

STATES OF JERSEY



PROPOSED GOVERNMENT PLAN 2024- 2027 (P.72/2023): SEVENTEENTH AMENDMENT

LIMIT RENT-A-ROOM TAX EXEMPTION TO HOUSEHOLDS WITH A MORTGAGE

Lodged au Greffe on 27th November 2023
by Deputy C.S. Alves of St. Helier Central

STATES GREFFE

PROPOSED GOVERNMENT PLAN 2024-2027 (P.72/2023):
SEVENTEENTH AMENDMENT

1 PAGE 2, PARAGRAPH (a) –

After the words “Articles 9(2)(a) of the Law” insert the words –

“, except that Personal Income Tax for 2024 should be increased by £160,000 to reflect the restriction of the “rent-a-room” income tax relief to only those households servicing a mortgage on their main residence”

DEPUTY C.S. ALVES OF ST. HELIER CENTRAL

Note: After this amendment, the proposition would read as follows –

THE STATES are asked to decide whether they are of opinion –

to receive the Government Plan 2024 – 2027 specified in Article 9(1) of the Public Finances (Jersey) Law 2019 (“the Law”) and specifically –

- (a) to approve the estimate of total States income to be paid into the Consolidated Fund in 2024 as set out in Appendix 2 – Summary Table 1 to the Report, which is inclusive of the proposed taxation and impôts duties changes outlined in the Government Plan, in line with Article 9(2)(a) of the Law, except that Personal Income Tax for 2024 should be increased by £160,000 to reflect the restriction of the “rent-a-room” income tax relief to only those households servicing a mortgage on their main residence;
- (b) to refer to their Act dated 30th September 2016 and to approve the application of existing resources for work on the development of ‘user pays’ charges in relation to all aspects of waste, including commercial and domestic liquid and solid waste;
- (c) to approve the proposed Changes to Approval for financing/borrowing for 2024, as shown in Appendix 2 – Summary Table 2 to the Report, which may be obtained by the Minister for Treasury and Resources, as and when required, in line with Article 9 (2)(c) of the Law, of up to those revised approvals;
- (d) to approve the extension of the use of the existing Revolving Credit Facility to include the provision of funds that would otherwise be implemented through bank overdraft or bank overdraft facilities under Article 26 (1)(a) of the Law, should they be needed, subject to the limits outlined in that article;
- (e) to approve the transfers from one States fund to another for 2024 of up to and including the amounts set in Appendix 2 – Summary Table 3 in line with Article 9(2)(b) of the Law;

- (f) to approve a transfer from the Consolidated Fund to the Stabilisation Fund in 2024 of up to £25 million, subject to a decision of the Minister for Treasury and Resources based on the availability of funds in the Consolidated Fund as at 31 December 2023 in excess of the estimates provided in this plan, or from budgeted underspends identified before 31 December 2024;
- (g) to approve each major project that is to be started or continued in 2024 and the total cost of each such project and any amendments to the proposed total cost of a major project under a previously approved Government Plan, in line with Article 9(2)(d), (e) and (f) of the Law and as set out in Appendix 2 - Summary Table 4 to the Report;
- (h) to approve the proposed amount to be appropriated from the Consolidated Fund for 2024, for each Head of Expenditure, being gross expenditure less estimated income (if any), in line with Articles 9(2)(g), 10(1) and 10(2) of the Law, and set out in Appendix 2 – Summary Tables 5(i) and (ii) of the Report;
- (i) to approve the estimated income, being estimated gross income less expenditure, that each States trading operation will pay into its trading fund in 2024 in line with Article 9(2)(h) of the Law and set out in Appendix 2 – Summary Table 6 to the Report;
- (j) to approve the proposed amount to be appropriated from each States trading operation’s trading fund for 2024 for each head of expenditure in line with Article 9(2)(i) of the Law and set out in Appendix 2 – Summary Table 7 to the Report;
- (k) to approve the estimated income and expenditure proposals for the Climate Emergency Fund for 2024 as set out in Appendix 2 – Summary Table 8 to the Report; and
- (l) to approve, in accordance with Article 9(1) of the Law, the Government Plan 2024-2027, as set out at Appendix 3 to the Report.

REPORT

The rent-a-room tax relief was established following the adoption of the [Government Plan 2023-2026 \(P.97/2022\) Twenty-Sixth Amendment](#) lodged by the Council of Ministers last year.

This amendment aims to limit the “rent-a-room” tax allowance solely to those who have mortgages and are currently benefiting from the mortgage interest relief, ensuring that this tax break does not disproportionately benefit those who least need it.

The following table, provided in the Council of Ministers’ report accompanying their amendment, shows lodging income on which the concession has been claimed in income tax returns submitted to Revenue Jersey and the related income tax figures in recent years:

Year of assessment	No. of taxpayers	Lodging income	Income tax
2019	820	£6m	£525,000
2020	670	£5.2m	£455,000

Using these figures it can be calculated the total mean average paid by lodgers in each year:

2019: $£6,000,000 \div 820 = £7,317$ yearly = £610 monthly = £141 weekly *rounded to the nearest £*

2020: $£5,200,000 \div 670 = £7,761$ yearly = £647 monthly = £149 weekly *rounded to the nearest £*

In their report to the [Government Plan 2023-2026 \(P.97/2022\) Twenty-Sixth Amendment](#), the Council of Ministers stated that providing this new tax relief would *Ease overall accommodation issues and encourage better use of existing housing stock*”. A key issue with accommodation is the cost - and it could be argued that tax relief on lodging income up to £10,000 could encourage those who offer a room to rent to increase their prices. A room for rent at £10,000 annually = £833 monthly = £192 weekly is significantly more than the figures calculated above. Is this a ‘better use’ of the existing housing stock?

The council of ministers also stated that their amendment would *“Provide extra accommodation, relieving the shortage of accommodation for seasonal workers”*. A simple online search on www.places.je shows there is an abundance of properties for rent available, many of which have been listed for several weeks. This suggests that availability of stock is not the main problem – the main problem is the cost of this accommodation, highlighting again that the real issue is the absence of rent controls.

Finally, the Council of Ministers stated that their amendment would *“Enable homeowners to retain extra income at a time when some households are struggling”*. According to reports by Statistics Jersey on the Jersey Retail Price Index (RPI), housing costs have been the single biggest contributor to driving the RPI up time and time again. Rent and mortgage repayments are the single biggest expenses everyone faces. This amendment would ensure that those who really need it will continue to benefit from the tax relief while raising revenue that could be better directed elsewhere.

Financial and staffing implications

This amendment would affect a relatively small number of people, and therefore require a similarly low input from staff. As this is a change to a relief the system should be able to accommodate it.

Financially this amendment should result in an approximately £160,000 increase in income, which could be utilised to support those in housing distress.