

# STATES OF JERSEY



## **DRAFT MEDIUM TERM FINANCIAL PLAN ADDITION FOR 2017 – 2019 (P.68/2016) – NINTH AMENDMENT**

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**Lodged au Greffe on 13th September 2016  
by Senator S.C. Ferguson**

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**STATES GREFFE**

DRAFT MEDIUM TERM FINANCIAL PLAN ADDITION FOR 2017 – 2019  
(P.68/2016) – NINTH AMENDMENT

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**1 PAGE 2, PARAGRAPH (a)(i) –**

After the words “**Summary Table B**”, insert the words –

“ except that the net revenue expenditure of the Chief Minister’s Department shall be increased by £30,000 in 2017 in order for that Department to commission an independent review of the tax system, including a quantification and explanation of changes in the profile of the taxpaying public since 2008 –

- (i) reconciling and explaining the changes in the number of taxpayers in the main bands defined as non-taxpayers, marginal band taxpayers and 20% taxpayers;
- (ii) assessing the income generated from companies trading in Jersey or owned by residents of Jersey;
- (iii) assessing the overall effects on the economy resulting from high levels of immigration;
- (iv) including an economic impact assessment of how each income quintile would be affected by proposed ‘user pays’ charges, and from the changes already imposed since the implementation of zero/10, which will be financed from the Contingency Fund and from other funds and reserves including the Strategic Reserve, and to consider the appropriateness of routing income from the proposed health charge directly to the Consolidated Fund; and
- (v) reviewing the change in accounting treatment of income tax to assess the robustness of the tax estimate process and reviewing the model used for estimating tax,

precise terms of reference for the review to be agreed with the Corporate Services Scrutiny panel, and the revenue head of expenditure of the Department for Infrastructure shall be increased by £3,000,000 in 2018”.

**2 PAGE 2, PARAGRAPH (a)(ii) –**

After the words “**Summary Table C**”, insert the words –

“ except that there shall be a reduction of £30,000 in 2017 in respect of the independent review of the tax system and a reduction of £10.5 million in 2018 in respect of a delay to the implementation of the health charge and commercial waste charges during such time as the review of the tax system is completed, considered and implemented”.

**3 PAGE 3, PARAGRAPH (c) –**

The words “£7,500,000 in 2018 and” are deleted.

SENATOR S.C. FERGUSON

## REPORT

It is clear from the statistics obtained from the tax office that there have been considerable changes to the tax profile of the population since zero/10 and 20 means 20 were instituted. It is not possible to make any changes until the effects which have led to the current position are understood, and this review is being instituted in order to establish the underlying facts.

Exhibit 1 in the attached **Appendix** shows the changes in demographics of the population classed as liable to pay tax should they have sufficient income. From this graph, it can be seen that the total number of taxpayers is falling, the numbers paying tax in the 20% band and the non-taxpaying band are falling, and the number paying tax in the marginal band is increasing. Netting off the numbers, it appears that just under 10,000 taxpayers appear to have disappeared.

The other cause for concern is that the number of people paying tax has fallen, but the total population has increased.

Exhibit 2 in the Appendix is a graph of the income tax and GST collected over the same period as in Exhibit 1. It demonstrates quite clearly that there was a significant drop in company tax collected with the advent of zero/10. It is also noticeable that it was not until 2015 that the total tax collected from these sources exceeded that collected in 2009.

Whilst the tax take is still growing, due to the change in accounting policy with an estimate of current year tax income being made, the forecasts are less certain. The difference in prior years amounted to £60 million with an ongoing addition of £7 million each year. A further factor is that there is, as noted earlier, a disproportionate number of people paying tax within the marginal rate tax band, and this number appears to be growing.

As a result of the piecemeal changes since zero/10, the tax system is now inequitable and needs attention. For example, the original concept of the Long-Term Charge for health was that this would be an insurance scheme. However, with the cap and with the basis of calculation being income, it is a tax. In isolation this might have been reasonable, but the Council of Ministers consider that they must cling to the 20% tax headline level and therefore are bridging the various gaps appearing in the financial framework with more of the same type of charges.

The mantra for the solid and liquid waste charges for the business sector is, according to the Department, because the private taxpayer is subsidising the business sector. Whilst this seems fair, there is a comment in the Draft Plan ([P.68/2016](#)) published on the States Assembly website referring to bringing in the charge “initially to commercial operators”. It is hardly surprising that the Public are somewhat cynical about these charges. It is for this reason I am asking for a delay in the ‘user pays’ charges until this tax review is completed.

The general uncertainty and inequity of the tax system is such that it must be adjusted. However, the mechanics of the system and the reasons for the anomalies currently present must be understood first. It is essential to have this understanding before any other actions are taken with regard to tax.

