

**WRITTEN QUESTION TO THE MINISTER FOR TREASURY AND RESOURCES
BY DEPUTY G.P. SOUTHERN OF ST. HELIER
ANSWER TO BE TABLED ON TUESDAY 8th DECEMBER 2009**

Question

“Would the Minister provide Members with a summary of the effects of taxes (direct and indirect) and benefits on household incomes by quintiles for 2008 and, if not, why not, and can he inform members what the impact of the tax measures contained in the 2010 budget will be on the distribution of the tax burden?”

Answer

It is not possible to summarise the combined effects of taxes and benefits on household incomes at the moment.

The Statistics Unit is currently undertaking a survey of household income and expenditure. The survey will run until May 2010 and the initial results will be available by the end of 2010. This will provide an accurate picture of current income quintiles as well as information on the distribution of benefits to households of different incomes.

A range of benefits are provided by the Social Security Department. Contributory benefits are paid at standard rates regardless of household income. An analysis of taxes and contributory benefits by quintile would not provide useful information as these benefits are paid independently of other income or income tax liability. For example, the old age pension is paid at the same rate across all income quintiles.

Income Support is the main non-contributory benefit now available and income support benefit rates are designed to encourage households to provide their own income, as far as possible. Income Support is not paid at a standard rate but varies with household circumstance. The great majority of non-contributory benefits are paid to households who do not have an income tax liability. It would be very difficult to produce a summary of the effect of non-contributory benefit levels on households by income quintile, as the circumstances and composition of households varies greatly and this will affect the value of their benefit entitlement.

Income Support rates were increased in May 2008 to fully compensate for the introduction of GST and further increases were made to Income Support entitlement in February 2009 following the decision to maintain GST on food.

Our tax system is progressive and households generally pay less tax than similar households elsewhere.

For example:

1. The income tax payable by a married couple in 2009 with a joint income of £40k without children or mortgage is £4,371, compared to IOM £2,208, Guernsey £4,520 and UK £5,893.
2. For a married pensioner with an income of £25,000, no mortgage, income tax is £780 compared to IOM £260, Guernsey £880 and UK £2,510.

The budget measures do not change the fact we have a progressive system and are proposed for good reasons:

- Continuation of 20 means 20 to complete the progressive package of measures introduced with 0/10.
- Freezing exemptions takes a small step now which has an effect in 2011 to help deal with the fiscal deficit when recovery comes.
- Impots and VED – strategic plan environmental targets and higher health spend in business plan.
- Art 115 – tax break for overseas pension funds.
- Stamp duty on share transfer removes an inequity in the housing market that’s been a long time coming.