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### **3.9 Deputy R.J. Renouf of St. Ouen of the Minister for Treasury and Resources regarding annual pension statements issued to pensioners in receipt of a Social Security pension:**

Is the Minister aware of a discrepancy between the annual pension statements issued to pensioners in receipt of a Social Security pension, which show a figure comprising pension entitlement over 53 weeks, there having been 53 Thursdays in 2015, and the pension received by most pensioners of 13 4-weekly payments, and advise whether pensioners will be taxed on the higher figure produced by calculating entitlement over 53 weeks?

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

I am aware now. [Laughter] I would also point out that this is not straightforward although it appears somewhat odd at face value. We believe the pension income has been dealt with in this way since the Income Tax Law of 1961. Under the Income Tax Law, the amount of pension income accessible in a particular year is the amount of pension income arising in that year rather than the amount received in that year. Strictly, the Jersey old age pension is a weekly amount which arises every Thursday; therefore, the income that a recipient of the old age pension needs to include in their tax return is calculated by multiplying the number of Thursdays in the year by the applicable weekly amount. Due to the fact that there are not exactly 52 weeks in a year, because that of course would need a year that only had 364 days, periodically there is a year which has 53 Thursdays in it; 2015 was one such year. Therefore, for 2015, recipients of the old age pension need to include 53 weeks of pension income on their tax return. Pensioners ordinarily receive their pension from the Social Security Department in advance in a 4-weekly payment. Some pensioners will have received 13 of these 4-weekly payments in 2015, equating to 52 weeks of pension. However, some pensioners will have received 14 of these 4-weekly payments in 2015, equating to 56 weeks of pension. It is therefore far more straightforward to tax all pensioners on the arising basis. Using the arising basis consistently over time means that there is ultimately no discrepancy between the income received and the income taxed. I hope that is crystal clear.

#### **The Bailiff:**

It is. It is about 20 seconds too long but crystal clear. [Laughter]

#### **3.9.1 The Deputy of St. Ouen:**

A supplementary? The Minister said that he believes pension income has been dealt with in this way in previous years. I do not believe that to be the case. Can the Minister carry out research to inform us? Because I believe that this move will cause some pensioners to move just above the exemption threshold for payment of income tax. That means some of them will no longer be eligible for the cold weather bonus, the food cost bonus and the free TV licence. Is the Minister causing significant financial loss to low-income pensioner households for the sake of collecting small amounts of tax?

#### **Senator A.J.H. Maclean:**

That is an extremely good question. With regard to the first part of it, I am advised within the department, because I have asked the question as to when this arose and whether it has in fact been since - I was told - in 1961; we are going to look further into that but that is the belief, that it is dating back to that period. It is interesting that it appears that this issue has come to light due to the good work of the Social Security Department since they started issuing statements in 2013 to make it easier for recipients to know what was going on. But of course by having that knowledge it has

now become obvious that in various years, and I think it is about every 6 years or so, that this comes about. With regard to the point about exemption thresholds, again, we are aware of that as a matter of concern. Of course, approximately 50 per cent of pensioners, due to the generous exemption thresholds, do not pay tax anyway, assuming that they only receive pension income and no additional income. Some pensioners clearly have other income. If there are any who are caught, as described by the Deputy, then indeed we would work with the Social Security Department. I am happy to speak to my colleague to make sure that nobody is disadvantaged who falls just over the line but we are not aware of anyone falling into that category at the moment. If there are any, they should be brought to both my attention and the attention of the Minister for Social Security.

### **3.9.2 Deputy J.A.N. Le Fondré:**

Just to be clear, I have certainly had an approach, and I guess the Deputy of St. Ouen has also had an approach, so there are pensioners who do just cross the line because of the actions of an early payment. So really, just to be clear, the Minister has said he will work with the Minister for Social Security to address this matter. Can he give us a timescale, if possible, and what should pensioners who feel they have been affected do? Should they contact the department, should they contact the Social Security Department, or do you want them contacting their political representative?

### **Senator A.J.H. Maclean:**

I would say they could do any of the above, whichever is more comfortable for the individual. We are aware, as I pointed out, within the Tax Department from time to time, as I have said, this only comes about every 6 or so years, that individuals have approached the Tax Department in the past needing to have the situation explained because at the very least it is odd and does need some explanation. But with regard to the numbers of people who are disadvantaged, falling just over the line as described by both Deputies, we are not aware of any significant numbers there whatsoever. But we would obviously want to hear if that were the case; it is not intended to disadvantage people in that way.

### **3.9.3 Deputy J.A.N. Le Fondré:**

A supplementary? Will the Minister, if they are disadvantaged, take some form of measure to address that disadvantage? The key question is that they are suddenly treated as taxpayers for a very minimal liability and therefore as a taxpayer, even if it is only £20 or something, will no longer be eligible for, for example, the £200 G.S.T. food bonus.

### **Senator A.J.H. Maclean:**

Yes, the Deputy is right. Just to be clear, as a single taxpayer I think it is £200 the difference we are talking about which would then be subject to tax but of course could push them over the line. For a married couple I think it is £332. But that is an issue that I am happy to discuss with the Minister for Social Security. We will address it, just to be clear, with the Deputy. We are not aware of individuals falling in that way at the moment but if there are any, we would like to know. Thank you.

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

Whatever the numbers of people affected by this, will he assure Members that he will give sufficient publicity to this to enable all to understand that they may be affected by this particular change?

### **Senator A.J.H. Maclean:**

Yes.

### **3.9.5 Deputy J.M. Maçon of St. Saviour:**

Will the Minister then, after his conversation with the Minister for Social Security, email all States Members and possibly the media when he is going out with this with a designated point of contact so that we all know who is the contact should this situation arise and we be contacted by parishioners?

**Senator A.J.H. Maclean:**

I think I have already answered that question; yes.

### **3.9.6 The Deputy of St. Ouen:**

Is it sufficient for the Minister to say that he will work with Social Security because is there discretion in the legislation which allows pensioners to receive these benefits, notwithstanding that they may have to pay a small amount of tax?

**Senator A.J.H. Maclean:**

I am very happy to discuss this issue with the Deputy if he feels a different approach is one that needs to be considered. I think that probably the easiest matter would be for the Deputy to come and have a discussion both with myself and the Minister for Social Security and we will take this forward. If he feels there is another approach that is workable, then we will listen to whatever views he has on that matter.