### **Financial and manpower implications**

It is estimated that such a review will take about 6 or 7 weeks, and a budget of £30,000 should be sufficient.

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### **Re-issue Note**

This amendment is re-issued because further consequential amendments were identified.

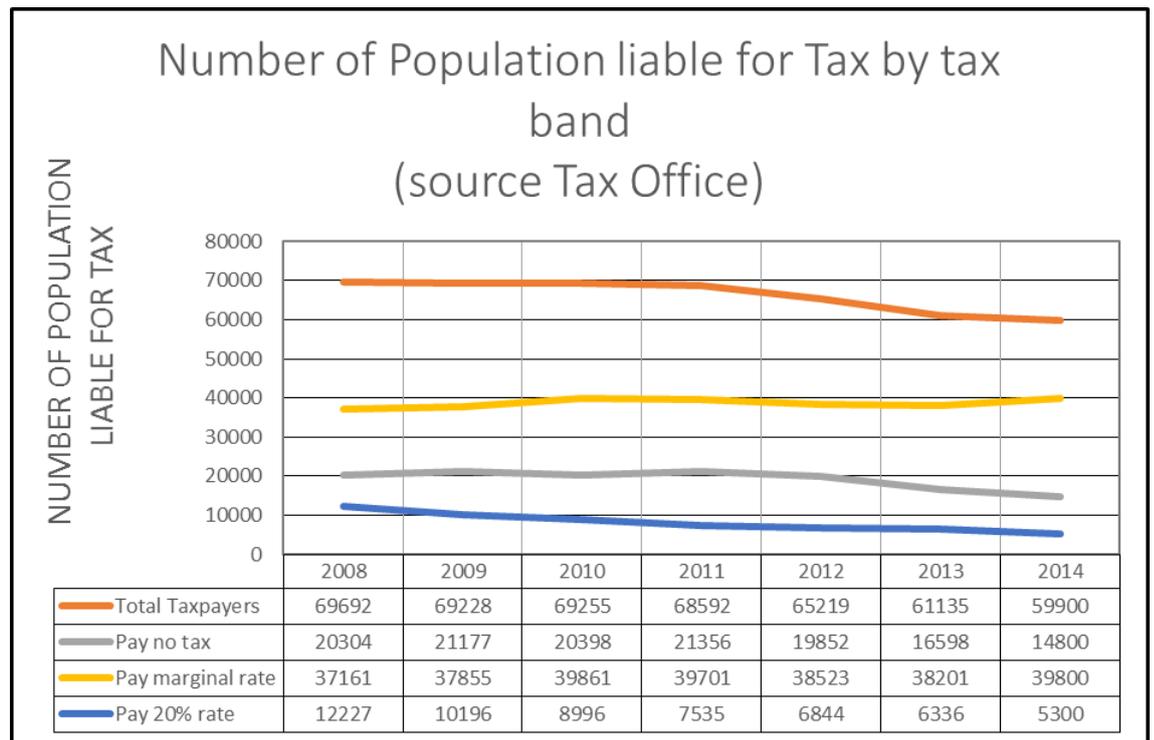


Exhibit 1

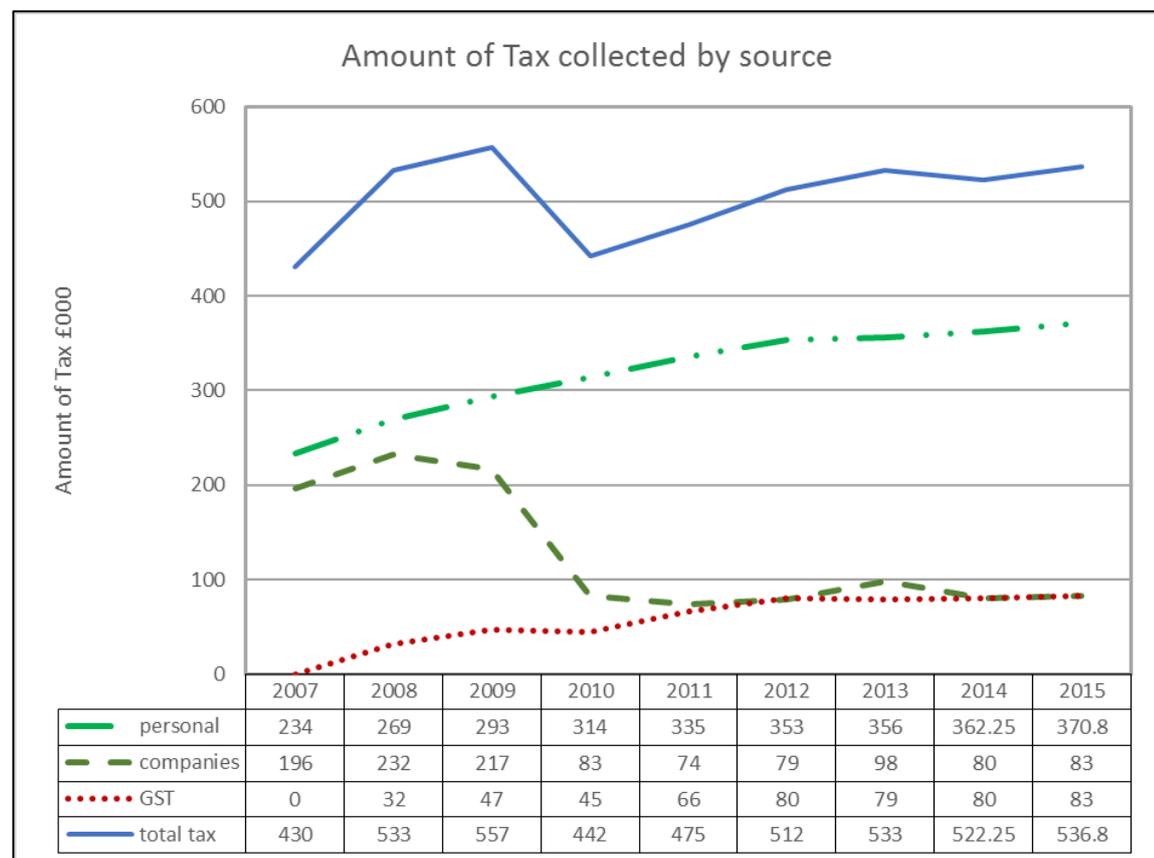


Exhibit 2

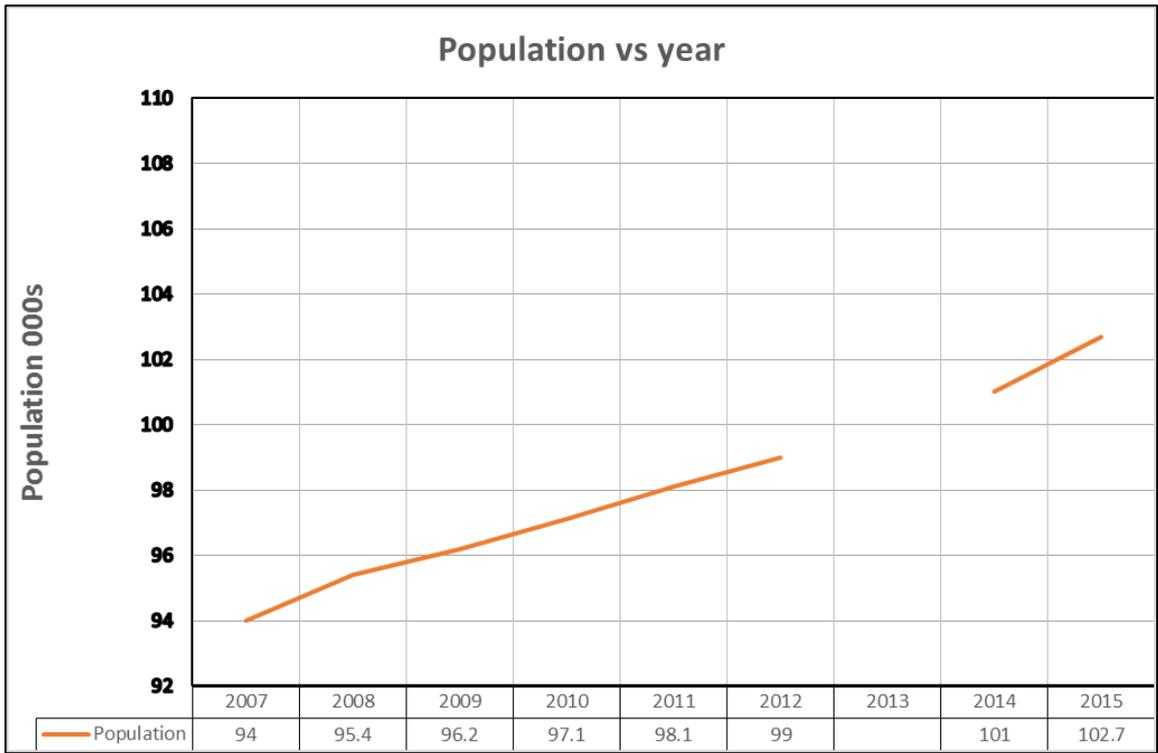


Exhibit 3 (Note: the population figure for 2013 is not available.)