STATES OF JERSEY

DRAFT BUDGET STATEMENT 2017 (P.109/2016): THIRD AMENDMENT

Lodged au Greffe on 29th November 2016
by Deputy S.Y. Mézec of St. Helier

STATES GREFFE

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After paragraph (d) insert the following new paragraph –

“(e) to agree in principle that from January 2018, owner’s rates for residential properties should no longer be a tax-deductible expense for landlords when calculating the income taxable under Schedule A and to direct the Minister for Treasury and Resources to bring forward the necessary changes to the Income Tax (Jersey) Law 1961 for consideration by the Assembly during 2017.”.

DEPUTY S.Y. MÉZEC OF ST. HELIER.

REPORT

This proposition asks the Assembly to agree that, in future, landlords should no longer be entitled to claim the payment of their owner's parish rates on their rental properties as a business expense which they can use to reduce their taxable income and mitigate their Income Tax liability.

It strikes me as being unfair that those who are getting an income from an investment can enhance that income by reducing their tax liability because they are incurring an expense that the rest of us also incur, but are not entitled to benefit from in the same way. I believe that many Islanders would find this to be inequitable.

All Islanders who occupy property must pay their share of Parish Rates. The thousands of tenants in the Island cannot claim the Parish Rates that they are compelled to pay as a business expense on their Income Tax Returns, nor can a family who own and occupy a property do so, this despite the fact that these are essential expenses which they cannot opt out of.

Many tenants are living in poor quality accommodation and struggling to make ends meet. I am sure that many of them would appreciate the opportunity to claim their payment of parish rates off their tax liability. But of course, such a system would be complicated and lead to a reduction in tax revenue raised.

This amendment therefore seeks to eliminate this anomaly and remove a tax break awarded to some Islanders based on a compulsory expense, which other Islanders (the majority of whom will be worse off than those who own investment properties) do not have the privilege of being entitled to claim.

Financial and manpower implications

According to the Treasury Department's estimates, this measure could raise approximately £300,000 of revenue each year.

This is estimated using the 2011 census data to work out that there are around 10,500 residential properties being let privately with the average owner's rate being £146 per annum. This means each landlord would be paying an additional tax of approximately £30 per property per year.

The Department also do not consider that this amendment would have a material manpower impact from a Tax Office administrative perspective, nor would it requires changes to the Income Tax Return form.