

STATES OF JERSEY



MINI-BUDGET 2022 (P.80/2022): SIXTH AMENDMENT(P.80/2022 AMD.(6)) – 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 proposes to introduce a new personal income tax threshold, alongside existing thresholds and allowances, to exempt taxpayers receiving a wage of less than 60% of the annual median weekly wage (£23,400 p.a.) for the preceding year.

The Council of Ministers believes this amendment would bring unnecessary complexity into the tax system. The operation of the personal income tax thresholds currently ensures that those on lower incomes are not liable to pay income tax. These thresholds are set at a level that is agreed by the States Assembly. The marginal rate of tax then ensures a gradual increase to tax liabilities as incomes increase.

This amendment proposes to introduce a higher personal income tax threshold, but only for certain taxpayers.

This approach would create an unsatisfactory cliff-edge, meaning that single individuals with no entitlements to other allowances or reliefs, would be liable to pay income tax of £1,261 on £1 of income above £23,399. The creation of cliff-edges in tax systems are best avoided.

The amendment would also narrow the income tax base further. The table below shows the proposed calculation of income tax for a single individual, with no entitlements to other allowances or reliefs, under the thresholds proposed in the mini-budget (left-hand columns) and the calculation if this amendment were adopted (right-hand columns).

Mini-budget proposals			Sixth amendment proposals		
Income	Income tax	Effective rate		Income tax	Effective rate
£18,000	Nil	0%		Nil	0%
£19,000	£117	1%		Nil	0%
£20,000	£377	2%		Nil	0%
£21,000	£637	3%		Nil	0%
£22,000	£897	4%		Nil	0%
£23,000	£1,157	5%		Nil	0%
£24,000	£1,417	6%		£1,417	6%
£25,000	£1,677	7%		£1,677	7%
£26,000	£1,937	7%		£1,937	7%
£27,000	£2,197	8%		£2,197	8%
£28,000	£2,457	9%		£2,457	9%

Ministers note the use of the term “wages” in the amended Proposition, which also brings uncertainty as to whether the amendment is intended to apply only to those individuals who are employees and to employment income. The current personal income tax thresholds apply to all sources of income and any departure from this broad approach to income thresholds would represent a significant legal and systems change.

Moreover, the measure would be operationally unfeasible to deliver within the suggested timescales. Even if the changes were to apply to all types of income, the fundamental tax calculation process would need to be updated in the Revenue Management System. The implementation of that calculation would generate significant negative impacts on the existing programme of systems integrations between the income tax and social security systems.

Financial and manpower implications

The financial implications provided in the amendment relate only to individual examples.

Although there was not time to compile the financial information required for Deputy Coles ahead of the lodging deadline, this information has now been provided and is set out below.

Category		Count of taxpayers
1	Number of Single taxpayers earning £23,400 or less	6,060
2	Number of Married/Civil partnership with single earning taxpayer earning £37,440 or less	1,111
3	Number of Married/Civil partnerships with a second earner taxpayers earning £46,800	1,193

Notes on table:

- In arriving at the numbers, data is used from the year of assessment (YOA) 2019 where there is no assessment made for the YOA 2020.
- The dataset is restricted to those with 52 weeks of allowance and a tax liability >£0. Taxpayers who are taxed under the high value resident (HVR) regime have been removed.
- “Income” includes earned income (e.g. wages, pension) and unearned income (e.g. property, bank interest, etc.)