

2019.05.21

#### **4 Deputy G.P. Southern of St. Helier of the Chief Minister regarding measures to add to the progressivity of the current tax and contributions systems: (OQ.133/2019)**

Following the recent report from Statistics Jersey on taxation, what measures, if any, does the Council of Ministers have under consideration to add to the progressivity of the current tax and contributions systems?

##### **Senator J.A.N. Le Fondré (The Chief Minister):**

Just to clarify, the Statistics Jersey report that, I believe, the Deputy is referring to is not just a report on taxation. That was not the main purpose. It is a report on the overall contribution made by certain household types in different circumstances and it should be noted that it is a step in gathering information. It is not the end product. For example, we know there is a further piece of work we have to do, which has to include an assessment, if one likes, of the benefits from - shall we say - income support, so we can make sure we have got the progressivity that are rigorous in certain areas by looking at the whole thing as a package. If the Deputy is looking puzzled, I will remind him that we all know that G.S.T. (Goods and Services Tax) is fractionally regressive, but with the package of income support that regressivity was corrected. So, we have to make sure we take that into account. Just correcting that, because the question he said is that the stats report is on tax. It is not the main purpose. But, of course, as the Deputy may be aware, there is work going on in this area. Obviously, the Government Plan is bringing together income and taxation. We know there is a personal tax review, which is being reported on beside that and there is a new revenue policy law to examine those issues. It is not appropriate for me to comment on any individual proposals in advance of the conclusion of that work. I assure Members that work is being done on this area.

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

Is the Chief Minister aware, as he ought to be, that the raising of the contribution for the Social Security Department at 2 per cent above the standard earnings limit raises £7 million? Is he prepared to examine fully the way in which our social security system is structured?

##### **Senator J.A.N. Le Fondré:**

I have certainly said that it is a piece of work we need to do, which I accept. That we now need to look at the interaction between the income support side and taxation. I would include social security contribution rates as part of that piece of work. That is not predicating the outcome. That is looking at it.

##### **4.4.2 Deputy M. Tadier:**

The Chief Minister will not need reminding that the third strategic priority out of 5 is to reduce income inequality. Does he accept that, in order to reduce income inequality, we need to close the gap around the median earnings between the top and the lowest earners in society? Can he envisage a way to do this, which does not involve progressive taxation?

##### **Senator J.A.N. Le Fondré:**

I think the Deputy is probably mixing 2 areas. I think income inequality is a far bigger area than just looking at taxation measures. It does not mean we should not look at it. It does not mean it is the only solution.

##### **4.4.3 Deputy M. Tadier:**

I fully accept that, but the definition of income inequality and reducing income inequality necessarily means closing the gap between the highest earners and the lowest earners. While he can raise the wages of the lowest earners through means of social security and income support, *et cetera*, what levers does he have to reduce the effective income of the highest earners in our society, in order to achieve his third strategic priority?

**Senator J.A.N. Le Fondré:**

I think it is 2 areas. The general principle I take about reducing income inequality is that it is about bringing people up, rather than bringing people down. My stance, for example, that does look at housing costs, which the Minister for Children and Housing is doing things on the Policy Development Board. It could also include - and I am not saying that is my preference or not - things like the living wage.

**4.4.4 Deputy M.R. Higgins of St. Helier:**

Just following on from Deputy Tadier's first question. Can the Chief Minister confirm that the work on the - sorry, I think it was Deputy Southern's question - about the social security review, that you were talking about, will that be done in time for the Strategic Plan? So, we get all the information at the same time. I am not talking about it being later. We get the whole package together, I hope.

**Senator J.A.N. Le Fondré:**

Just as a correction, the Strategic Plan was approved before Christmas. The Government Plan is the one that is coming through. What I will say, do not forget the Government Plan is not a 4-year package, as such. In other words, it is not the M.T.F.P. (Medium Term Financial Plan). That is it after the debate, after the summer recess. It is a forward-looking document, obviously, but we will come back ... there is flexibility built into it and we can do things again next year and the year after, if we need to. The reason I put it that way, slightly clumsily, is that we need to make sure that we are looking at the interaction of our social security and tax systems properly. That might require slightly longer to do it. That does not mean years, but it might mean more than 12 months. What I am trying to say there is it may mean, bear in mind the timeframes, that if the work is not finished in time for the debates after the summer recess, they may go into next year. That is possible. It is not definite at this stage. Or, we may say, a 2-phased process. Some of the tax work is definitely scheduled to come in line with the Government Plan. That is what we said. Social security may take slightly longer. But, we are looking at doing it as an overall package. We have to make sure those interactions work.

[10:00]

**4.4.5 Deputy M.R. Higgins:**

Does the Chief Minister accept, though, that for Members to fully understand where we are going forward, whether it be tax, or social security and the impact it has on the citizens of this Island, that we really need them together?

**Senator J.A.N. Le Fondré:**

Ideally, yes, but I will remind the Deputy, the piece of work I set going to look at population and contributions, I set that in August last year, I think and it was pretty well finalised in February. So, sometimes, these pieces of work which you can set going do take longer to bring together than we would like. But it is important to get those foundations right.

**4.4.6 Deputy G.P. Southern:**

The Chief Minister mentioned, in passing, the introduction of a living wage. Can he inform Members how many meetings he has had with Caritas Jersey to co-ordinate initiatives to try and increase the numbers of people on the living wage?

**Senator J.A.N. Le Fondré:**

I did not say I was either for, or against, a living wage. I just said it was an option that could be included, which did not mean just dealing with things under taxation. Speaking personally, I have not had any meetings with Caritas. But I would expect that to be an area for, for example, the Social Security Department, of which the Deputy is the Assistant Minister.

**The Deputy Bailiff:**

Before coming to question 5, I can announce the results of the ballot. The results for the election of members to the Legal Aid Guidelines Advisory Committee were Deputy Maçon received 25 votes, Deputy Morel received 29 votes and Deputy Tadier received 26 votes. Accordingly, Deputies Morel and Tadier have been appointed to the committee. **[Approbation]**

**Deputy J.M. Maçon of St. Saviour:**

Congratulations to the successful candidates.