

23.11.07

7 Deputy L.V. Feltham of the Minister for Treasury and Resources regarding assessments of tax allowances and relief (OQ.220/2023)

Further to the Minister's response to Written Question 392/2023, will he advise if assessments of tax allowances and reliefs are undertaken, or will be undertaken, as part of the Government's value-for-money programme, and if not, why not?

Deputy I.J. Gorst of St. Mary, St. Ouen and St. Peter (The Minister for Treasury and Resources):

I do not currently envisage tax allowances and reliefs being reviewed within the value-for-money programme. The focus of that programme will be on the expenditure of departmental budgets. Full-scale policy evaluations of the type suggested by the Deputy are, of course, very labour intensive. I cannot envisage embarking on such reviews while the department is focused on key policy works such as independent taxation and international tax changes in addition, of course, to focusing on improving our customer service.

2.7.1 Deputy L.V. Feltham:

Given that the Minister was unable to provide within his answer to my written question a full list of tax reliefs and allowances and their purpose, how does he seek to undertake whether or not these allowances and reliefs are indeed providing value for money given the fact that the existence of the reliefs means that less money may be coming into the Government's revenue?

[10:30]

Deputy I.J. Gorst:

The current range of personal income tax allowances and exemptions of course, as the Deputy knows, principally favour lower income households. The process which the department takes, which I think is a fair one given the size of the department, is that when changes are being made, for example, around independent taxation, then at that point they do the review of the reliefs affected. So we know that income tax allowances are being affected by the introduction of independent tax, so that is being considered. We also know that the proposal is to introduce compensatory allowances. So it is done in that way rather than in the way that the Deputy is asking about.

2.7.2 Deputy S.Y. Mézec:

Does the Minister believe that Jersey's range of tax allowances and the levels at which they are set are currently at the optimum level for Jersey?

Deputy I.J. Gorst:

Well, they are at the level that has been set and approved by this Assembly. As I have said, the allowances and exemptions principally favour low-income households. I am happy to work with any Member who has any approach or ideas where they think other allowances may improve and deliver on the priorities of both Government and this Assembly. I have a question later about super deductions for RegTech investment. As I say, we will be asking the Assembly to approve new compensatory allowances in the independent tax changes that will come forward, and that is how we deal with it. So, broadly, I think the answer is, yes, but, as with any tax system, improvements can be made.

2.7.3 Deputy S.Y. Mézec:

On what basis would the Minister be able to work with any Member who had ideas for alterations to tax allowances if he has no underpinning basis upon which to base a belief on whether the allowances are set at their optimum levels?

Deputy I.J. Gorst:

So we can see what effect allowances are having on Islanders. This Assembly, as part of the mini-Budget, and hopefully as part of the Government Plan in December, will be taking the decisions to dramatically increase thresholds in the income tax system that is seen on a daily basis by Islanders. It benefits them because it leaves more money in their pockets. So we have to be, in my mind - others may disagree and I think this is where the question is coming from - that we should function as a larger country that has specific people employed to do rolling economic analysis of all tax allowances and thresholds; that is not the approach that we take in Jersey. It is not, I do not think, a cost-effective approach. The approach that I will be taking with the RegTech super deduction is that it is a pilot scheme. Thereby, in real time, we will be able to do some of the analysis on that one allowance. As I say, that is how we deal with understanding the benefit of the allowances and the exemptions.

2.7.4 Deputy G.P. Southern:

To what extent does the Minister consider that the allowances, the thresholds as they call them, are sustainable if we are to maintain a health service which is anything greater than third world?

Deputy I.J. Gorst:

There has been a lot of criticisms of Ministers answering questions and yet the question I have just been asked, I disagree fundamentally with the premise of the question which infers - and perhaps I am doing a disservice to the Deputy - that our health service is third world. Therefore, I am being asked to answer a question that I fundamentally disagree with the premise of. Our health service is not third world. Our health service has a number of challenges which this Government, under the leadership of the Chief Minister, is absolutely committed to deal with. That is why this Government Plan proposes to allocate tens of millions of extra pounds into that health service, it is why a turnaround team were brought in. That turnaround team is finally getting to grips with the challenges of the health service. Those challenges are not dissimilar to the challenges faced, not only in the United Kingdom but actually across Europe. This is a Government which is committed to dealing with those challenges. It will be asking Members to invest in the health service for the future while at the same time driving out inefficiency.

