Income Forecasting Group

Report on the revised forecast of States Income for Spring 2024

R.130/2024

1. Executive Summary

1.1. The Income Forecasting Group (IFG) has revised upwards its income forecast for all years from the previous Summer 2023 forecast position. The IFG's forecast has been informed by the updated economic assumptions produced by the independent Fiscal Policy Panel (FPP) in May 2024, alongside the latest available outturn data.

1.2 The forecast for personal income tax has been adjusted down based on lower-than-expected outturn tax data, however this is offset by an upward revision to corporate income tax, driven by a revised profile of profits in the financial sectors and further industry intelligence and data on how banks are performing.

1.3. The global macroeconomic outlook has improved slightly but growth prospects remain below historic averages. Many advanced economies, including the UK, are forecast to experience low growth in the medium term.

1.4. Financial markets consider that the Bank of England Bank Rate has peaked and will fall from mid-2024. Jersey's banking sector will continue to benefit from profit growth, and this will increase Government revenue through higher corporate income tax payments.

1.5. The Spring 2024 forecast (based on the FPP assumptions of May 2024) has been developed as a 'central forecast' to represent the IFG's view of the most likely outcome. In view of the ongoing increased economic uncertainties around the forecast, a forecast range has been considered, which is detailed in section 5.

1.6. A review to assess the robustness of the forecast models and methodology was conducted in 2023, as part of a continuous improvement drive in forecasting practices. This included a peer review with leading forecasting teams in the UK government. The review concluded that the forecasting methodology remains in good health and should continue to be reviewed on a timely basis.

2. Uncertainties around the Forecast

2.1. All forecasts carry some uncertainty.

2.2. The global economic outlook has improved, but ongoing uncertainty, caused by geopolitical tensions and unbalanced growth, creates downside risk. Global growth was 3.2% in 2023 and is expected to remain unchanged for 2024 and 2025. However, low growth is forecast for many advanced economies, as governments seek to limit public spending and consolidate their fiscal position. The UK economy is only expected to grow by 0.5% in 2024, having narrowly avoided a recession in 2023.

2.3. Jersey's financial services sector contributes a large part of the Jersey tax revenue, both directly and indirectly. The market expectation is that the Bank of England Bank Rate has peaked at 5.25% but it is forecast to remain above 3% throughout the forecasting period. A changing macroeconomic environment may place a downward risk that interest rates fall faster, which may negatively impact the increased profitability of the financial services sector and associated tax revenues in Jersey.

2.4. External regulatory factors continue to represent a key area of uncertainty in producing the forecast, with the Organisation for Economic Co-operation and Development (OECD) and G20 updating tax laws to reflect the digitalisation and globalisation of businesses.

2.5. The FPP has previously highlighted risks of housing and impact on the labour market to the ongoing growth of the economy. In the longer term, Jersey's economy faces similar risks to other advanced economies, including the impact of demographic change and challenges around low productivity growth. These continue to contribute uncertainty around the income forecast.

2.6. The FPP has revised their assumptions for housing transactions and house prices, forecasting a slower return to trend.

3. Economic Assumptions

3.1. The FPP produced a new set of economic assumptions in May 2024. These reflect latest outturn data, developments and forecasts for Jersey, UK and the global economy.

3.2. The main differences between the July 2023 economic assumptions and those used in the IFG forecast for Spring 2024 include:

- Interest rates are expected to have peaked and should fall over the forecasting period. The FPP has increased their forecast for growth in financial services profits in 2023 with slowing growth (from a higher base) expected for 2024 to 2028.

- RPI inflation is forecast to fall more quickly in 2024 than previously expected, however, upward revisions were made for 2025 and 2026.

- The forecast for average earnings has been uprated in 2024 to 2026, driven by the public sector pay deal and higher forecast remuneration in the financial sector. The forecast for employment growth remains largely unchanged at 1.4% in 2023 and between 0.4 - 0.5% thereafter.

- House prices are not expected to increase until 2025 and transactions are expected to return to pre-pandemic levels by 2026 with modest growth thereafter.

3.3. The IFG have considered the economic assumptions from the FPP and have agreed that these assumptions should be used as the basis of the income forecast modelling for Spring 2024.

FPP Economic Assumptions May 2024							
% Change unless otherwise specified	2022	2023	2024	2025	2026	2027	2028+
Real GVA	6.7	9.3	2.1	0.6	0.8	0.8	0.8
RPI	9.3	10.2	3.5	1.7	1.7	2.0	2.2
RPIY	7.1	6.0	3.2	2.9	2.5	2.4	2.4
Nominal GVA	14.7	16.1	5.3	3.2	3.0	2.9	3.0
Gross Operating Surplus (including rental)	23.8	23.6	4.7	3.1	3.0	2.9	3.0
Financial Services Profits	49.4	40.0	6.0	4.0	4.0	4.0	4.0
Compensation of employees (CoE)	7.2	9.0	6.0	3.4	3.1	2.9	2.9
Financial services CoE	6.1	7.3	5.4	3.4	3.4	3.4	3.4
Non-finance CoE	7.8	9.1	5.1	3.3	2.9	2.8	2.8
Employment	2.8	1.4	0.5	0.4	0.4	0.4	0.4
Average Earnings	6.2	7.7	5.2	3.0	2.6	2.4	2.5
Interest rates (%)	1.5	4.7	5.1	4.6	4.1	3.8	3.7
House prices	11.0	-2.6	0.0	2.0	2.0	3.0	3.0
Housing transactions	-12.9	-42.9	12.0	30.0	23.0	1.0	1.0
Change from previous forecast	2022	2023	2024	2025	2026	2027	
Real GVA	-2.0	+7.6	-0.5	+0.8	+1.3	+0.3	
RPI	-	-0.6	-1.8	+0.9	+0.5	-0.4	
RPIY	-	-0.2	-0.6	+1.0	+0.2	-	
Nominal GVA	-2.1	+7.8	-1.2	+1.4	+1.2	-	
Gross Operating Surplus (including rental)	-3.4	+14.7	-3.3	+2.7	+2.3	-	
Financial Services Profits	-0.6	+31.0	-5.0	+6.0	+6.0	+0.8	
Compensation of employees (CoE)	-1.0	+1.3	+1.0	+0.3	+0.2	-	
Financial services CoE	+1.0	-1.7	-	-	-	-	
Non-finance CoE	-3.5	+2.3	+1.0	+0.7	+0.3	+0.1	
Employment	-0.1	+0.7	-	-	-	+0.3	
Average Earnings	-	+1.0	+1.0	+0.4	+0.2	-0.4	
Interest rates (%)	-	-0.1	-0.8	-0.5	-0.3	-0.2	
House prices	-	-0.6	-	-2.0	-1.0	+0.1	
Housing transactions	-	+7.1	-8.0	+5.0	-12.0	-3.0	

4. Summary of Forecasts

4.1. The individual forecasts for each revenue stream are included in the appendices and provide further details of the assumptions and adjustments made to each component of the forecast.

