

STATES OF JERSEY



MINI-BUDGET 2022 (P.80/2022): FOURTH AMENDMENT(P.80/2022 AMD.(4)) – COMMENTS

**Presented to the States on 13th September 2022
by the Council of Ministers**

STATES GREFFE

COMMENTS

The Council of Ministers opposes this proposal and urges States Members to reject the amendment.

This amendment would introduce a standard rate of income tax of 25%, with all taxpayers being entitled to the thresholds, allowances and reliefs that are currently only available to marginal rate taxpayers. No changes are proposed for the taxation of high value residents.

The Council of Ministers views this amendment as a fundamental change to Jersey's personal tax system, which falls far outside the scope of this mini-budget.

The Island's economy has successfully applied a standard rate of income tax of 20% for many years. Ministers are hesitant to change this policy without knowing fully the effects on our competitive standing, especially at a time when recruitment of talent into the Island is a priority.

The 5-percentage point increase proposed in the amendment would result in a 25% increase in the rate of income tax for those taxpayers who pay at the standard rate (around 10% of taxpayers who contribute nearly half of all personal income tax). In an increasingly globalised world, it would be difficult to model the impact on the behaviours and actions of current residents, or how it might influence the choices made by those who are considering relocating to Jersey.

The mini-budget increases the personal income tax thresholds significantly, which will already have the effect of removing lower-paid taxpayers from the scope of income tax. This amendment would further increase tax concentration risk, leading to a greater reliance on a small group of taxpayers, some of whom are particularly internationally mobile. There is a risk that any behavioural change as a result of this amendment could reduce States' revenues.

This level of fundamental change should always be the subject of full consultation.

Financial and manpower implications

The amendment asserts that the cost of the personal income tax measures proposed in the mini-budget would decrease from £34.1m to £22m. This figure does not factor in any longer-term behavioural changes prompted by the amendment.