

2015.09.22

4.4 DEPUTY M.R. HIGGINS OF THE MINISTER FOR TREASURY AND RESOURCES REGARDING THE REDUCTION TO THE MARGINAL RATE OF TAX:

Will the Minister advise the Assembly whether he intends to reverse the reduction to the marginal rate of ...

The Deputy Bailiff:

If you would like to pause for a moment. Does anyone have any machines on and operating not so silently in the background?

Deputy M.R. Higgins:

I will step sideways and see if the microphone is still ... To repeat the question: will the Minister advise the Assembly whether he intends to reverse the reduction to the marginal rate of tax introduced by his predecessor in 2014 and, if so, when will he do so, and if not, why not?

Senator A.J.H. Maclean (The Minister for Treasury and Resources):

The answer to the question is no, and I am unlikely to consider the matter further until a distributional analysis is completed, as recommended by the Fiscal Policy Panel, that will help to inform the proposed package of detailed measures currently being developed for the Medium-Term Financial Plan addition. I should emphasise that the Council of Ministers are focusing on cutting unnecessary and unaffordable States expenditure rather than increasing headline tax rates, especially those that generally impact on middle and low earners.

4.4.1 Deputy M.R. Higgins:

Supplementary? Could the Minister tell us how much the reduction in marginal rate of tax has added to the structural deficit because the measure, when it was brought in, has reduced States income on an ongoing basis? Can he advise the States how much that measure cost?

Senator A.J.H. Maclean:

The last estimated cost that I saw in relation to marginal rate reduction by 1 per cent was £7.8 million.

4.4.2 Deputy M. Tadier:

Did that £7.8 million get put down as an election expense by his predecessor?

Senator A.J.H. Maclean:

I am not going to dignify that with a response.

4.4.3 Deputy M. Tadier:

Perhaps he would answer this question: it seems that it is okay to mess around with the tax rates by 1 per cent just before an election takes place, one would argue, perhaps with the consequence of appeasing the electorate. But why is it that we cannot adjust the higher tax rate of 20 per cent when we know that therein lies the resolution for many of our fiscal problems and paying for our continued good public services rather than cutting them?

Senator A.J.H. Maclean:

The Deputy is representing an opinion of his as if it were fact with regard to the higher rate of tax. With regard to the decision to reduce the marginal rate by 1 per cent, that decision was taken in 2013, in principle, and it was based upon facts that were available, as I understand it, at that time. That decision went to the Council of Ministers and was approved through the Council of Ministers, as I have said, based on the facts that were available at that time.

4.4.4 Deputy G.P. Southern:

I am looking forward to hear exactly what those so-called facts were at the time. Would the Minister elucidate?

Senator A.J.H. Maclean:

The facts would have been around the affordability of the move; in order to put more money into the economy it was believed at that time that the economy was recovering and the fiscal forecasts were looking more positive. My understanding therefore was that it was an affordable measure that was being proposed.

4.4.5 Deputy G.P. Southern:

Could the Minister explain whether the economy was in fact recovering or was it the usual blind optimism of his predecessor that caused him to act so?

Senator A.J.H. Maclean:

There have been many measures of recovering economy. All I can say to the Deputy and to Members is that what we are now seeing, with regard to the revised estimates for G.V.A. (gross value added) for our economic performance for 2014, as produced and published by the Fiscal Policy Panel, is the economy should have grown between 4.5 and 6.5 per cent in 2014. As Members know, what this is not currently doing is translating into the necessary level of tax receipts, yet there are a number of reasons that possibly is the case, which are being analysed by the Tax Department, and we will provide further information in due course.

4.4.6 Deputy M.R. Higgins:

There are so many that I could ask because the answers were totally unsatisfactory. £7.8 million taken from States revenue. We have got a £145 million deficit. There is a big chunk of it right there. At the time Ministers made that decision with an election coming forward and at the election people were told everything is okay. We know we have a £145 million deficit, the signs were there, they should never have taken inaction. So my question is: if he is not prepared to reverse that one what other measures is he going to have to take to reduce the 7.8? Is it more job losses, more services cut or is it going to be other user pays charges, which are creeping in increasingly?

Senator A.J.H. Maclean:

First of all, to correct the Deputy. The decision, as I have pointed out already, was taken in 2013. That was when my predecessor, the former Minister for Treasury and Resources, took the proposal to the Council of Ministers. I would also point out to the Deputy that in fact this Assembly also improved, as part of their budget, the proposal to reduce the marginal rate. With regard to other measures for balancing budgets by 2019, I think Members are well aware of the plans that have been laid out by the Council of Ministers in order to ensure that we have sustainable public finances into the future and balance our budgets by that date.

4.4.7 Deputy M.R. Higgins:

Can I seek clarification from the Minister? When did the measure come to the States? I believe it was 2014 that the measure was voted on by the States, which is before the election.

The Deputy Bailiff:

Can you give that clarification, Minister?

Senator A.J.H. Maclean:

It was before the election, the Deputy is absolutely correct in that respect. All I am pointing out is the decision originally was taken in 2013. Members are aware, because of the lodging process for the Budget, some 2 months in advance of the actual debate date. So all the current information was available for Members who considered that matter as part of the Budget and voted accordingly. I am

not sure how the Deputy voted on that occasion. He probably voted against it but clearly enough voted to support it for it to go ahead.

Deputy M.R. Higgins:

I voted against it because the money was not there.