4.2. A peer review of the tax forecasting methodology was undertaken in 2023 by forecasting experts from the UK Government. This peer review concluded that the methodology was sound, and no changes were recommended.

4.3. Personal income tax (appendix A) forecast for 2024 to 2028 has reduced. Movements in the 2021 and 2022 tax outturn as well as 2023 ITIS data have negatively contributed to the overall forecast. However, this is partly offset by the latest FPP assumptions. The IFG has also reconsidered the adjustments made to the Summer 2023 forecast and has excluded these from the current forecast. The rationale behind this is set out in appendix A.

4.4. Corporate income tax (appendix B) has increased. This is driven by a reprofiling of the growth in financial services profits, with significant growth anticipated in 2024. The forecast corporate income tax revenue from other sectors remains stable. New, additional data has been used in the forecast resulting in additional income, which has been factored into the central forecast. This is explained in appendix B.

4.5. Goods and Services Tax (appendix C) has been updated to reflect the FPP's latest economic assumptions and outturn.

4.6. Impôts duty has decreased in each year of the 2024-2028 forecast due in part to reductions in proposed excise rates in the 2024 budget. There is particular uncertainty as to the accuracy of the tobacco forecast which has seen large fluctuations since the Covid pandemic. The Q1 2024 tobacco outturn is low, and, unlike previous years, this forecast does not benefit from the insight provided by Q2 outturn data. The 2025-2028 forecast across alcohol, tobacco and fuel relies upon long-term consumption trends.

4.7. Stamp duty (appendix E) has decreased in each year of the forecast. This is principally due to the FPP Economic Assumptions forecasting a slower return to pre-2019 housing marketing activity than previous. The outturn variation shown in the individual components of the forecast emphasises the uncertainties in these areas.

4.8. Other income (appendix F) has been revised down on the previous forecast primarily due to lower than previously expected dividend income.

4.9. Social security and long-term care contributions (appendix G) are forecast to increase for each year of the forecast. The increase in social security contributions is predominantly driven by the increase in average earnings projected in the economic assumptions, whilst the long-term care forecast is a direct function of changes in personal income tax.

IFG Income Forecast - Spring 2024 (£ 000's)	2024 Forecast	2025 Forecast	2026 Forecast	2027 Forecast	2028 Forecast
Income Taxes					
- Personal Income Tax	660,000	688,000	714,000	743,000	772,000
- Corporate Income Tax	209,000	221,000	220,000	220,000	226,000
- Provision for Bad Debt	(3,000)	(3,000)	(3,000)	(3,000)	(3,000)
	866,000	906,000	931,000	960,000	995,000
Summer 2023	*843,000*	*884,000*	*916,000*	*957,000*	-
Variance	23,000	22,000	15,000	3,000	
Goods and Services Tax (GST)					
- Goods and Services Tax	113,300	116,300	119,300	122,300	125,300
- International Service Entities Fees	12,700	12,700	12,700	12,700	12,700
	126,000	129,000	132,000	135,000	138,000
Summer 2023	*121,000*	*124,000*	*127,000*	*131,000*	-
Variance	5,000	5,000	5,000	4,000	
Impôt Duties					
- Spirits	7,497	7,845	8,050	8,269	8,518
- Wine	9,058	9,385	9,535	9,696	9,890
- Cider	930	953	959	966	976
- Beer	6,514	6,750	6,857	6,975	7,113
- Tobacco	17,397	17,764	17,804	17,861	17,995
- Fuel	25,387	26,042	26,198	26,383	26,647
- Goods (Customs)	700	700	700	700	700
- Vehicle Emissions Duty (VED)	2,950	2,888	2,743	2,604	2,481
	70,433	72,327	72,846	73,454	74,320
Summer 2023	*73,225*	*75,627*	*75,098*	*74,686*	-
Variance	(2,792)	(3,300)	(2,252)	(1,232)	
Stamp Duty and Land Transaction Tax					
- Stamp Duty	30,272	35,329	40,566	41,606	42,688
- Land Transaction Tax (LTT)	2,725	3,614	4,534	4,717	4,907
- Probate	2,600	2,600	2,600	2,600	2,600
- Enveloped Property Transaction Tax	1,000	1,000	1,000	1,000	1,000
- Buy-to -let	1,500	2,000	2,500	2,600	2,600
	38,097	44,543	51,200	52,523	53,795
Summer 2023	*39,756*	*45,606*	*55,506*	*57,980*	-
Variance	(1,659)	(1,063)	(4,306)	(5,457)	
Other Income					
- Parish Rates	17,365	17,660	17,960	18,319	18,722
- Dividend Income	21,121	21,226	12,331	9,457	9,600
- Other Non-dividend Income	20,443	20,021	19,982	19,983	20,068
- Andium Return	29,461	29,645	29,628	29,820	30,024
Other Income	88,390	88,552	79,901	77,579	78,414
Summer 2023	*89,589*	*89,769*	*80,897*	*78,802*	-
Variance	(1,199)	(1,217)	(996)	(1,223)	-
Total Revenue	**1,188,920**	**1,240,422**	**1,266,947**	**1,298,556**	**1,339,529**
Summer 2023	*1,166,570*	*1,219,002*	*1,254,501*	*1,299,468*	-
Variance	22,350	21,420	12,446	(912)	

5. Range of Estimates

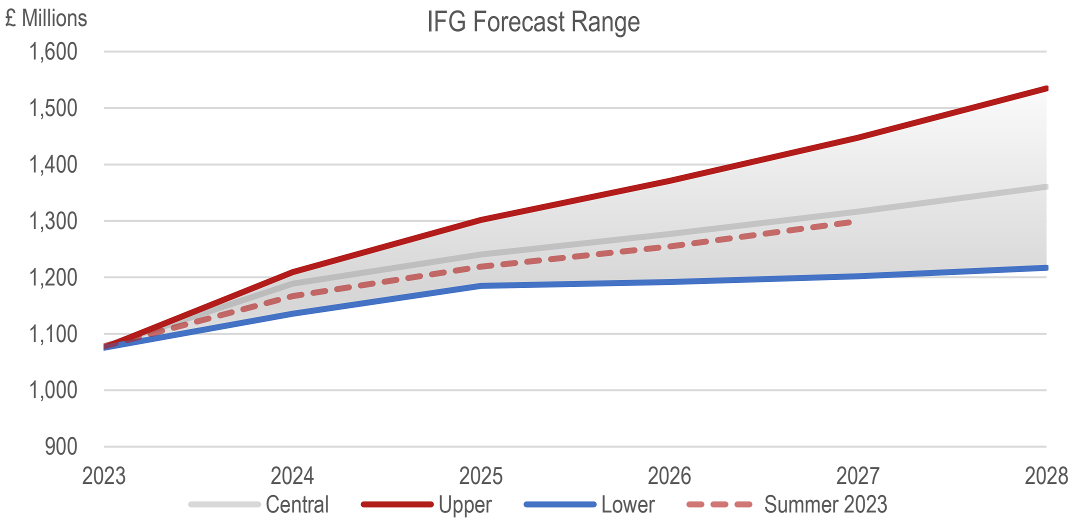
5.1. The central forecast has been prepared based upon the FPP economic assumptions with additional consideration by IFG, as outlined in the separate reports.

