STATES OF JERSEY

DRAFT BUDGET STATEMENT 2014 (P.122/2013): FIFTH AMENDMENT

Lodged au Greffe on 19th November 2013
by Deputy G.P. Southern of St. Helier

STATES GREFFE

PAGE 2, PARAGRAPH (a) –

After the words "as set out in the Budget Statement" insert the words –

> "except that the age of entitlement for single, married persons and civil partners to the higher income tax exemption threshold shall not be increased for the year of assessment 2014 from 63 years to 65 years as proposed in the draft Budget Statement".

DEPUTY G.P. SOUTHERN OF ST. HELIER

REPORT

The full 2014 Budget statement contains a single short passage on this proposal as follows –

> *"It was announced in the 2013 Budget that a proposal would be brought forward in the 2014 Budget to increase the age at which taxpayers can benefit from the higher exemption thresholds. Currently a single person, married couple and civil partnership are entitled to a higher income tax exemption threshold if the single person, husband or wife or either of the civil partners are aged 63 years of age or over at the beginning of the income tax year of assessment.*
>
> *It is proposed that the age entitlement of 63 years is increased to 65 years with effect from the year of assessment 2014. 'Grandfathering' provisions will be applied which will ensure that any individual who became 63 in 2012 and who receives the higher income tax exemption threshold for the year of assessment 2013 will continue to do so for the year of assessment 2014 and ensuing years.*
>
> *The estimated additional revenue resulting from this proposal will be approximately £750,000."*

There it is, complete and entire, with not a word of analysis, justification, argument or rationale around it. Examination of the 2013 Budget reveals an equal absence of a hint about what this change is expected to achieve.

As far as I am aware, a States' pension can still be claimed at any time (subject to penalty) between the ages of 63 and 65. I presume that this higher threshold is designed to mirror that provision in the Pension Law. As I am also aware, the States has adopted proposals contained in P.58/2011, 'Pension age: increase', to raise the pension age gradually over time as follows –

"**THE STATES are asked to decide whether they are of opinion −**

(a) to agree –

  (i) that the pensionable age should increase from 65 to 67 by 2031;

  (ii) that increases in the pensionable age should begin on 1st January 2020;

  (iii) that the pensionable age should increase by 2 months a year from 1st January 2020;

(b) to agree that the number of contribution years (including credited contributions) required for a full pension should increase from 45 to 47 over the time period set out in (a) above;

(c) to request the Minister for Social Security to bring forward legislation to give effect to the proposals outlined in (a) and (b) above as soon as possible."

In effect, pension age will rise to 66 by 2025 and to 67 by 2031.

In the report accompanying the proposition, the then Minister explained his reluctance to make immediate changes thus –

> *"as the pension age for many women remains at 60 until the end of 2019, I am not proposing any changes until after that date. I am also mindful that pensions involve long-term decisions and I want to make sure that people have enough time to plan for these changes."*

The report attached to P.58/2011 also proposed to "*Revise upwards the current arrangements that allow people to claim a reduced pension at any point between the ages of 63 and 65".*

> *"It is proposed to increase the Jersey State Pension Age from 65 to 67, phased over a 12 year period from 2020. Overall, the intention in future is to maintain the average life expectancy after pension age at the same level as in 2010. There will be no changes until 2020 to allow individuals to plan for their retirement and each increase will be set 2 months apart to avoid large differences in the pension age for individuals born one day apart**. It will continue to be possible to claim a reduced pension up to 2 years before SPA,** and the option of an enhanced pension after SPA will be explored. The number of years of contributions to achieve a full pension will be increased. The option to stop paying contributions 5 years before State Pension Age will be reviewed. Raising the pension age will save the Fund around £28 million a year by 2036 and limit the increase in contribution rates."*

I find it hard to believe that, at a time when the Minister for Treasury and Resources is reducing income tax rates for the vast majority of taxpayers, he should have decided to increase tax on this relatively small group of taxpayers alone. There may be a case for raising the age-band for claiming a reduced pension early, but the need to do so does not occur until 2025 or 2031, as outlined above. The time for matching income tax regulations with pension provision has not yet arrived.

Financial and manpower implications

There are no manpower consequences to this amendment. The Treasury will forego some £750,000 of income tax revenue for 2015 if this amendment in respect of the year of assessment 2014 is accepted.