

2.2 Deputy G.P. Southern of the Minister for Treasury and Resources regarding exemption figures in the Budget 2008

Will the Minister clarify the exemption figures in the Budget 2008 on pages 17 and 18 and state what proportion of the cuts are due to indexation to compensate for fiscal drag in each year, and what proportion is compensation for the impact of G.S.T. (Goods and Services Tax) and what the actual or predicted levels of R.P.I. (Retail Prices Index) are for each of the 3 years of the period 2007 to 2009?

Senator T.A. Le Sueur (The Minister for Treasury and Resources):

In the 2008 budget it was announced that the income tax exemption limits would increase by 6.5 per cent and this means in the 2008 year of assessment, the single person exemption will rise from £11,300 to £12,040 and the married couple exemption from £18,130 to £19,310. The policy in recent years has been to freeze exemptions thereby creating fiscal drag and broadening the tax base. It was originally intended to raise exemption limits for 2008 by 3 per cent but the decision was taken to increase exemptions by an additional 3.5 per cent to compensate for the introduction of G.S.T. That is the component of the increase in exemption limits that was intended to compensate for the introduction of G.S.T. Nonetheless, people will still receive the full benefit of the increase in exemptions for the year 2008 and also the increase in child allowances. Given the range of different circumstances, it is difficult to state in cash terms exactly what proportion of the cuts is due to indexation and what proportion is to compensate for G.S.T. The Treasury does not forecast inflation for the period 2007 to 2009 although a number of assumptions are made for planning purposes in the States' Annual Business Plan and these will be published later this month.

2.2.1 Deputy G.P. Southern:

Is the Minister asking this House to believe that he cannot reveal for some sort of reasons of State, what his calculations are for R.P.I. in 2008/09?

Senator T.A. Le Sueur:

They are not my calculations. They are the calculations carried out by the independent statistics unit. It is done as part of an orderly process and those assumptions will be revealed to the Deputy and to all States Members in the Annual Business Plan, but I point out to the Deputy that they have been indicated in informal meetings to Members and Scrutiny at various times during the year.

2.2.2 Deputy G.P. Southern:

I do not believe that the Minister cannot tell this House what his expectation is for inflation this year and next year. Why not?

Senator T.A. Le Sueur:

Basically because assumptions kept changing as circumstances change. I will present at the time of the Annual Business Plan updated forecasts on which we can make decisions.