5.2. Sensitivity analysis has been run on the forecasts. This tests the sensitivity of the estimates to key variables included the FPP economic assumptions and provides useful confirmation that the model is working. Figure AA summarises the parameters used for the sensitivity analysis. Sensitivity analysis is an economic modelling tool that provides assurance that the model is working correctly and projections if certain variations occur. This does not imply what is expected and is not dependent on different scenarios.

Economic Indicators	Variation
RPI	+/- 3.0
RPIY	+/- 2.0
Financial Services GOS	+/- 10.0
Financial Services CoE	+/- 3.0
Non-Finance CoE	+/- 3.0
Employment	+/- 1.5
Average Earnings	+/- 3.0
Interest Rates	+/- 1.0
House Prices	+/- 2.0

*CoE – Compensation of employees, GOS – Gross operating surplus

5.3. The IFG advise that the central forecast should be considered within an illustrative range, as shown below.



Appendix A – Personal Income Tax

Personal Income Tax Summary

The Personal Income Tax (PIT) forecast was updated in Spring 2024 to include new tax outturn data, the FPP's Spring 2024 economic assumptions and the removal of the Summer 2023 uplifts.

The updated personal income tax forecast is summarised below in Figure A1.

Figure A1: Personal Income Tax Spring 2024

	2022	2023	2024	2025	2026	2027	2028
£m	Outturn	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast
Summer 2023 Forecast	589	623	686	712	746	788	
Tax outturn	+1	-14	-18	-23	-29	-35	
FPP assumptions		+15	+7	+14	+18	+18	
GP24 budget measures and independent taxation			-1	-2	-5	-5	
Removal of Summer 2023 uplifts			-14	-13	-15	-23	
Spring 2024 Forecast	**590**	**624**	**660**	**688**	**714**	**743**	**772**
Variance	+1	+1	-27	-24	-31	-45	

Personal Income Tax Outturn, HVR and ITIS

The most recent income and tax outturn data has had a negative impact to the PIT forecast. This includes income and tax data as well as updated information in relation to high-value residency (HVR) regime and population projections. This induces a downward revision of £14 million in 2023, growing to a £35 million reduction to the forecast in 2027, when compared to the Summer 2023 forecast.

Income and tax outturn data is taken from personal tax assessments by Revenue Jersey. Income outturn for 2022 year-of-assessment taxpayers was £260 million (7.3%) higher than 2021 outturn but £55 million (1.4%) lower than the Summer 2023 forecast. The breakdown of taxable income outturn is shown in Figure A2.

Figure A2: Taxable income

£m	2022 Forecast	2022 Outturn	Variance	% of total Outturn
Business profits	253	236	-17	6.5%
Earned income	2,712	2695	-17	0.6%
Bank, dividend and other	134	139	5	3.8%
Pension income	395	378	-17	4.4%
Property income	136	131	-5	4.0%
Shareholder income	236	232	-4	1.6%
Total	**3,866**	**3,811**	**-55**	**1.4%**

The tax outturn for 2022 year-of-assessment was £57 million (10.6%) higher than 2021 and largely in line with the Summer 2023 forecast; these have been incorporated into the forecast as a new base. The breakdown by personal tax assessments, high-value residency (HVR) taxpayers and other entities is presented in Figure A3.

Figure A3: Personal Income Tax

£m	2022 Forecast	2022 Outturn	Variance	% of total Outturn
Personal tax assessments	558	556	-2	0%
HVR	28	27	-1	4%
Other entities	3	7	+4	58%
Total	**589**	**590**	**+1**	**0%**

Outturn data has reduced the forecast and has had a cumulative effect over the forecast period. Revisions to income assessments in 2021 and 2022 decreased the growth trajectory for most income lines. This produces a £4 million reduction in the 2024 forecast and an £18 million reduction in 2027. Tax from other entities including clubs/associations, estates and trusts grew by £3.5 million in 2022 to £7.4 million; the forecast assumes no further growth.

Assessments for taxpayers on the HVR regime increased by £1.8 million (7.3%) to £27.3 million in 2022, which is £0.6 million lower than the Summer 2023 forecast. Tax from HVR taxpayers is forecast separately to the main taxpayer population because the tax rates faced by these taxpayers differ from those for other taxpayers. The forecast for HVR tax is based on expectations for the number of HVR taxpayers arriving, departing, or moving to licensed status.

Income Tax Instalment Data (ITIS) data provided by Revenue Jersey captures more up-to-date data on personal tax than year-of-assessment and is used in this forecast to adjust for 2023 growth. The data showed that growth of payments had slowed in 2023 to 6.6%, following a 15 year high of 8.0% in 2022. The ITIS 2023 growth rate causes a downward revision to the forecast of £12 million annually.

Policy Changes and Independent Taxation

Personal exemption thresholds for marginal rate taxpayers for 2024 have been updated to reflect changes published in the Government Plan 2024-2027.

Additional Government Plan 2024-2027 policy measures, including unilateral relief and a 60-day tax threshold for short-term visitors have been incorporated into the forecast, but have a negligible impact on the forecasts. In April 2024, the States agreed draft law on independent taxation that will mean every Islander is taxed independently from YOA2026. This reduces the forecast by £3 million annually.

Economic Data and Assumptions

The FPP's Spring 2024 economic assumptions have been incorporated into the forecast and are expected to increase the forecast by £22 million in 2023 and 2024, and a further £69 million for the Government Plan period (2025 to 2028). The biggest drivers for these changes for 2023-2028 are increased financial services profits (+£96 million) and compensation of employees (+£15 million):

- The FPP assumes that profits in the financial services sector grew by 40% in 2023. This means that the gross operating surplus for the whole economy has been revised upward to a growth rate of 23.6% in 2023 – previous economic assumptions expected 8.9%. This increases the revenue forecast by £13 million in 2023, £11.4 million in 2024 and £51.3 million for the remainder of the Government Plan period (2025-2027)
- The revised forecast for compensation of employees, average earnings and employment growth increases the forecast by a total of £3.3 million in 2023-2024 and £7.9 million in 2025-2027

These uplifts are offset slightly by the FPP's revised assumptions concerning the Bank of England interest rate:

- The FPP expects the bank rate to fall slightly faster over the forecast period and settle at a lower rate in the long-term. This negatively affects income relating to bank interest, dividend, and other unearned income. The subsequent reduction to the forecast is - £4.5 million in 2024 and - £17.6 million for 2025 -2027.

