

# STATES OF JERSEY



## **DRAFT STRATEGIC PLAN 2015 – 2018 (P.27/2015): FIFTH AMENDMENT (P.27/2015 Amd.(5)) – AMENDMENT**

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**Lodged au Greffe on 21st April 2015  
by the Council of Ministers**

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**STATES GREFFE**

DRAFT STRATEGIC PLAN 2015 – 2018 (P.27/2015): FIFTH AMENDMENT  
(P.27/2015 Amd.(5)) – AMENDMENT

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**PAGE 2, PARAGRAPH (a) –**

For the words “should be fair” substitute the words “should be low, broad, simple and fair”.

**PAGE 2, PARAGRAPH (b) –**

After the words “where possible” insert the words “and the word “development””; and after the word “economic” insert the word “, environmental”.

COUNCIL OF MINISTERS

## REPORT

A table showing the effect of the amendment that the Council of Minister is proposing is included at the end of this Report.

### Paragraph (a)

The Council of Ministers believe that taxes should be low, broad, simple and fair. This Amendment seeks to ensure that all these principles are recognised.

If, on the other hand, the Amendment of Deputy S.Y. Mézec of St. Helier is approved unaltered, the principles of taxes being low, broad and simple will be deleted, and will no longer be the strategic policy of this Assembly. This is important.

The principle that taxes should be low, broad and simple has been a fundamental part of the Jersey tax system through all of the reforms made in the recent past – having been included in the 2012 Strategic Plan and the 2013 – 2016 Medium Term Financial Plan – and shape the nature of our tax system.

The benefits of a **simple** tax system are –

- reduced compliance costs for taxpayers,
- reduced unintentional tax evasion, and
- reduced administration cost.

Simplicity is also a key selling point for international business. Where a low or zero rate of tax can be obtained in a competitor jurisdiction with relative ease, international business will not be prepared to achieve the same result in Jersey through a number of complicated steps.

Taxes should also be **broad**. A tax system which relies too heavily on one particular sector or type of taxpayer or tax base for revenues will be at risk if that sector, taxpayer group or tax base falters. A broader-based tax system, where as many sectors and individuals as possible contribute over a wider taxable base, is a more stable one. It is also one in which more people have a financial stake in how our society is run and public services are paid for.

This supports the principle that tax rates should be **low**, as the greater the number contributing to revenues, the lower the rate of tax that each will be required to pay. The Council of Ministers also believes that it is beneficial for people to retain as much of their income as possible so they can spend that money as they see fit, after appropriate and efficient public services and social protection have been provided.

The Council have already put forward in the Strategic Plan the principle that “everyone should make an appropriate contribution to the cost of providing services, while those on the lowest income are protected”. Indeed, the principle of fairness was an explicit one in the 2010 Fiscal Strategy Review. Of course, what is fair will depend on a person’s point of view, and needs to be balanced against the other principles of low, broad and simple. However, analyses of personal income tax (2013 year of assessment) shows that individuals with higher incomes do pay significantly more, with the 20% of individuals with the highest incomes paying 69% of all personal income tax.

Quintile	Total income assessable for tax on each individual	Average Effective Rate (%)	% of total (individuals) tax revenues
1st	Below Exemption Threshold	0%	0%
2nd	Exemption Threshold – £22,514	5%	3%
3rd	£22,515 – £34,556	9%	9%
4th	£34,557 – £58,885	13%	19%
5th	£58,886 +	16%	69%
			<b>100%</b>

**Note:** 11,947 registered entities (individuals) are in each quintile, constituting 59,735 registered entities (individuals) in total. The purpose of analysing by quintile is simply a means of showing the distribution of taxes.

A “Registered Entity (individuals)” is an individual registered with the Taxes Office, irrespective of whether they have a tax liability for the year of assessment or not.

The data in the above tables excludes those “Registered Entities (individuals)” who are registered with the Taxes Office but who are either –

- I. not required to complete an income tax return because the Taxes Office is satisfied that their total annual income is consistently below the tax exemption thresholds (e.g. their sole source of income is an old age pension or their sole source of income arises from employment which is consistently below the tax exemption threshold); or
- II. Non-residents for income tax purposes.

“Registered Entities (individuals)” include –

- Single individuals.
- Married couples/civil partnerships that have not opted for separate assessments (counted as one).
- Married couples/civil partners that have opted for separate assessments (counted as two).

### **Paragraph (b)**

As to what objectives taxes should support, the Council agree that taxes should support social policy as well as economic policy. For completeness, the Council of Ministers have added environmental policy. In doing this, the Council wish to be clear that taxes are not the sole, often not the primary, means of achieving policy objectives, and that benefits policy, spending, and promotion, are often better influencers of outcomes. Nevertheless, the taxes system does have a role to play, as it does, for

example, by way of linking impôts to the States' strategies on the consumption of tobacco, and by offering income tax relief on the provision of child care to assist parents back into the workforce.

The effect of all this is to recognise that a wide range of principles and objectives, naturally, underlie tax policy and decisions.

**Table showing the effect of the amendment that the Council of Minister is proposing:**

Original as lodged	Amendment 5(a) and (b)	COM amendment
<ul style="list-style-type: none"> <li>• Taxation must be necessary, justifiable and sustainable.</li> <li>• Taxes should be low, broad and simple.</li> <li>• Everyone should make an appropriate contribution to the cost of providing services, while those on the lowest incomes are protected.</li> <li>• Taxes must be internationally competitive.</li> <li>• Taxation should support economic development and, where possible, social policy.</li> </ul>	<ul style="list-style-type: none"> <li>• Taxation must be necessary, justifiable and sustainable.</li> <li>• Taxes should be fair.</li> <li>• Everyone should make an appropriate contribution to the cost of providing services, while those on the lowest incomes are protected.</li> <li>• Taxes must be internationally competitive.</li> <li>• Taxation should support economic development and social policy.</li> </ul>	<ul style="list-style-type: none"> <li>• Taxation must be necessary, justifiable and sustainable.</li> <li>• Taxes should be low, broad, simple and fair.</li> <li>• Everyone should make an appropriate contribution to the cost of providing services, while those on the lowest incomes are protected.</li> <li>• Taxes must be internationally competitive.</li> <li>• Taxation should support economic, environmental and social policy.</li> </ul>

**Financial and manpower implications**

There are no additional financial or manpower implications arising from this amendment to the amendment.