

**WRITTEN QUESTION TO THE MINISTER FOR TREASURY AND RESOURCES
BY DEPUTY M. TADIER OF ST. BRELADE
QUESTION SUBMITTED ON MONDAY 18TH OCTOBER 2021
ANSWER TO BE TABLED ON MONDAY 25TH OCTOBER 2021**

Question

Will the Minister provide members with an analysis of the financial impact of exempting Social Security pensions from tax; and will she state what consideration, if any, has been given as to whether it would be morally right to introducing such a policy, in light of the fact that Social Security contributions are liable to tax?

Answer

The Government has recently responded to two Petitions around the taxability of the States old-age pension and Social Security contributions. One of these closed in October 2019; and one remains open.

It was previously estimated that around half of pensioners pay no income tax at all because their States old-age pension, combined with any other income, remains below the income-tax thresholds. Exempting the Social Security pension from income tax would benefit only those pensioners who currently pay tax. Such a change would therefore essentially be regressive in nature.

The vast majority of private and state-provided pensions are taxable but a significant proportion (estimated to be 50%) of Jersey pensioners pay no income tax. This is because Jersey enjoys relatively high tax exemption thresholds before which income is taxed.

In particular, if a Jersey resident pensioner's only source of income is the States old age pension, he or she will not pay income tax: a single pensioner in receipt of a full States old age pension would receive around £11,750 in 2021 but would not pay income tax until their income exceeded £16,000. A married pensioner in receipt of a full States pension would receive around £19,500 but would not pay income tax until their income exceeded £26,100 (note this threshold assumes the married pensioner was born before 1952).

I support the existing policy and making the old age pension exempt from tax could materially reduce States income by many millions of pounds, without providing any benefit whatsoever to the lower income pensioners. The reduction in tax revenues would have to be recouped through other measures in order to maintain public services, many of which are of significant benefit to low-wage earners.