Adjustments to Forecast

The Summer 2023 forecast included agreed adjustments based on IFG expectations of higher average earnings and financial service profits. The IFG reconsidered these adjustments in the context of new FPP economic assumptions (Spring 2024) and updated economic data. The IFG noted the initial uplifts included in the Summer 2023 forecast are reasonably in line with the modelled effects of updated economic data and assumptions (see figure A4). As such, the IFG have decided to remove the Summer 2023 adjustments from the current forecast.

Figure A4. IFG adjustments Summer 2023 (£m)

£m	2024	2025	2026	2027
Uplift to PIT forecast (Summer 23)	14	13	15	23
Effects of Economic data and assumptions	7.1	13.7	18	18.3

New Statistical Relationships

The statistical relationships used to forecast individual types of taxable income have been updated. The equations used to forecast pensions and investment income (bank, dividend, and other unearned income) have been re-estimated with the latest tax outturn. The three equations currently used are:

1. Growth in earnings is forecast in line with aggregate earnings in the finance and non-finance sectors, and profits in the finance sector.
2. Growth in pensions is forecast in line with average earnings and growth in the over-65 population.
3. Growth in investment income is forecast in line with changes to the Bank of England Bank Rate.

The equations currently used for earnings and pensions were developed by Oxera in 2017. Changes were made to each of the three equations in Spring 2021 to make the estimated relationships more robust. A full description of these changes and the current methodology is available in the IFG Spring Report 2021, R.151/2021.

Personal Income Tax Range of Estimates

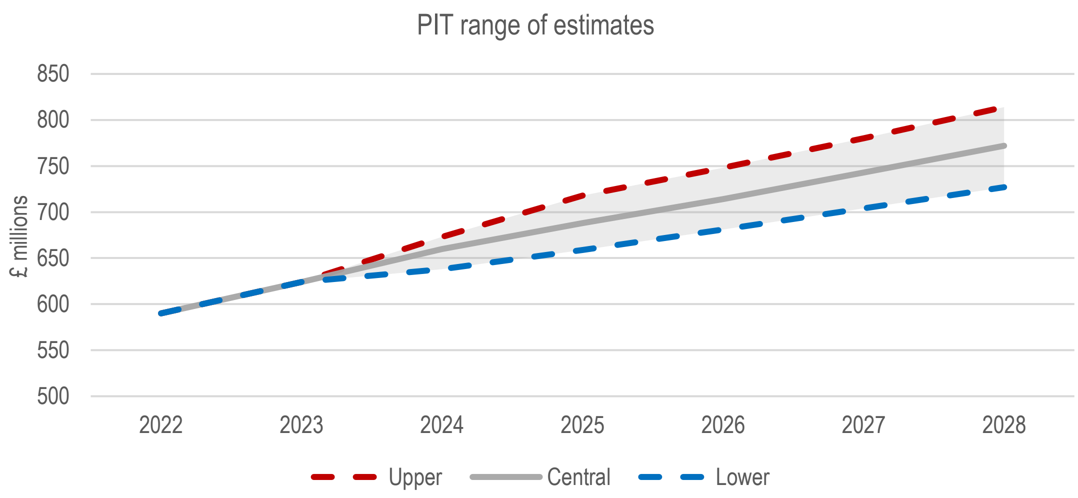
The IFG have produced an upper and lower estimate of the Personal Income Tax forecast using sensitivity analysis of the estimates to key variables included the FPP economic assumptions.

Each of the FPP's assumptions has a different impact on the forecast, and often these variables interact.

For example, the personal exemption threshold for marginal taxpayers is assumed to grow in line with the lower of RPI and earnings, so the impact on the forecast of a change in either of these variables will be subject to changes in the other. Some variables also affect both income lines and allowances. For example, an increase in inflation will increase the forecast through its impact on shareholder income/distributions and decrease the forecast through increased exemption thresholds for marginal taxpayers. Figure 11 below shows the upper and lower estimates of this forecast.

Figure 11: Personal Tax Range of Estimates

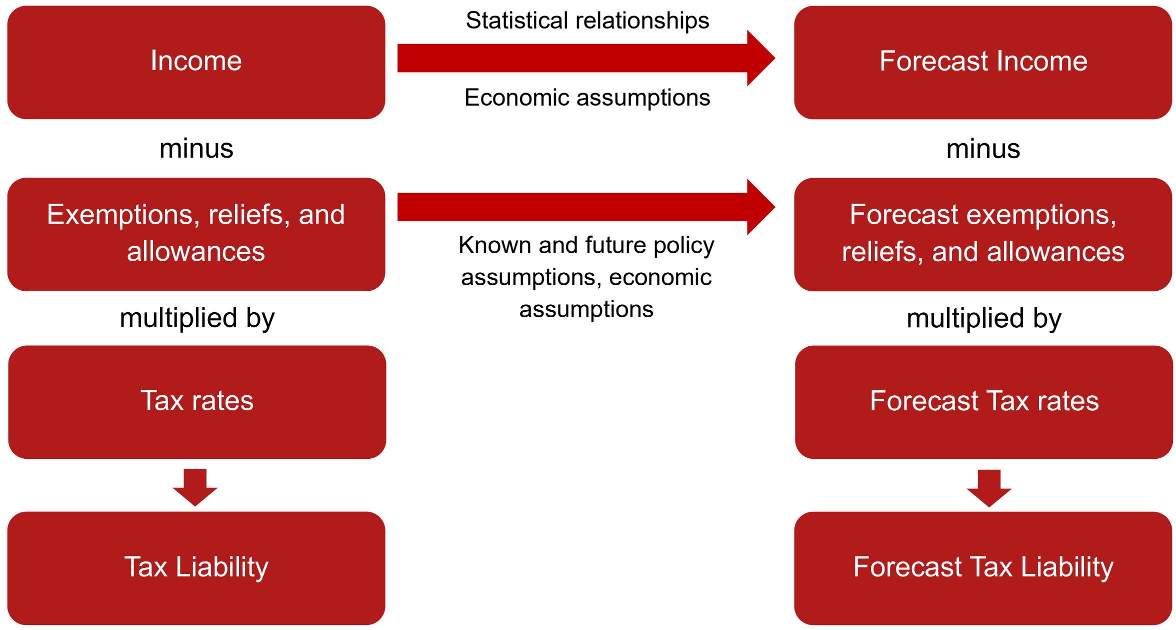
	2022 Outturn	2023 Forecast	2024 Forecast	2025 Forecast	2026 Forecast	2027 Forecast	2028 Forecast
Upper	590	624	673	718	748	780	814
Central	590	624	660	688	714	743	772
Lower	590	624	638	659	681	704	727


PIT range of estimates
£ millions
850
800
750
700
650
600
550
500
2022
2023
2024
2025
2026
2027
2028
Upper
Central
Lower

Personal Income Tax Forecast Methodology

An overview of the personal income tax forecasting model is shown in the diagram below. There are two main elements - forecasting taxable income and forecasting the average effective tax rate (i.e. tax liability per £1 of taxable income). The latter is based on forecasts of the value of deductions (including exemption thresholds for marginal rate taxpayers, and reliefs, credits and allowances claimed by taxpayers). The forecast of tax collectable is, therefore, the product of the forecasts for taxable income and the average effective tax rate.

