

21.01.19

13 Deputy C.S. Alves of the Minister for Social Security regarding taxpayers (OQ.18/2021):

Will the Minister advise why taxpayers on the marginal rate tax are paying 1.9 per cent of their taxable income for long-term care, whereas those on the standard tax rate are charged only 1.5 per cent on their taxable income?

Deputy J.A. Martin (The Minister for Social Security):

Income tax and long-term care contributions are worked out in a similar way using a marginal rate of tax that is higher than the standard rate of tax, but I would like to reassure the Deputy that nobody is paying more than 1.5 per cent of their total income for long-term care contributions.

10.13.1 Deputy C.S. Alves:

I understand that nobody is paying more than 1.5 per cent of their total income. However, those on the marginal rates after thresholds are applied and allowances are applied are being charged 1.95 per cent of their income. Can the Minister explain why this is?

Deputy J.A. Martin:

Yes, well, the rate of long-term care is 1.5 and because the marginal rate is more than the standard rate; it is 26 per cent. The standard rate is 20 per cent. It still works out that they pay no more than 1.5 on their total income. Yes, obviously their total income is reduced because of allowances, but working it out, I have some examples here, which I will send to the Deputy. I know we are short of time and they are quite long to explain, but I can send them to the Deputy. If she still has questions, because we thought this would be a written question, she can come back to me.

10.13.2 Senator S.Y. Mézec:

Unless I have misunderstood it, it sounds like there are different definitions of what is considered taxable income depending on what the tax is. My question to the Minister for Social Security is: is that true and, if it is true, why?

Deputy J.A. Martin:

There has always been this debate: is long-term care a tax? But it comes out, it is done with the tax, and I have asked Friday - I checked again yesterday - that I am right in saying that nobody pays more than 1.5, which is what I agreed in the Assembly last year, in the Government Plan, sorry, the year before. I did want 2 per cent. It was amended by Senator Moore's Scrutiny Panel that nobody pays more than 1.5 of their total income, and that is because of the difference in the marginal rate and the standard rate.

10.13.3 Deputy C.S. Alves:

Can the Minister appreciate that there is obviously some confusion here and that the fact that there are 2 different ways to work out income tax does not help? Will the Minister endeavour to appropriately communicate why it is ... make it understandable to the public of why it is exactly that those on marginal rates are charged that 1.95 per cent after thresholds and allowances are taken into account, as that is currently what is on the gov.je website as well?

Deputy J.A. Martin:

I will try and I will send the examples around to the Deputy and then if she has any more questions we can have probably a Teams meeting. I need to get this across that they are not paying ... I have the example here and I know I might go over my one minute 30 seconds if I go into it, as I say. But I will do that and try and get it across to everybody that they are not paying ... in fact, this person is paying marginal but the total of the income is 1.47 and not even 1.5, not a lot of difference, I know.