

**3.16 Deputy G.P. Southern of the Minister for Treasury and Resources regarding the principal conclusion of ‘Review of Personal Tax (Stage 1) – Data Analysis’ (R.30/2017), especially in relation to low and middle-earning taxpayers: [1(236)]**

Will the Minister outline for Members what principal conclusion he draws from the report on personal taxation P.30/2017, especially in relation to low and middle-earning taxpayers?

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

I published the report of the first phase of the review of personal tax on 27th March. My written statement that day outlined the principal conclusions that I have drawn from this analysis at this early stage. Nothing in the report is, of course, new. This Assembly has considered each measure separately but it is, nonetheless, useful to see the overall landscape to inform our thinking on future tax policy. The main changes in personal income taxation since 2006 have been 20 Means 20, which removed allowances for standard rate taxpayers, increased exemption thresholds for marginal rate taxpayers, increased child allowances and a reduction in the marginal tax rate. Together these changes have meant that in 2015 households on lower incomes pay less income tax than would otherwise have been the case. Higher income households pay more income tax than would otherwise have been the case. The sum total of these changes has made our personal income tax system more progressive than it was in 2006, with more generous allowances supporting families with preschool childcare costs and children in university. No tax system is perfect. Phase 2 of the personal income tax review will look at how the personal income tax system can be improved further.

**3.16.1 Deputy G.P. Southern:**

The Minister was very careful to say that it is the lowest taxpaying earners pay less income tax. However, when one looks at the broader figure - and the Minister for Treasury and Resources should surely do so - if you look at figures 6.2 to 6.8 they take account of the impact of changes to G.S.T. (Goods and Services Tax), social security contributions and long-term care contributions over the same period and they show that the effective rate of the lowest taxpaying earners has gone up in that period. Is that not the case?

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

The data that has been collected gives a lot of information and that is clearly very important for future tax policy considerations. The point that the Deputy is making is one principally around areas like G.S.T. and the impact, which we have never shied away from, on lower earners and that is why this government and previous governments have put in place decisions and policies that have, for example, introduced a food cost bonus, have seen exemption levels continue to rise over the period of time. In fact our generous allowances are 50 per cent in excess of what would typically be available in the U.K. We have increased the income support components and a number of other measures to help offset some of the impact on lower earners in this area. But without doubt the figures speak for themselves.

**3.16.2 Deputy S.Y. Mézec:**

In the answer to the first question the Minister said that the lowest earners were paying less income tax. The report shows that in 2005 the lowest earning households of each household type were paying an effective rate of income tax of 0 per cent. Could he explain how we get a lower rate than 0 per cent in 2015?

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

It is referring to those people who are paying tax, not those who are not paying tax.

**3.16.3 Deputy S.Y. Mézec:**

When the bigger picture is considered, would the Minister be prepared to admit that the lowest earning households of each household type are now paying more tax because of G.S.T. because of L.T.C. (Long-Term Care), because of social security, and that they are now paying more and any statement to purely examine income tax is inadvertently misleading?

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

It is equally important to point out that those higher earners are paying more as well. Yes, during the course of the recession there have been some changes to our income tax system since 2006. That is one of the reasons why this review, the first part of the review, was so important, so that we could pull together all the data that existed, so that we can analyse it properly and in the second phase of the review of personal income tax we can look at what changes might be indeed necessary.

**3.16.4 Deputy M. Tadier:**

Would the Minister comment on middle-earners and how they have been affected?

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

If the Deputy would like to give me a definition as to what he means by middle-earners, then it would be a little bit easier to comment on it. As he probably knows, if he attended the presentation recently on this particular review, a statistical output was given with regard to potential definitions but there are a number of them.

**3.16.5 Deputy M. Tadier:**

The Minister seems to know the definition of a lower-earner and a higher-earner, as he has just referred to them in these questions without the need for a definition but I will happily give him one, referring to his written answer 3 today, he says: "For working-age couples with no dependent children are middle-earners £31,000 to £71,000 and a couple with at least one dependent child under the age of 16 years is £33,000 to £84,000." Perhaps now he can give an answer.

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

That is one definition. If indeed the Deputy had pointed out the full context of the written answer that he is referring to, it makes clear that that is one possible answer as to what this phrase of middle-earners means or middle-Jersey, which was the other element of discussion that is often put into the public domain. The figures, as I have said, are very clear for Members to see in the data analysis that will follow now, looking at the data that we have, to decide on what policy is appropriate for the future.

**3.16.6 Deputy G.P. Southern:**

The Minister is very clear about talking about low earners and their income tax bill has reduced but their overall bill, effective rate, has increased. Can he give this Assembly today his analysis of what has happened in terms of income tax and overall tax to what he describes in his own documentation as middle-earners? Have those taxes gone up or down?

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

I think I said in the opening remarks that it is clear that in terms of income tax the contributions are lower now than they were back in 2006 but in total costs those are lower earnings, and this is areas which included the likes of G.S.T. and long-term care charges and so on, are clearly contributing more. But there have been various policies put in place by this government to offset some of the impact to those particular groups.