Taxable personal income is estimated by applying economic assumptions provided by the FPP to latest outturn data. The economic assumptions include the forecast year on year change in compensation of employees (CoE), company profits, employment, average earnings, inflation and interest rates. Outturn data is provided by Revenue Jersey. The average effective tax rate is forecast by taking baseline data for the value of deductions. Changes are forecast, in line with assumptions about future taxpayer numbers, inflation, interest rates and policy changes announced in previous Budgets and Government Plans. So, for example, the aggregate value of the basic exemption thresholds might be assumed to rise in line with the lower of RPI inflation and earnings (to represent the anticipated annual increase in the threshold), and employment growth (to represent the increase in taxpayer numbers meeting this threshold).



Appendix B – Corporate Income Tax

Corporate Income Tax Summary

The Corporate Income Tax (CIT) forecast was updated in Spring 2024 to include new tax outturn data and the FPP's Spring 2024 economic assumptions. The forecast is summarised below in Figure B1.

Figure B1: Corporate Income Tax Spring 2024

	2022	2023	2024	2025	2026	2027	2028
£m	Outturn	Outturn	Forecast	Forecast	Forecast	Forecast	Forecast
Summer 2023 forecast	110	148	160	175	173	172	
Tax outturn		-10	-10	-11	-11	-11	
FPP assumptions			+31	+28	+36	+45	
GP24 budget measures			-	-1	-1	-1	-1
Additional disaggregated FS income			+28	+29	+23	+15	+13
Spring 2024 forecast	**110**	**139**	**209**	**221**	**220**	**220**	**226**
Variance		**-10**	**+49**	**+46**	**+47**	**+48**	

Corporate Income Tax Outturn

The aggregate outturn for 2023 was slightly lower than the Summer 2023 IFG forecast but grew by 35% between 2022 and 2023.

Tax from financial services firms is the largest contributor to CIT and grew by 42% between 2022 and 2023. This is compared to a growth assumption of 50%, based on the FPP's Summer 2023 assumption of FS GOS. Newly available disaggregated data on tax receipts from the financial sector shows that the majority of the growth was realised by the banking sector, driven by the increases in interest rates.

Tax from other firms (captured in property, large corporate retailers and others) fell slightly by £0.8 million at £37.5 million in 2023, this is compared to £38.3 million in 2022.

Additional disaggregated FS income

The forecast has been updated with the new FPP economic assumptions. The latest assumptions introduce a reprofiling of FS GOS with a significant increase forecast in 2023. These assumptions are based on new information provided by a number of banks to the Economics team and the FPP. This was then weighted to calculate the growth in profits for the wider finance sector.

As previously noted, new outturn data from Revenue Jersey has provided further detail into tax receipts from financial services, specifically the proportion of receipts attributable to the banking sector. Applying the information from the sector to the disaggregated tax receipts allows the forecasts to better anticipate CIT receipts in 2024. It is important to note, whereas the FPP forecast growth in FS GOS profits in 2023 of 40%, the disaggregated approach has led to an increased contribution to CIT from banking with an expectation that tax receipts will grow by 70% for the finance sector. While the IFG acknowledges the risks around this approach, it has been informed by intelligence from industry on actual profits in 2023.

To further mitigate against optimism bias throughout the forecasting period, financial services tax receipts are only disaggregated for the 2024 forecast. It is then re-aggregated with the standard methodology applied to the forecasts for 2025 to 2028. The additional income from the disaggregation can be found in Figure B2 and has been applied to the forecast.

Figure B2. Additional disaggregated FS income

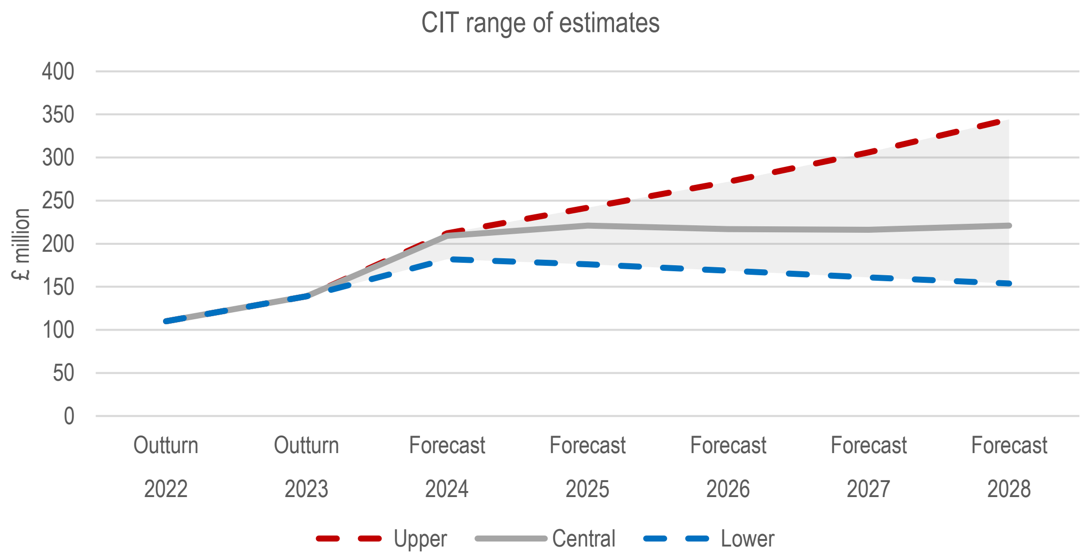
£m	2024	2025	2026	2027	2028
Additional disaggregated FS income	+28	+29	+23	+15	+13

Corporate Income Tax Range of Estimates

Sensitivity analysis has been applied to the forecast, estimating the effects of changing variables by adjusting the FPP economic assumptions. This has provided an upper and lower scenario displayed in Figure B3.

Figure B3: Corporate Income Tax Range of Estimates

	2022 Outturn	2023 Outturn	2024 Forecast	2025 Forecast	2026 Forecast	2027 Forecast	2028 Forecast
Upper	110	139	212	242	272	306	344
Central	110	139	209	221	220	220	226
Lower	110	139	182	176	169	161	154



Corporate Income Tax Forecast Methodology

CIT is paid in one year in arrears, so tax in 2023 relates to profits in 2022. For the purposes of the forecasts, financial services tax is assumed to grow by prior year financial services gross operating surplus (FS GOS – a measure of profits) forecast by the FPP. However, the IFG has agreed to use a disaggregated approach using information on actual profits. This informs the forecast for financial services tax receipts in 2024 before returning to the rule of prior year FS GOS for 2025 to 2028. Other contributors (property, LCR and other) continue to grow by prior year RPI(Y) inflation. Figure B3 outlines the growth rate assumptions used in the CIT forecast.

