

STATES OF JERSEY

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DRAFT BUDGET STATEMENT 2009 (P.158/2008): SECOND AMENDMENT

**Lodged au Greffe on 18th November 2008
by Deputy S.C. Ferguson of St. Brelade**

STATES GREFFE

PAGE 2 –

After the words “as set out in the Budget Statement” insert the words –

““except that income tax exemption thresholds for the year of assessment 2009 shall be increased by 5.4% rather than by 5% as proposed by the Minister.”

DEPUTY S.C. FERGUSON OF ST. BRELADE

REPORT

Table 5.1

Exemption Thresholds for Year of Assessment 2008 and 2009

<i>Exemptions and Allowances</i>	<i>Year of Assessment 2008</i>	<i>Year of Assessment 2009</i>	<i>Amended Year of Assessment 2009</i>
<i>Exemptions</i>			
– Single Person	£12,040	£12,650	£12,690
– Single Person (aged 63+)	£13,430	£14,110	£14,160
– Married Couple	£19,310	£20,280	£20,350
– Married Couple (aged 63+)	£22,110	£23,220	£23,300

This amendment is the mirror image of the amendment to P.163/2008.

These allowances are to be increased by the same amount as the amount allocated to income support is reduced. The effect of this is shown in the additional column included in Table 5.1, entitled Amended Year of Assessment 2009.

The intention of P.138/2008 was to make an equitable distribution of the surplus monies available from the higher than expected take from GST. This was to be allocated to the less well-off in order to make some compensation for the effect of the GST charge on food and fuel.

Income Support was uprated by an additional £1.75 million in 2008 in order to protect claimants from the effects of GST and an additional £150,000 has been added to the Winter Fuel Allowance. The passing of P.138 reflected the feeling of the Assembly that “middle Jersey”, particularly those falling in the marginal relief band, had not had the same advantage.

The effects of the original budget plus this amendment is to add 5.4% to the exemption limits. As an example, this is equivalent to deducting about £196 from the tax bill of a single person over 63 and is equivalent to their spending about £6,500 on food and fuel.

An additional effect of changing these exemption allowances is that a number of people will in fact drop out of the tax net altogether. At the higher end more people will be included in the marginal relief tax band. This will have advantages for “middle Jersey” as certain allowances are allowed fully in the marginal band whilst they will be adjusted for ‘20 means 20’ in the full rate tax bands.

For example, for the 2009 tax year, the wife’s earned income relief in the full rate band is £1,800 but in the marginal tax band it is £4,500. Mortgage interest, within the £300,000 cap, is fully allowable in the marginal tax band but is restricted in the higher tax bands.

It was considered as to whether this additional sum should be applied to reducing the marginal relief tax percentage. On further discussion it was realised that changing the tax rate would keep taxpayers at the lower end of the scale within the tax net and would not allow taxpayers at the higher end to fall into the marginal relief band. It would in effect result in a lower tax rate being applied to a fixed number of people. The lowering of allowances results in a fairer adjustment than the change in marginal relief rates.

This amendment will provide a more equitable distribution of the £5.8 million available but remains within the spending parameters in the budget. It has a cost of approximately £500,000 which is offset by the savings proposed in my amendment to P.163/2008.

There are no manpower implications.