

**WRITTEN QUESTION TO THE MINISTER FOR TREASURY AND RESOURCES
BY DEPUTY M. TADIER OF ST. BRELADE
ANSWER TO BE TABLED ON TUESDAY 24th MARCH 2009**

Question

Would the Minister agree to consider bringing forward for approval proposals to raise the 20% income tax rate to 25% for all personal income over £60, 000 and 30% for all personal income over £90,000 and set out the additional income to be raised by such measures together with an indication of any additional costs involved in changing from the current rate to the rates mentioned here?

Answer

This question appears to be based on a belief that Jersey's system of income tax is similar to the UK's with standard tax allowances available to all, regardless of income, and tax then paid on residual income, after allowances, at the relevant rate.

It is not. Jersey's income tax system is, in fact, completely different to the UK system with generous tax exemptions provided to low to middle earners, and few tax allowances for higher earners, who pay 20% tax on nearly all their income.

If Jersey was to switch to the UK system, and abandon the carefully constructed system of margin relief in order to implement the Deputy's proposals, both low and middle earners would be likely to pay more tax.

The economic costs of such a fundamental change to our tax system would also be significant as the foundation of Jersey's prosperity - near full employment, sound government finances, low taxes, top quality public services and one of the highest national incomes per person in the world - stem from Jersey being a low tax jurisdiction. The 20% tax rate being central to this.

I believe it would be extremely unwise - and perhaps foolish - to increase the 20% top rate at a time when the world is in economic turmoil, our economy is probably on the brink of recession, and the States has only recently agreed the most radical changes to our tax system in 60 years.

In these uncertain times, and following the major changes we have only just made, Jersey needs a period of stability in its tax system. Accordingly I intend proposing no further fundamental changes to our personal tax system for at least the next two years (outside those which have been agreed or necessary for environmental spend).

My focus is on dealing with the economic downturn, protecting the jobs of Jersey people and improving the efficiency of States departments.

I suggest it would be useful for the Deputy to meet with the Comptroller of Income Tax to gain an understanding of how our tax system works.