Figure B3: Corporate Income Tax Growth Rates

Growth rate	2023 Outturn	2024 Forecast	2025 Forecast	2026 Forecast	2027 Forecast	2028 Forecast
Financial Services	41.6%	70.1%	6.0%	4.0%	4.0%	4.0%
Property	0.1%	6.0%	3.2%	2.9%	2.5%	2.4%
Large Corporate Retailers	-2.6%	6.0%	3.2%	2.9%	2.5%	2.4%
Other	-9.1%	6.0%	3.2%	2.9%	2.5%	2.4%
RPIY Inflation Forecast	6.0%	3.2%	2.9%	2.5%	2.4%	2.4%

Appendix C – Goods and Services (GST) Tax

GST Summary

The IFG's Spring 2024 forecast for Goods and Services Tax (GST) re-estimates the forecast model the FPP's Spring 2024 economic assumptions and outturn data. The updated GST forecast is summarised in Figure C1.

Figure C1: Goods and Services Tax

	2022	2023	2024	2025	2026	2027	2028
£m	Outturn	Outturn	Forecast	Forecast	Forecast	Forecast	Forecast
GST Summer 2023	118	119	121	124	127	131	
Model re-estimation		-3	+5	+5	+5	+4	
GST Spring 2024	**118**	**116**	**126**	**129**	**132**	**135**	**138**
GSTx	105	103	110	113	116	119	122
De Minimis			3	3	3	3	3
ISE Fees	13	13	13	13	13	13	13

GST De Minimis and Registration of LCRs

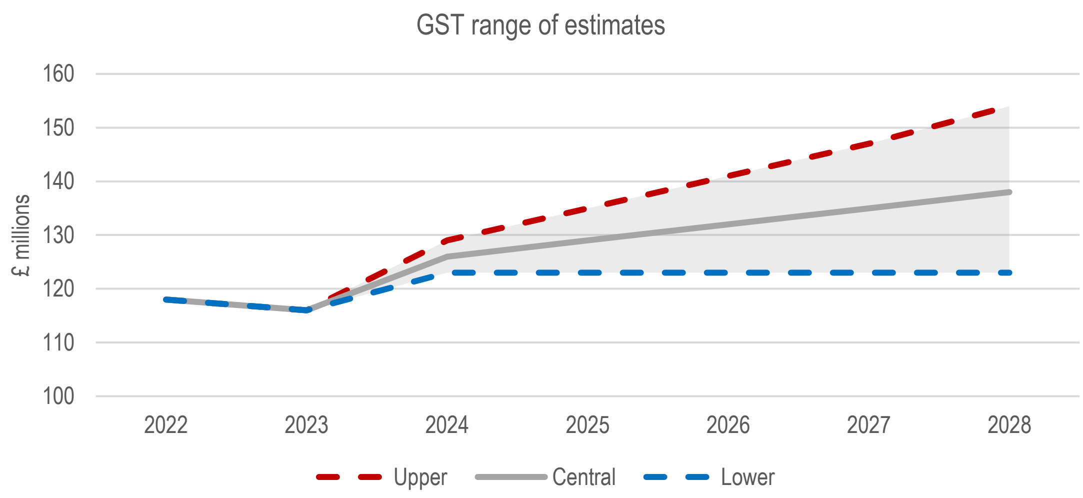
The introduction of a new £60 "de minimis" level for paying GST on unaccompanied imported goods as well as the online registration of large corporate retailers have been operational since July 2023. Previously, the impacts of this was estimated to introduce a further £2.8 million to the GST forecast and still holds in the forecast as the full year impacts are yet to be realised.

GST Range of Estimates

The IFG have produced a range around the GST forecast using a variation around FPP economic assumptions. As a starting point, this is a range of +/- 3.0 percentage points for their estimate of the growth of CoE. This was then updated to accommodate the revision to the central forecast. The table below shows the upper and lower estimates of this forecast.

GST Range of Estimates

	2023	2024	2025	2026	2027	2028
	Outturn	Forecast	Forecast	Forecast	Forecast	Forecast
Upper	116	129	135	141	147	154
Central	116	126	129	132	135	138
Lower	116	123	123	123	123	123



GST Forecast Methodology

The GST forecast models the relationship between GST excluding International Service Entity Fees (ISE Fees), denoted as GSTx, compensation of employees (CoE) and the tax rate. The forecast for GSTx is then added to the forecast for ISE fees. No changes to the model have been made for this version of the forecast.

Equation C1

$$\ln(GSTx_t) = 0.87 - 0.15 \ln(GSTx)_{t-1} + 0.98 \ln(CoE_t) + 1.17 \ln(GSTrate_t) + \epsilon.$$

Appendix D – Impôts Duties

Impôts Duties Summary

Figure D1 - Impôts Duties

£m	2023 Outturn	2024 Forecast	2025 Forecast	2026 Forecast	2027 Forecast	2028 Forecast
Alcohol	22,967	23,999	24,933	25,401	25,906	26,497
Fuel	25,974	25,387	26,042	26,198	26,383	26,647
Tobacco	18,698	17,397	17,764	17,804	17,861	17,995
Customs Duty	686	700	700	700	700	700
Vehicle Emissions Duty	2,777	2,950	2,888	2,743	2,604	2,481
Total Impôts	**71,102**	**70,433**	**72,327**	**72,846**	**73,454**	**74,320**
Summer 23	*67,141*	*73,225*	*75,627*	*75,098*	*74,686*	
Variance	6%	-4%	-5%	-3%	-2%	

The May 2024 forecast for Impôts duties has been updated to incorporate the FPP's June 2024 economic assumptions, 2023 and Q1 2024 outturn data, and measures agreed by the States Assembly in the 2024-2027 Government Plan:

For each of commodities the main changes are as follows:

- Alcohol – proposed 2024 GP duty increase was 8.9%: actual agreed increase 4.5%
- Tobacco – 2023 outturn was 21% above summer 2023 forecast.
- Fuel – proposed 2024 Government Plan duty increase was 10.9%: actual agreed increase 0%
- Vehicle Emissions Duty – historic forecasts have overestimated actual receipts. The forecast has therefore been revised to take account of average growth in registrations in the period 2011 to 2023 and better reflects increase in electric vehicle and hybrid vehicle registrations.

RPI increases have been applied to alcohol and fuel for the period 2025-2029 to provide a baseline from which the costs or any subsequent amendments can be made.

