

STATES OF JERSEY



INCOME TAX: INDIVIDUAL TAX ASSESSMENTS

Lodged au Greffe on 31st January 2012
by Deputy G.P. Southern of St. Helier

STATES GREFFE

PROPOSITION

THE STATES are asked to decide whether they are of opinion –

to request the Minister for Treasury and Resources to bring forward for approval the necessary legislation as part of the Budget 2013 proposals to provide that personal income tax assessments will be based on each taxpayer's own individual earnings thereby repealing the current provisions that a wife or civil partner's earnings can be assessed as part of the husband's or civil partner's earnings.

DEPUTY G.P. SOUTHERN OF ST. HELIER

REPORT

The Minister for Treasury and Resources conducted a consultation on fiscal strategy in 2010 which examined 4 ways to raise an additional £30 million in tax revenue. These 4 mechanisms involved options to increase tax as follows –

- **Goods and Services Tax**
- **Social Security contributions**
- **Domestic property rates**
- **Income Tax.**

His conclusions were to increase the rate of GST from 3% to 5% and to couple this with changes to Social Security contributions.

However, during the consultation it became clear that the option to introduce a higher rate of income tax for higher earners was impractical. In terms of individual responses, some respondents had spotted the defect in the proposal on income tax. Involvement, the organization who ran the consultation noted the following –

“One aspect of the option that was considered unfair was the possible inclusion of joint incomes. If this is not done on individuals but on household income you are going to cause hardship. Many hardworking couples have stretched themselves to afford the vastly inflated accommodation costs... (individual online response).”

Furthermore, under the current Income Tax Law, the treatment of married and unmarried couples is different. The introduction of higher rates for higher income bands would, in effect, discriminate against married couples. This made the proposal which was the subject of the consultation a non-starter. Indeed the position whereby the income of a wife is generally included on their husband’s tax return is widely seen as archaic and unacceptable. At the time of the debate on this consultation, brought about by my attempt to introduce a higher rate of income tax (P.23/2011), in April 2011, neither the Minister nor his deputies made any attempt to address this fundamental discrimination in our income tax law.

Civil Partnerships

In addition, the States has made the wise decision on 12th July 2011 to adopt the Civil Partnerships (Jersey) Law, which marks a change not only in the law, but in society as a whole. The new Law provides for a new legal relationship for same sex couples, enabling them to enter into binding partnerships akin to marriage, giving civil partners the same rights and responsibilities as married couples as far as possible. It shows the world that Jersey is a tolerant and progressive jurisdiction. However, despite this major change to the law there was, I believe, a lost opportunity to amend the archaic nature of the income tax law mentioned above.

In the absence of a “husband” and a “wife” in a civil partnership, instead of abolishing an outdated and discriminatory practice for all Jersey residents, the States have invented a complicated system of civil partner “A” and civil partner “B”, where “A” is the older partner!

This is a crazy system to adopt when adults should be responsible for their own taxation. The modernization of our laws to make them fit for the 21st century and to

reflect society's values must surely be taken as a whole, including our antiquated income tax law, to eliminate the potential for discrimination.

Financial and Manpower Statement

The Minister for Treasury and Resources has recently taken on additional staff to conduct a wide-ranging modernisation of our tax collection system; the change to individual assessments should form a part of such modernisation. Nonetheless, there will be additional returns generated by the new system which will require additional staff to process. Additional staff may cost up to £600,00p with a further £100,000 for additional printing and postal costs.