 585,942*	*£ 602,743*	*£ 621,231*	*£ 637,747*	*£ 655,535*
Repayment of Capital Debt	*(£ 43,720)*	*(£ 43,700)*	*(£ 43,700)*	*(£ 43,700)*	*(£ 43,700)*
Net Revenue Expenditure Allocation (as shown in financial forecasts)	***£ 542,222***	***£ 559,043***	***£ 577,531***	***£ 594,047***	***£ 611,835***
Benefit Proposals from P138/2008	***£ 3,400***	***£ 3,541***	***£ 3,647***	***£ 3,756***	***£ 3,869***
	£ 545,622	***£ 562,584***	***£ 581,178***	***£ 597,803***	***£ 615,704***
Capital Expenditure Allocation	*£ 54,851*	*£ 61,399*	*£ 52,209*	*£ 61,874*	*£ 35,663*
Property Capital Receipts	*(£ 4,000)*	*(£ 4,000)*	*(£ 4,000)*	*(£ 4,000)*	*(£ 4,000)*
Housing Capital Receipts	*(£ 12,770)*	*(£ 17,633)*	*(£ 10,950)*	*(£ 22,703)*	*(£ 15,363)*
Net Capital Expenditure Allocation (as shown in financial forecasts)	***£ 38,081***	***£ 39,766***	***£ 37,259***	***£ 35,171***	***£ 16,300***
Total States Net Expenditure Allocation (as shown in financial forecasts)	***£ 583,703***	***£ 602,350***	***£ 618,437***	***£ 632,974***	***£ 632,004***

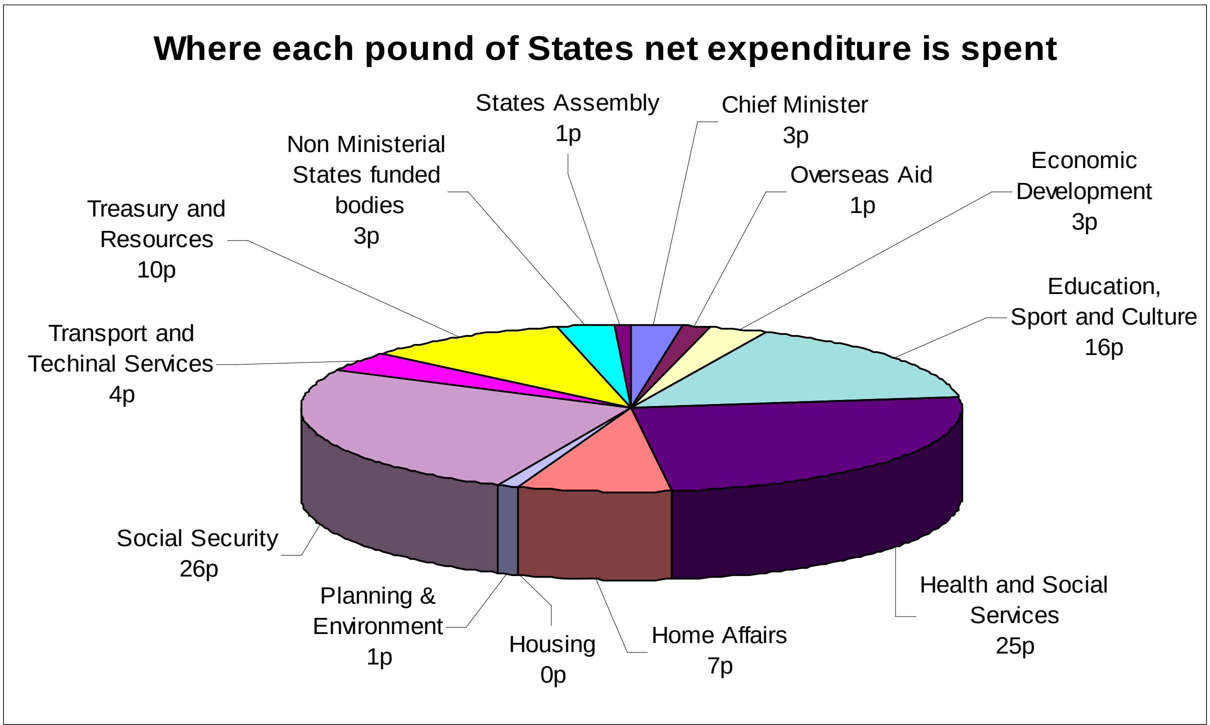
Note:

The Overseas Aid Commission expenditure allocation appears as a grant from the Chief Minister's department, solely for the purpose of the expenditure allocations, as it has not yet been established as a States funded body under the Finance Law.

These figures include the expenditure approvals from the Business Plan as amended and in addition the Benefit Proposal agreed as part of P138/2008 are shown below the line.

SUMMARY TABLE C: SUMMARY GRAPHS





SUMMARY TABLE D:
CONSOLIDATED FUND 2009

	£	2008 Estimate £	£	2009 Forecast £
Estimate of Unallocated Consolidated Fund Balance brought forward - 1st January		**92,608,000**		**16,454,000**
Movements in Year				
Income				
Income Tax	470,000,000		478,000,000	
Goods and Services Tax	33,000,000		50,000,000	
Impôts Duties	50,220,000		49,340,000	
Stamp Duty	23,000,000		21,000,000	
Island Rate	10,050,000		10,560,000	
Other Income	44,700,000		41,260,000	
Income to the States		630,970,000		650,160,000
Repayment of Capital Debt		44,711,000		43,720,000
Capital Receipts and Vote Transfers		2,300,000		16,770,000
Unallocated Funds Available		**770,589,000**		**727,104,000**
Expenditure				
Revenue Expenditure Allocation	526,173,000		545,622,000	
Repayment of Capital Debt	44,711,000		43,720,000	
Capital Expenditure Allocation	145,251,000		54,851,000	
Total Net Expenditure Allocation to States Funded Bodies		**716,135,000**		**644,193,000**
Transfer to Strategic Reserve				
Proposed Transfer to Stabilisation Fund		(38,000,000)		-
Estimated Unallocated Balance in Hand at 31 December		**16,454,000**		**82,911,000**

SUMMARY

	2008 Estimate £	2009 Forecast £
Unallocated Consolidated Fund Balance brought forward - 1st January	**92,608,000**	**16,454,000**
Forecast surplus/(deficit for the year)	(38,154,000)	66,457,000
Transfer to Strategic Reserve	-	-
Proposed Transfer to Stabilisation Fund	(38,000,000)	-
Estimated Unallocated Balance in Hand at 31 December	**16,454,000**	**82,911,000**

The Public Finances (Jersey) Law 2005 requires the balance on the Consolidated Fund at the end of 2009 to be estimated, reflecting the effect of the tax and funding proposals in this Budget, and those expenditure allocations agreed in the Annual Business Plan in September. The States is asked to note the estimated balance of £82,911,000.