

STATES OF JERSEY



EXPENDITURE PROPOSALS FOR 2012 AND 2013 AND DRAFT BUDGET STATEMENT 2011 (P.157/2010): AMENDMENT (P.157/2010 Amd.) – SECOND AMENDMENT (P.157/2010 Amd.Amd.(2)) – COMMENTS

**Presented to the States on 3rd December 2010
by the Minister for Treasury and Resources**

STATES GREFFE

COMMENTS

Senator Ferguson proposes that if Deputy Southern's amendment to delay the increase in the GST rate by one year is approved, the increase in income tax exemption thresholds proposed by the Minister for Treasury and Resources to compensate the less well-off should be cancelled.

Comment

The Minister for Treasury and Resources proposed to increase the income tax exemption thresholds by 1.1% for the year of assessment 2011. It was estimated that this would cost £1.5 million in foregone tax revenues.

The increase in exemption thresholds was not specifically intended to compensate lower earners for the GST rise proposed for June 2011. Instead, it attempts to ease some of the burden of taxation for those on lower incomes, in these difficult economic times.

The increase will assist those individuals who have not paid tax in the past but whose income puts them close to the marginal rate of tax. If their income has increased in line with the average increase in earnings of 1.1%, they could have to pay tax for the first time in 2011. Raising the exemption thresholds means that these individuals are sheltered from paying income tax on their earnings.

Those on middle incomes and falling in the 27% marginal tax band will also benefit from the increase, as the amount of tax payable by those subject to the marginal rate will be reduced.

If Senator Ferguson's amendment was approved, most taxpayers would not feel the impact of the freezing of the exemption threshold until 2012, when they began to pay their tax for 2011.

It is for the Assembly to decide whether a delay in increasing GST should mean that this group of taxpayers should still receive some relief from the other fiscal measures proposed in the draft 2011 Budget Statement.

Summary

The increase in exemption thresholds was not specifically intended to compensate lower earners for the GST rise proposed for June 2011. Instead, it attempts to ease some of the burden of taxation for those on lower incomes, in these difficult economic times.

It is for the Assembly to decide whether a delay in increasing GST should mean that this group of taxpayers should still receive some relief from the other fiscal measures proposed in the draft 2011 Budget Statement.

Financial implications

There is no financial impact for the States from this amendment in 2011.

The amendment would result in an increase in States revenues of approximately £1.5 million from 2012 onwards, with a corresponding increase in the balance in the Consolidated Fund.

The net impact of this amendment combined with Deputy Southern's amendment would be a net loss of tax revenues in 2011 of £15 million and a further £11.5 million in 2012.