

**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

“Will the Minister inform members of the rationale, if any, behind his proposal to freeze tax exemptions in the 2010 Budget in the light of the advice from the Fiscal Policy Panel not to increase taxation in a recession?”

Answer

The Fiscal Policy Panel’s advice is not as suggested. They have advised us that we should continue with the fiscal stimulus and that it is “vital that the stimulus is timely, targeted and temporary focusing on projects that that represent value for money and are of intrinsic value”.

In addition the Panel’s advice was also: “There remain some very significant pressures that could affect the public finances adversely in the medium to long term. The Panel stresses that these must be considered when making decisions concerning revenues and expenditure today. Decisions that undermine the tax base or commit to greater future expenditure should be avoided.”

Had I proposed increases in tax exemptions, this would be contrary to FPP advice on both fronts. It would not be timely, targeted or temporary and therefore not a suitable policy for fiscal stimulus. It would also undermine the tax base and therefore worsen our fiscal position in the medium-term.

By proposing to freeze exemptions which will have effect in 2011 I am also taking a small step now to help deal with the fiscal deficit when recovery comes.