

2019.06.18

10 Deputy M. Tadier of the Minister for Treasury and Resources regarding the prospective increase in revenue if the 20% personal tax rate were abolished and the 26% marginal rate were consequently extended: (OQ.159/2019)

Based on current figures, what would be the net increase in revenue if the 20 per cent personal tax rate were abolished and the 26 per cent marginal rate extended to the taxpayers affected?

Deputy S.J. Pinel of St. Clement (The Minister for Treasury and Resources):

As requested, officers have modelled the financial impact based on the most current data available while applying a number of assumptions. Outlining these assumptions is beyond the scope of an answer to an oral question, but could be provided in writing if Members would find that helpful, so perhaps the Deputy would submit a written question. The key assumption being utilised is that there would be no change in behaviour from taxpayers as a result of this tax rate rise. Before providing the figure, Members need to reflect on that statement and consider whether they think a 6 per cent increase in the headline rate would result in a change of behaviour. Based on these assumptions, the modelling indicates an increase in personal income tax revenues in the region of £23 million. However, this number should be treated with caution, for the reasons I have outlined.

3.10.1 Deputy M. Tadier:

I thank the Minister for providing that answer, which I know I had asked for previously via email, but I appreciate the Treasury Department will be particularly busy at the moment. That figure is very helpful. Does she not share my optimism that those people, who are currently on the 20 per cent tax rate of personal income in Jersey, are not so unpatriotic that they would leave the Island, our beautiful Island, which provides them and us with so much, for the sake of £23 million a year, that they would stay and see the public services that the £23 million could fund, rather than necessarily just a continuation of political austerity, which would make the Island better for everybody?

Deputy S.J. Pinel:

As the Deputy will be aware, we are conducting a personal tax review at the present time, so we await the recommendations arising from that. Again, as the Deputy will be aware, about 80 per cent of the population are paying marginal tax, so it only affects a few people and this does not incorporate the high value revenue.

3.10.2 Deputy G.P. Southern:

Does the Minister have, or can she calculate, how this £23 million extra revenue would split across the income quintiles or, better still, income deciles to see who would be paying this extra sum?

Deputy S.J. Pinel:

As I said in my opening remarks, this is far too detailed information to give in an oral question and if either Deputies were to submit a written question we can then provide that sort of detailed information.

3.10.3 Deputy M.R. Higgins:

The Minister has just mentioned the review of personal taxation. Would she advise Members whether it will be ready before details of the Government Plan are published? Surely Members are being told there is a deficit and that many of the things that they would like to see in that

Government Plan may not be there. Will the evidence be produced for Members before that, so we can debate it with full knowledge?

Deputy S.J. Pinel:

The personal tax review will be contained in a separate report and proposition from the Government Plan and will be lodged so that the recommendations can be debated alongside the Government Plan. The lodged recommendations will be this summer and the States debate recommendations will be autumn 2019.

3.10.4 Deputy M. Tadier:

I am just checking my emails and I did send an email to the Treasurer on 23rd May asking 3 questions, including this one on income tax, so I am grateful that the Minister has been able to prepare that answer today. We are often chastised, as Assistant Ministers, for putting in written questions when we could just email and when we do email we are told to put in written questions, so it is a difficult one, but I appreciate everyone is busy. Will the Minister explain how long we have to wait for the outcome of this tax review? It seems to me it will have yet another Government Financial Plan put in, which is predicated on austerity, saying that we have got limited money and we will have to essentially cut things, without looking at ways that we can introduce a whole panoply of revenue-raising measures that may be, if not progressive, at least proportionate?

Deputy S.J. Pinel:

The legislation will be drafted to implement the decision of the States in spring 2020 and the new tax system will start from 1st January 2021 for personal tax, which I think is what the Deputy asked.