

**QUESTIONS TO BE ASKED OF THE PRESIDENT OF THE FINANCE AND ECONOMICS
COMMITTEE ON TUESDAY 21st OCTOBER 2003,
BY DEPUTY G.P. SOUTHERN OF ST. HELIER**

Question 1

In the document 'Social Trends', Edition No. 33:2003, produced by the U.K. Office for National Statistics, it is revealed that the percentage of disposable income paid out in indirect taxes in the UK rises from 16 percent for top earners to 33 percent for those on the lowest incomes.

Will the President inform members whether the introduction of a sales tax in Jersey, as outlined in his presentation to members on 8th October 2003, will inevitably have greatest impact upon those on low incomes?

Answer

The Finance and Economics Committee is working on several options with respect to the future structure of taxation in the Island. A sales tax is only a part of those options.

A sales tax introduced in isolation would in all probability be regressive in its impact, in that the greatest effect on disposable incomes of such a tax would be upon lower income households. The extent and distribution of the impact would depend to some extent on the design of that tax.

However, the Deputy attended the recent presentation on future tax options and will be aware that the Finance and Economics Committee would not propose a tax on sales in isolation from other measures. Any such tax would be introduced as part of a package of measures.

For example, the impact of a tax on sales on prices in the Island would be assessed through the price review mechanism within the Income Support structure.

A major priority of the Committee will be to ensure that the overall package, which might include a sales tax of some variety, would be progressive with respect to levels of household income.

Similar issues arise with respect to the figures which the Deputy has quoted for the United Kingdom.

These represent the direct impact of indirect taxes on incomes of UK households, in isolation from the impact of other taxes and welfare transfers on the overall picture.

Question 2

- (a) Does the President accept that the data revealed in Table 9 of the Jersey Income Distribution Study 2002 prepared by the Statistics Unit of the Policy and Resources Department, summarised below, demonstrates that our current tax and benefit system fails to compensate for the high cost of housing in the island, pushing the poorest households into greater relative poverty?

Composition of household weekly income by quintile group (after housing costs) -

	Bottom 20%	Top 20%	Ratio (top / bottom)
Pre-benefit income	£245	£1,703	6.9
Net income (after housing costs, benefits & tax)	£154	£1,361	8.8

- (b) What changes to the tax and benefits system does the President propose in order to remedy this situation

in the short term?

Answer

- (a) The Deputy does not define “poverty” in his Question and so I am not able to comment on his assertion with respect to “relative poverty”.

The Jersey Income Distribution Study 2002 made no reference to poverty, relative or otherwise. This Deputy will be aware that there is no agreed definition of “poverty”. Various jurisdictions define poverty in a number of different ways.

The Deputy will know very well that the States spends a considerable amount of money each year on rent subsidies. The system of rent subsidies is designed to favour lower income households. Through the rent subsidy system, households on the lowest incomes should pay no more than 20 per cent of that income in rent.

- (b) Work on fiscal strategy and the Income Support Initiative will include careful assessment of the distribution of gross and net incomes in the Island and the impact which any future changes in the States spending, tax and welfare systems might have on the overall distribution. For its part, a major priority of the Finance and Economics Committee will be to ensure that future changes in spending and taxation are introduced in the most equitable way for everyone in the Island.

Question 3

The Jersey Income Distribution Study 2002 revealed that “the average pay of a full-time worker was about £480 per week”. The equivalent figure of “average gross weekly earnings” taken from the New Earnings Survey of April 2002 from the Office for National Statistics for the UK is £462.60.

Is the President satisfied that the statement made at the presentation of 8th October 2003, that Jersey household incomes are between 45 percent and 70 percent higher than the U.K., is accurate?

Answer

The Finance and Economics Committee does not have direct responsibility for the Jersey Income Distribution Study 2002.

However, based on advice from the Head of Statistics in the Policy and Resources Department, I can confirm that the results of the Jersey Income Distribution Study 2002 revealed that the average personal incomes of a representative member of a household in Jersey (in 2002) were typically around 45 per cent and 70 per cent higher than those in the United Kingdom (in 2001/02).

These two percentages relate to equivalised weekly net total income before housing costs and equivalised weekly final income after housing costs.

The Jersey Income Distribution Study 2002 also reports an estimate showing that that the average pay of a full-time worker in Jersey was about £480 per week.

The Deputy has compared this estimate with the figure for “UK average gross weekly earnings” taken from the UK New Earnings Survey of April 2002.

Work is being undertaken to assess whether these two figures are directly comparable.