2.7.5 Deputy G.P. Southern:

I will take out the emotive words about third world service and say simply: is the current level of allowances and thresholds sustainable if we are to maintain or improve the health service that we do have?

Deputy I.J. Gorst:

Well, I can only answer that with the information that the Government has put before Members in the Government Plan, and in that Government Plan Members will see that by judiciously allocating growth money by majority to the health service, it means that within the current income stream and thresholds and allowances as proposed within the Government Plan that additional investment can be provided.

2.7.6 Deputy C.S. Alves:

Is the Minister aware that there are certain allowances that have not changed for numerous years and, if so, can the Minister advise the Assembly which ones they are, please?

Deputy I.J. Gorst:

I do not have the tax laws in front of me. I am aware that over decades some allowances wither on the vine, they remain in the law and from time to time the department takes them out. But I do not have a list of those in front of me. I am quite happy to give some details of some of the most recent changes which are, to be frank, and have been really quite archaic. It is not that long since the removal of the elder daughter stay at home allowance that was in place. These are the some of the archaic nature of what we are up against.

2.7.7 Deputy C.S. Alves:

Well, I would like to highlight to the Minister one particular allowance that has not changed in a number of years, which is the child maintenance, which is set at £2,600 per year regardless of the number of children. Will the Minister make a commitment to look into this and to look at changing this because I think everybody in this Assembly probably agrees that £2,600 in maintenance being paid into a family, regardless of how many children are in that family, is insufficient?

Deputy I.J. Gorst:

Of course, I am more than happy to engage with any Member around these issues, although I think the allowance works in a slightly different way from that which the Deputy might understand it. But I am more than happy to have that conversation.

2.7.8 Deputy L.V. Feltham:

Given that a number of reliefs may have been instigated in order to deliver benefits to the community, does the Minister consider that it is important that they should be measured to see whether the benefits are actually being delivered to the community and whether indeed they are providing good value for money? I use, for example, one of the most recent reliefs, which was the rent-a-room tax relief. Does the Minister have any idea whether that is indeed providing the benefits to the community, delivering value for money and changing the behaviours that the Assembly wish to change? If he does not have an idea whether those reliefs are providing the benefits to the community, does he consider that acceptable? As Minister for Treasury and Resources, would he consider what appears to be quite a slapdash attitude to identifying value for money ... would he accept that from other Ministers?

Deputy I.J. Gorst:

I do not accept what the Deputy is saying in regard to what is a slapdash attitude. The department over a number of years have made and will continue to make improvements and modernise the tax system. I personally do not find our tax system complicated but I know ... Members, of course, will understand why but I accept ... I am happy to answer or sit down and wait for a question.

The Deputy Bailiff:

It is important the Minister is able to answer a question so that he can be heard. Yes, Minister.

Deputy I.J. Gorst:

I reiterate what I just said. I am aware though that many members of our community do find our tax system complicated. I have said in this Assembly that there will, with the introduction of

independent taxation, present going forward opportunities to modernise and to simplify the income tax system. When it comes to corporate tax, we do have a very simple approach to that. It is absolutely the case that the current income tax allowances and the exceptions principally favour low-income households. If the Assembly want something else or they want to build a bureaucracy that we see in other tax authorities, then by all means come to this Assembly and make the case. I do not see the case for that bureaucracy. I do not think that it improves other people's tax systems above ours. I think our tax system works incredibly well but that does not mean to say that we should not have it under review and make sure that it is modernised. I hope that when independent taxation comes back to this Assembly in the new year, rather than trying to look to the past, rather than trying to keep in place archaic systems which are no longer fair and equitable and fit for the future, this Assembly says no to that approach and says yes to a modern fit-for-purpose personal tax system because that is what I will be proposing.

Deputy M.R. Scott:

I was interested in ...

The Deputy Bailiff:

We have had a final supplementary now, so, that is the end of questions for this Minister in relation to question 7.