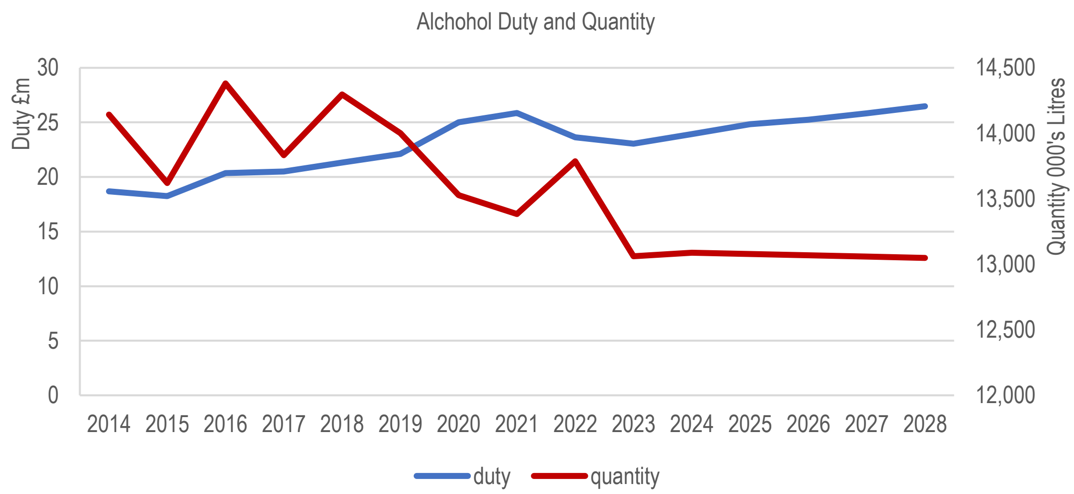
Alcohol

The proposed 2024 GP duty increase for all alcohol products was 8.9% whereas the actual agreed increase was 4.5%. Further adjustments to the 2024 forecast have been made to take account of 2023 and Q1 2024 outturn data.

Options are under consideration for the 2025 budget to support hospitality and locally made alcohol products but for the purpose of this forecast June 2024 RPI increases have been applied to all products for the period 2025-2028 as a baseline.

Figures D2 below illustrate longer-term trends in the dutiable quantity of all alcohol products combined with 2024-2028 forecasts based upon annual RPI increases.

Figure D2. Alcohol duty forecast

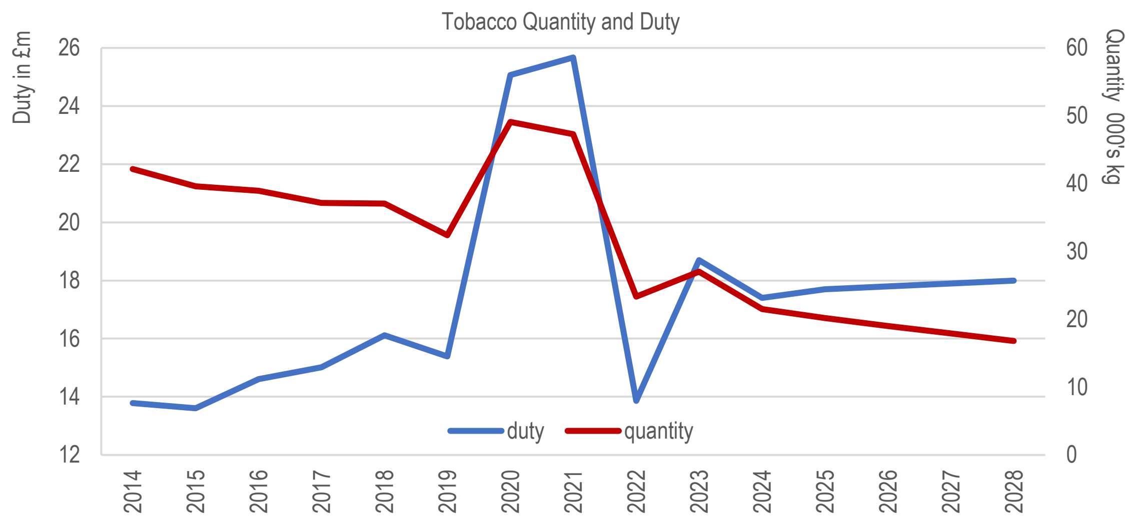


Tobacco

A low 2022 outturn potentially skewed the 2023 forecast (the 2023 outturn was 21% above forecast) and appears to be due to a large amount of stock (non-plain packaging and flavoured cigarettes) being returned to suppliers in 2022. The 2024 forecast has therefore been re-adjusted observed a significant fall in Q1 2024 sales compared with Q1 2023 of between 15% and 25% so there is considerable uncertainty whether or not this will be reflected at year end 2024. Previous forecasts have been able to take account of both Q1 and Q2 outturn data whereas this forecast only has the benefit of Q1 2024 outturn data which sees significant fluctuations.

Variances between this and the 2023 Summer forecast are also due to the fact that the latter excluded escalators for the period 2024-2027 whereas in accordance with the 2024-2027 Government Plan an escalator has now been applied to tobacco products for this period (cigarettes and hand rolling tobacco - RPI +5%, cigars - RPI + 8%), with RPI increases for 2028.

Figure D3. Tobacco duty and quantity forecast

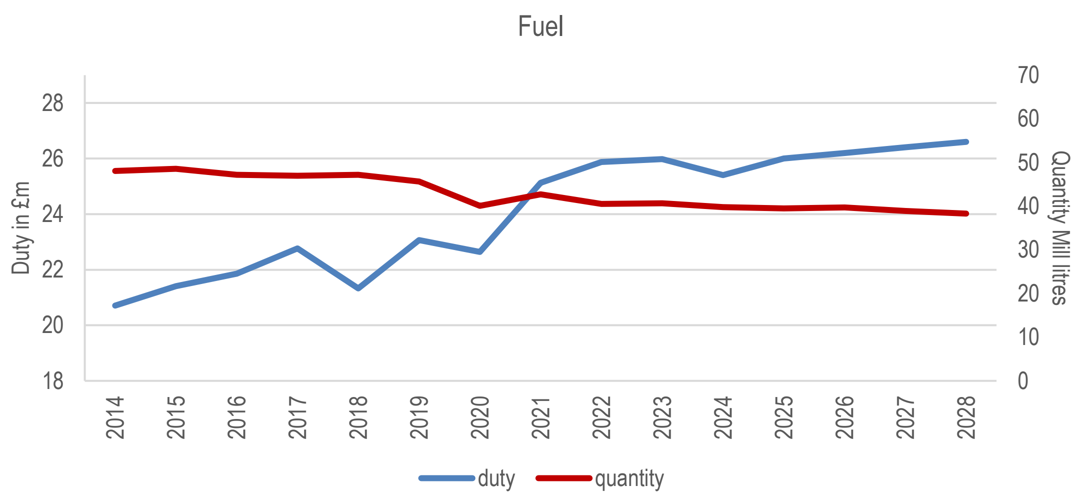


Fuel

Long-term volumes of duty paid road fuel have been in decline since the mid-1990s and this is expected to continue despite 2023 outturn being 4% above the Summer 2023 forecast. The average 10-year decline is approximately 2% per annum which has been incorporated into the forecast.

