

2015.09.08

#### **4.8 Deputy G.P. Southern of the Chief Minister regarding the Medium Term Financial Plan and raising additional revenues from the wealthy:**

Will the Chief Minister inform Members why there does not appear to be any consideration given in the Medium-Term Financial Plan to raising additional revenues from the wealthy?

##### **Senator I.J. Gorst (The Chief Minister):**

Recent analysis already shows that taxpayers with the highest incomes pay the vast majority of the Island's personal income tax. For example, in 2013, 10 per cent of taxpayers paid 51 per cent personal income tax, while 40 per cent of taxpayers paid 3 per cent of the Island's personal income tax. The long-term tax policy principles agreed in the Strategic Plan state that everyone should make an appropriate contribution to the costs of providing services while those on the lowest incomes are protected.

##### **4.8.1 Deputy G.P. Southern:**

Does the Chief Minister consider that the measures to take £10 million away from the most needy and vulnerable in our society is protecting the vulnerable or not? Surely it would be better to tax the rich a little more than to take £10 million from the poorest in our society which he is supervising.

##### **Senator I.J. Gorst:**

The Deputy knows that in 2011 we were spending £66 million on income support and the budget for this year is £83 million. The amount of money that we are spending on income support has grown considerably and, as I have said before, it is a contract between taxpayer and those receiving the money. Therefore, it does not seem unreasonable, as the Minister for Social Security is proposing, that income support levels are maintained at the 2015 level. Members have talked about cuts. Yes, there are changes, but the overall quantum of money being spent on income support it is proposed that it is maintained at the 2015 level. Of course, the Deputy will still have to wait to see the proposals that we have for raising the health charge and I am on record of saying what I think that should entail.

##### **The Deputy Bailiff:**

Members of the public in the public gallery will kindly refrain from gesticulating and making gestures which are designed to have an effect on people speaking in the Assembly, otherwise I shall remove them. Deputy Southern, a final supplementary? I beg your pardon, Deputy Mézec.

##### **4.8.2 Deputy S.Y. Mézec:**

Could the Chief Minister indicate whether or not he has commissioned any expert economic opinion on what impact a higher taxation rate on the highest earners in Jersey would have on our economy? Does he not agree that it is preferable to ask those with the most to contribute more rather than asking the poorest to contribute more when those are the people who spend a huge proportion of their income locally in the Island at a time when we want our economy to be growing?

##### **Senator I.J. Gorst:**

I maintain the points that I have just made about income support having grown from £66 million only a couple of years ago to the budget that it is for 2015 of £83 million. I do not see how that can be described as cutting support to the most vulnerable in our community. Of course, the issue of raising the 20 per cent rate of tax is one of competition. Treasury are alive to that issue and the Tax Policy Group consider, as we discussed in the Strategic Plan, the basis of a tax regime. Perhaps I should reiterate there is a plan in the M.T.F.P.; it is about reorganising and reprioritising spending. It is about making sure that government is fit for purpose into the future and managing the growth

of government in the future in a way that we have not managed to do in the past. It is about investing in health care, it is about investing in education, both areas which affect the vulnerable the most, and at the same time it is about asking people to pay a little bit more for health care. The way that we ask people to pay a little bit more for health care needs to bear in mind that we must protect the lowest income in our community and the most vulnerable, while making sure that we take enough money from those who are more able to pay.

**4.8.3 Deputy S.Y. Mézec:**

A supplementary. The first part of my question was very specific. I have asked has the Chief Minister commissioned any specific expert economic opinion on what the impact of a higher rate of tax on the wealthiest Islanders would be on our economy. We have heard from the F.F.P. (Fiscal Finance Panel) that the effects of taking all this money out of the public sector in forms of pay freezes may not have the effect it wants on the economy, so what has been done to look at what effects a high rate of taxation would have on the economy and what did it say?

**Senator I.J. Gorst:**

I think if memory serves, Treasury has done such work in the past and if the Deputy would like us to relook at that work then I am sure the Minister for Treasury and Resources will do so, but the issue of competition is extremely important. The issue of stability, the rate that we currently have in the structure that we have, has been the bedrock for our economic success. We would not just want to simply change it on a whim but there is no intention to do further work in that particular area.

**4.8.4 Deputy M.R. Higgins:**

It is really a question of fairness and fairness for the population. We know that the Fiscal Policy Panel themselves drew attention to the fact of the fairness of the policies that the Council of Ministers are using. Obviously they cannot come out with “everything is totally unfair” but they are saying there is a danger of it. We know from the discussions that we had at the briefing on Friday that the Council of Ministers have not done a proper appraisal of the impact of these measures on the public. So therefore the question is: before you start bringing these measures in, will you do that study and share it?

**Senator I.J. Gorst:**

The Deputy raises a totally different issue from the taxation structure and I think he is referring to distributional analysis of the measures that will be in the M.T.F.P. and the details thereon in due course. That work is being undertaken and it will be available prior to the States debating the addendum on the M.T.F.P., so during the first 2 quarters of next year.

**4.8.5 Deputy M.R. Higgins:**

A supplementary. The reason I raised it is the fact it is just as important as the measure that the Chief Minister just mentioned. Tax is very important. We have got 1(1)(k)s in this Island who are still paying a rate ...

**The Deputy Bailiff:**

Could we have a question, please, Deputy?

**Deputy M.R. Higgins:**

Pardon?

**The Deputy Bailiff:**

Could you simply ask the question, please?

**Deputy M.R. Higgins:**

Well I need to put it into context first otherwise he will not be able to answer it, which the Chief Minister is very good at. The question is we know that 1(1)(k)s are paying, some of them, the sum they agreed when they first came in the Island. We have been told in the past: "Oh, you cannot raise it, it would not be fair." Well ordinary taxpayers every budget have taxes increased so why not the 1(1)(k)s? Secondly, why should competition be such a consideration and fairness not? Chief Minister, please answer.

**Senator I.J. Gorst:**

Perhaps I could start by thanking the Deputy for his compliment. Competition is an element and fairness is another element. The Deputy seems to have forgotten the figures that I read out in my opening answer to the question that 10 per cent of taxpayers pay 51 per cent of personal income tax - they are the higher-paying taxpayers - and 40 per cent pay a third of the Island's personal income tax so that fairness is in the system. The Deputy refers to the 1(1)(e) Regulations and he will be aware that the previous Minister for Treasury and Resources made changes to that regime and said that they would be reviewed after them being in operation for 3 years. It is my understanding they have now been in operation for 3 years and Treasury therefore will undertake that review to make sure they are working. They were changed so that it was not just simply about taxation but that those individuals would bring other value when they came to Jersey, namely companies and employment, and the regime needs to be reviewed and will be reviewed in light of that to make sure that the policy aim is being delivered. If it is not, it will need to be changed.

**4.8.6 Deputy G.P. Southern:**

Since the Chief Minister and his Council of Ministers are committed to reduce, cease or outsource public services, does he not accept that reducing and ceasing public services certainly will harm the poor and the vulnerable in our society the most? Because they are the most dependent on those public services.

**Senator I.J. Gorst:**

That is a blanket statement which I do not think can be accurate. There are some services upon which they are most dependent and that is why this Government is proposing to put extra money into health care and extra money into education and extra money into infrastructure because those services are critically important to vulnerable members of our community and it is right that government plays its part in providing them.

**The Deputy Bailiff:**

The Assembly is grateful to Senator Green for his contribution to funds.

**Senator A.K.F. Green:**

My apologies and also my pleasure to supporting it.