

**WRITTEN QUESTION TO THE MINISTER FOR TREASURY AND RESOURCES BY
DEPUTY G.P. SOUTHERN OF ST. HELIER**

ANSWER TO BE TABLED ON TUESDAY 1st JULY 2008

Question

1. On 3rd June 2008 the Minister gave examples of total tax cuts, in monetary terms, over the three years 2007, 2008 and 2009, resulting from increases in exemption limits, which included the figure of £374 for a single person. Will he inform members whether this sum was the total tax reduction over the 3 year period or the tax reduction in each of those years?

Answer

The £374 is the total reduction in tax for the 3 years. The reduction, split between years, is £76 for the 2007 increase, £200 for the 2008 increase and £98 for the 2009 increase.

Question

2. Notwithstanding the impact of the increases in exemption limits, the Minister requested on 13th May 2008 in response to my question on average tax bills that I supply evidence for any calculation on GST bills. Does the Minister accept that:
 - a) the Household Expenditure Survey (HES) 2004/5, conducted in September 2005, provides the best evidence we have of spending patterns of, and hence GST bills on, Island residents?
 - b) The appropriate uprating for inflation from these figures is of 7.4% to March 2008?
 - c) Using these uprated figures provides a sound method for the assessment of the impact of GST, eliminating housing costs and other exempt items, on particular sectors of society?
 - d) Further, that the seven groups included in the analysis in Chapter 3 of HES are useful in measuring the impact of GST?

Answer

- 2(a) Yes; but the primary purpose of the Household Expenditure Survey is to provide information on household budgets as a basis for the calculation of the Retail Prices Index. It provides useful information on spending patterns for households that can be used to estimate the impact of GST on households. However any estimates prepared on this basis are subject to several caveats:
 - An estimated adjustment must be made in respect of those expenditure lines that comprise a mixture of taxable supplies and exempt supplies.
 - An estimated adjustment must be made to take into account those goods and services purchased from suppliers that are not GST registered.
 - The HES is based on a statistical sample adjusted to represent a notional “typical” household.
 - The survey was conducted in 2004/5 and spending patterns may have changed since that time.

In view of these caveats the estimation of the change in GST borne under different GST scenarios will, as a rule, be more accurate than the absolute figure for a household.

- 2(b) No; the States Statistics Unit maintain detailed Retail Prices Index data. It would be preferable to

use their data rather than a single figure. The change in RPI between March 2005 (121.9) and March 2008 (134.5) is 10.3%.

2(c) Yes; subject to the caveats noted above this method can be used to provide estimates.

2(d) Answer as above.

Question

3. Does he then accept my figure of around £950 as the annual tax raised by GST from the average household in Jersey, according to the updated HES data above, and if not, what figure does he have?

Answer

No I do not accept the figure. Using detailed RPI indices and adjusting for the factors above the estimated figure for an average household is £626.

Question

4. Will he also produce figures based on this HES data for the 6 groups featured in this survey, namely single pensioners, pensioner couples, single parents, couples with and without children and single persons?

Answer

See spreadsheet attached.

Question

5. Will he also produce figures for the GST imposed on the lowest quintile (20%) of earners given in Chapter 2 of HES, and state whether it matches the £340 per annum of my calculations? Will he then examine the additional sums allocated to compensate those on Income Support for the impact of GST and state whether he can show that this compensation is adequate?

Answer

Using detailed RPI indices and adjusting for factors described above the estimated figure for the lowest quintile is £271 rather than the figure quoted.

The average sum allocated to compensate those on income support for GST is £318 per annum, which is more than the average cost of GST to households in the bottom quintile.

Scenario	1	Couple (both not pensioners)	Couple with at least one dependant child	Single parent at least one dependant child	Person living alone (not pensioner)	Person living alone (pensioner)	Two or more pensioners	Other
Annual Expenditure per household (2004/5 JUSTED TO 2008 USING RPI)		44,972	60,994	31,045	22,932	16,180	31,692	50,324
Expenditure on zero-rated goods and services		10,244	13,684	7,840	6,309	3,921	4,088	7,690
Expenditure on zero rated goods and services included in "mixed" expenditure		1,946	2,071	740	866	707	2,253	2,625
Expenditure on exempt goods and services (including financial services)		32,782	45,239	22,465	15,757	11,552	25,351	40,008
Expenditure on goods and services supplied by businesses below threshold		7,428	13,096	5,857	3,629	2,073	4,418	8,817
		2,243	2,904	1,550	1,083	842	1,755	2,725
		23,110	29,240	15,058	11,045	8,637	19,178	28,466
TOTAL		693	877	452	331	259	575	854

		Quintile 1	Quintile 2	Quintile 3	Quintile 4	Quintile 5	All households
Annual Expenditure per household (2004/5 ADJUSTED TO 2008 USING RPI COMPONENTS)	1	16,123	22,092	34,054	49,616	86,011	40,511
Expenditure on zero-rated goods and services		3,739	5,593	8,054	9,604	16,740	8,559
Expenditure on zero rated goods and services included in "mixed" expenditure		494	795	1,340	1,948	4,351	1,729
Expenditure on exempt goods and services (including financial services)		11,891	15,704	24,660	38,064	64,920	30,222
Expenditure on goods and services supplied by businesses below threshold		1,922	2,580	5,331	9,683	18,462	7,334
		923	1,193	1,732	2,546	3,993	2,029
		9,046	11,931	17,597	25,835	42,465	20,859
TOTAL		271	358	528	775	1,274	626