

3.17 Deputy T.M. Pitman of the Minister for Treasury and Resources regarding the implementation of a 30% Income Tax rate for those earning above £100,000

Given that in the Fiscal Strategy Review public consultation document it is stated that a key consideration in implementing a 30 per cent income tax rate for those earning above £100,000 is the possibility of such individuals choosing to leave the Island, will the Minister advise what firm evidence, if any, his department has to support such fears?

Deputy E.J. Noel (Assistant Minister for Treasury and Resources - rapporteur):

The Fiscal Strategy Review Consultation Paper states that introducing a 30 per cent higher rate of income tax for those earning above £100,000 would mean that these people would become worse off and could decide to move elsewhere, taking with them jobs and businesses that generate here, which would affect all Islanders. That is, it identifies the risk that this could happen. It does not attempt to quantify it. It would be clearly an incentive for such people to leave the Island as this option would put our income tax rates above that of our immediate competitors. The consultation has been designed to help gather evidence from those that might be affected to better access the risk and associated impacts, i.e. to attempt to try and quantify it. Moving away from our 20 per cent rate of tax, which we have had for over 50 years, is a reflection of our continued stability, both fiscally and politically. It would be a huge change which would need very careful consideration to avoid damaging our Island.

3.17.1 Deputy T.M. Pitman:

I think that was no evidence. Can the Assistant Minister clarify then whether, given that at the first public consultation meeting last week the Minister for Treasury and Resources stated that the 20 per cent tax rate was sacrosanct, is the inclusion of an option to raise income tax for high earners above the £100,000 threshold to 30 per cent at best disingenuous and at worst a shallow piece of spin that will not be implemented regardless of any large-scale public support for the option?

Deputy E.J. Noel:

The purpose of the consultation paper is to do exactly what it says: it is to consult with the Island's public to get feedback on some suggestions. I believe that the Minister for Treasury and Resources - I would not want to put words in his mouth - shares a similar view to myself in that the current economic climate, the 20 per cent rate is sacrosanct and should not be altered. However, we are willing to listen to what the people of the Island have to say and we will act accordingly.

3.17.2 Deputy G.P. Southern:

Can the Assistant Minister confirm that the figure of £100,000 refers to individuals and not households? Secondly, does he accept that in today's current market whether they are earning large amounts or small amounts, employees are price takers and not price makers at the moment?

Deputy E.J. Noel:

I believe that the introduction of a 30 per cent limit for those earning over £100,000 may have some unintended consequences. One of those may be that it would discourage marriage because if it is based on a combined income then you could have a circumstance where you have a couple, both earning £90,000, but by the fact that they were married they would end up paying £8,000 more tax per annum than they

would if they were not married. I do not believe that this House would want to have a tax on marriage.

3.17.3 Deputy G.P. Southern:

Does the Assistant Minister not know and can he not inform us whether the £100,000 figure refers to individuals or households? If not, will he go away and find out?

Deputy E.J. Noel:

The £100,000 limit suggestion is merely that; it is a suggestion. The detail has not been worked out yet.

3.17.4 Deputy M. Tadier:

Some more questions and answers, I fear. Will the Assistant Minister comment on whether he and, in particular, the Minister who is going around presenting the cases for an increase if we look at personal taxation, whether it is appropriate that that person, on the one hand, be saying: "We are looking at all options, we are open to all suggestions" and then at other times be saying: "I believe that the 20 per cent tax rate is sacrosanct"? How can those 2 statements be compatible?

Deputy E.J. Noel:

I believe they are compatible because the Minister for Treasury and Resources has his own opinion and is allowed to voice that. The consultation paper is out to consult to the Island as a whole and we will gather that feedback and build it into a White Paper to come in terms of the budget at the end of this year.

3.17.5 Deputy M. Tadier:

A supplementary, if I may. Is that not exactly asking leading questions then if we say: "We have this option but it is sacrosanct"? Sacrosanct meaning it is a sacred cow; it must not be touched at any cost. It is not really posing an open and honest debate, is it? It is asking leading questions. Does the Assistant Minister acknowledge that? Will he approach the Minister for Treasury and Resources and ask him to stop making statements to what is and is not acceptable? Because it is ultimately for the public to decide and for the public to comment, not him.

Deputy E.J. Noel:

I am not going to approach the Minister to ask him not to make or to make certain statements, as I would not do to any other Member of this House. My own view is that moving away from our 20 per cent tax rate could have serious consequences to our Island's population as a whole. Before we do that we have to consider fully the consequences and some of the unintended consequences of moving away from a rate of tax that served us very well over the past 50 years.

3.17.6 Deputy T.M. Pitman:

I have to say, I have heard many excuses for not taxing the wealthy, but never that it will destroy marriage. Could the Assistant Minister advise, the vast majority of middle earners appear to fully accept the fairness of paying more tax than people on a lower income. I fall into that category. Does the Assistant Minister thus agree that it is only fair and in line with natural justice that very high earners similarly pay a little more tax percentage-wise than those middle earners? Or does he hold the view that tax is in fact just for little people?

Deputy E.J. Noel:

I believe that our tax regime overall should be mildly progressive.