

2.9 Deputy M. Tadier of the Minister for Treasury and Resources regarding double taxation on essential goods and services:

Has the Minister considered whether the agreed withdrawal of allowances for many under '20 means 20' and the absence of exemptions for foodstuff and other essential goods, has resulted in some members of the public effectively facing double taxation on essential goods and services?

Senator P.F.C. Ozouf (The Minister for Treasury and Resources):

If double taxation is defined as buying goods and services which are subject to tax already out of taxed income, then double taxation exists in most economies in the world and Jersey is no exception. However, it is not the case that the existence of '20 means 20' and a broad-based consumption tax is the cause of this situation. Instead it is a consequence of having both an income tax and a consumption tax to avoid double taxation, in the Deputies words, of this nature, it would be necessary to only have one of these. In practice few, if any, economies take this approach. Most developed countries rely on a combination of taxes, both income and consumption. This is because there exists a trade-off between equity and efficiency. To rely exclusively on income tax would introduce significant distortions and inefficiencies and pose risk to the Island's economy in the longer term. In contrast, to rely significantly on a consumption tax would be less damaging to the economy, but would reduce the ability of the tax system to redistribute income in a progressive manner. Therefore, the combination of both types of taxes is used to raise tax revenue in Jersey as it does in many other countries.

2.9.1 Deputy M. Tadier:

I thank the Minister for that was a better answer than I am used to having. But I would ask, will the Minister explain then why we have allowances at all under any tax system? What is the purpose of allowances?

Senator P.F.C. Ozouf:

There are a range of reasons for allowances. In the case of the general personal allowance, it is put in place to allow effectively an amount of income that does not attract tax. For other allowances, whether it be the child allowance... they basically provide a benefit for a couple or an individual with children. There is an explanation for each one of the allowances. The decision to remove allowances, or at least most of them - not including pension and child allowance - for incomes over a certain period is because it is accepted that Jersey has a low tax rate and at a certain income you pay 20 per cent irrespective of most of those allowances which fall away.

2.9.2 Deputy G.P. Southern:

Is it not the case that a truly progressive system would contain higher tax rates and no reductions and allowances?

Senator P.F.C. Ozouf:

Yes, that is absolutely right. But I have made my views absolutely clear, having considered whether or not we should introduce a higher rate of tax, I have concluded that in the long term interest of stability and certainty in the Island, we should keep the 20 per cent tax rate. Most of the people that I have seen in recent weeks in consulting over the F.S.R. have confirmed that view.

[10:45]

2.9.3 Deputy M. Tadier:

Does the Minister accept that when it comes to personal allowances for income tax - and let us make it simple for those individuals who may be single without children - the purpose for that is that it costs a certain amount of money to live and it is considered not correct to tax people on their non-disposable income. That taxation is for disposable income only. In that case, if the Minister does acknowledge that as one of the reasons, will he then acknowledge that because under '20 means 20' many members of the public are not getting any allowances at all for basic foodstuffs, for electricity bills, for heating, for rent, for mortgages, that they are effectively being double taxed and that is immoral?

Senator P.F.C. Ozouf:

I hate to offer the Deputy a tutorial, but I think that he and I need to have a chat about tax and the reality and the consequences of it. The reality is that we need to raise revenue in order to fund public services that everybody pays for. One can engage in all these torturous discussions about whether or not there is double taxation here and all the rest of it. At the end of the day, we have to make judgments of what is a fair and balanced tax package. There are charts in the budget which put all the taxation measures forward: the social security, duties, G.S.T. on incomes. I am happy to talk to the Deputy about how those percentages work with the proposals that have been put forward in the budget. I would argue that they are fair, faced with the situation we have of dealing with the deficit.

Deputy M. Tadier:

Sir, can I raise a point of order? Standing Orders say that we are not allowed to ask supplementary questions or ask questions which are not relevant to the initial question, yet the Minister has continually and repeatedly given answers which have nothing to do with my question about double taxation. I do not need a tutorial from the Minister. In fact I would like to invite him to one of my own tutorials with a more socialist bent. **[Laughter]** Maybe we could come to a synthesis of ideas. But I would like a ruling from the Chair on that, please.

The Deputy Bailiff:

I do not consider there is any Standing Order which has been breached, unless you are able to point me to one which needs attention. I think you have made your point and no doubt you are happy with that.