

**WRITTEN QUESTION TO THE MINISTER FOR TREASURY AND RESOURCES
BY THE DEPUTY OF GROUVILLE
ANSWER TO BE TABLED ON TUESDAY 20th FEBRUARY 2018**

Question

Will the Minister supply the annual revenue that would be raised if Income Tax was calculated on an independent basis, based on the following rates?

First £40,000	10%
£40,000 - £100,000	20%
Over £100,000	25%

Further to the gross figure resulting from this calculation, will the Minister also supply the annual revenue that would be raised on the basis of these rates and allowing for a personal allowance provided on the same basis as the current personal tax allowance and whatever is currently given as children's allowance?

Answer

In respect of the first part of the question we note that the Deputy appears to be requesting information regarding a personal income tax system containing no allowances whatsoever. This would be a very significant change from the current system with material distributional impacts (in particular making a large number of low income households tax paying where they are currently exempt from income tax).

We also note that for administrative simplicity, both from the perspective of the taxpayer and the Taxes Office, the Taxes Office does not require tax returns to be submitted by those people who have a low, fixed income which means they are exempt from tax now and are unlikely to pay income tax in the future (e.g. pensioners on a fixed income which is below the income tax exemption threshold). Under the proposal outlined in the first part of the question these people would become subject to income tax, however the Taxes Office does not hold information on their income, and hence it is not possible at the current time to calculate accurately how much additional income tax would be payable by this cohort.

It is further noted that in relation to the second part of the question there are a number of options that the Deputy would need to consider and determine before any modelling of the tax implications could be undertaken. For example, the question is seeking information regarding the amount of personal income tax that would be raised if the current system of single person/married man taxation was changed to a system where every individual was taxed only on their own income; however it is unclear how the proposed allowances would be given within this new system, for example:

- what is the “current personal tax allowance” – is it the single person income tax exemption threshold or, alternatively, half of the married couples income tax exemption threshold;
- when talking about “children’s allowance” does that encompass the allowance given in respect of school age children as well as the higher child allowance given in respect of children in full-time higher education, does that term also encompass the additional personal allowance and/or the relief currently given for child care costs incurred; and
- in the context of married couples with children how should the “children’s allowance” be split between the parents in a system of independent taxation.

In light of the comments above it would be more straightforward to discuss the Deputy’s requirements in person to ensure that she is obtaining the most relevant information and that the limitations of any information provided are fully understood.

Finally it is noted that work is being undertaken on the completion of a modelling tool that will make it more straightforward to analyse these sort of hypothetical proposals in the future. It is anticipated that the testing of this modelling tool will be completed by the end of the second quarter this year.