

**WRITTEN QUESTION TO THE MINISTER FOR TREASURY AND RESOURCES
BY DEPUTY M. TADIER OF ST. BRELADE
QUESTION SUBMITTED ON MONDAY 8TH NOVEMBER 2021
ANSWER TO BE TABLED ON MONDAY 15TH NOVEMBER 2021**

Question

Further to the response to [Written Question 415/2021](#), in which it was stated that exempting Social Security pensions from tax could “materially reduce States’ income by many millions of pounds”, will the Minister provide the analysis on which the statement was based, including the precise financial impact of introducing such a policy; and will she explain what consideration, if any, she gave to whether it would be morally right to introduce such a policy when stating she supports the existing policy?

Answer

No recent or comprehensive quantification of the costs of exempting social-security pensions from tax exist and it would be technically very difficult an estimate to produce given the factors which need to be considered in such an analysis. That said, officers very “rough and ready” estimate would be that the cost would be in excess of £9 million. I am happy for officers to share the basis of that very broad estimate with the Deputy bilaterally where the complexities of arriving at better estimates can be explained.

Given the Government’s existing heavy work programme, I am reluctant at this time to commission an analysis of the financial impact of changing the existing policy which I do support.

That said, in order to help Members better understand the potential financial impact of such a move, I have asked the Treasurer of the States, as Chair of the Income Forecasting Group, to commission further analysis as part of the preparation of the Spring 2022 income forecast. The additional analytical resources brought to bear at that time should assist in forecasting potential costs.

Policy changes of this type would be tested against Jersey’s long-term tax principles (page 120 of the current draft Government Plan). These expect changes, among other things, to be justifiable and fair – perhaps a reasonable proxy for “morally right”

A full States Old Age Pension is below the thresholds for paying income tax. It was estimated some time ago that around half of pensioners pay no income tax at all because their States Old-Age Pension, combined with any other income, remains below the income tax thresholds. The income tax threshold is £16,000 for year of assessment 2021, proposed to rise to £16,550. The States full rate Old Age Pension is £235.27 per week which equates to £12,234 for 52 weeks.

Higher income pensioners alone would benefit from such a change and it is on this basis that I would expect tax relief to cost many millions of pounds, putting pressure on public services, many of which are of significant benefit to lower-income pensioners.

Such a change would consequently be essentially regressive in nature which some might regard as not being fundamentally moral (or at least unfair) for an income tax regime.