The 2023 summer forecast included a proposed increase in the excise duty rates for fuel products of 10.9% whereas the States Assembly ultimately agreed to freeze the duty rate for fuel products with a resulting variance in the forecast over the period 2024-2028.

Figure D4. Fuel duty and quantity forecast



Vehicle Emissions Duty (VED)

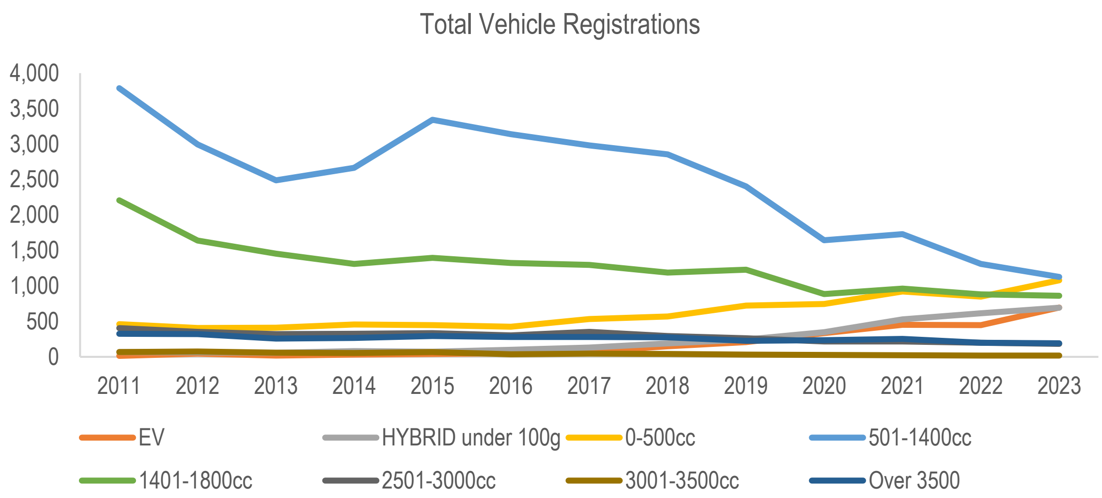
Policy TR4 of the Carbon Neutral Roadmap, approved by the States Assembly on 29 April 2022, introduced a Vehicle Emissions Duty (VED) optimisation whereby no level of VED would be introduced on zero carbon vehicles, but duty would be increased on all domestic petrol and diesel vehicles each year until at least 2030. The expectation in policy TR5 would be to bring into force legislation that prohibits the importation and exportation of petrol and diesel cars and small vans that are new to the Island by 2030 at the latest.

The 2024-2027 Government Plan introduced a new band of 1-50g of CO_2 for the lowest polluting vehicles and increases of up to 30% for the highest polluting vehicles.

Historic VED forecasts have overestimated actual receipts. The current forecast has therefore been revised to take account of the decrease in vehicle registrations in the period 2011 to 2023 (-5% year on year) and better reflects increase in electric vehicle and hybrid vehicle registrations.

Ministers have yet to agree the proposed levels of increases for VED for 2025-2028 therefore no factors or escalators have been applied.

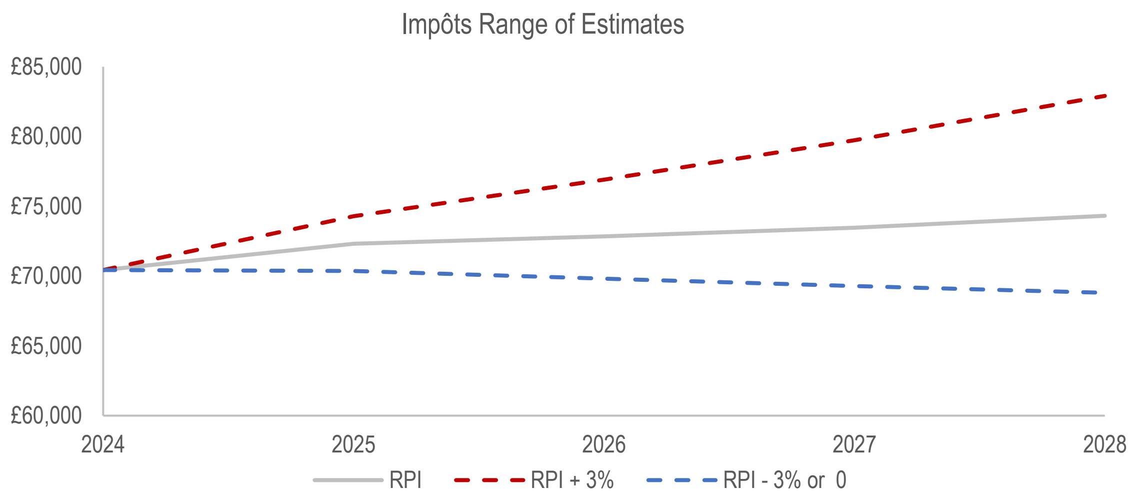
Figure D4. Historic vehicle registration data



Impôts Duties Range of Estimates

A range of estimates of -3% and +3% of the FPP June 2024 RPI predictions are shown below for the forecast period:

Figure D5 - Impôts Range of Estimates



Impôts Duties 2024-2028

Figure D6. Full breakdown of impôts commodities (duty and quantity)

D6. Impôts Duties 2024-2028						
£'000 (unless stated)	2023 Outturn	2024 Forecast	2025 Forecast	2026 Forecast	2027 Forecast	2028 Forecast
Spirits						
GBP (000's)	7,174	7,497	7,845	8,050	8,269	8,518
Quantity (Litres of alcohol)	166,048	166,048	167,708	169,386	171,079	172,790
Summer 2023 (GBP 000's)	*7,253*	*8,124*	*8,640*	*8,796*	*8,991*	
Variance	*(79)*	*(627)*	*(795)*	*(746)*	*(722)*	
%	*-1%*	*-8%*	*-10%*	*-9%*	*-9%*	
Wine						
GBP (000's)	8,753	9,058	9,385	9,535	9,696	9,890
Hectollitres	38,995	38,605	38,605	38,605	38,605	38,605
Summer 2023 (GBP 000's)	*8,764*	*9,719*	*10,234*	*10,316*	*10,439*	
Variance	*(11)*	(661)	(849)	(781)	(743)	
%	*0%*	-7%	-9%	-8%	-8%	
Cider						
GBP (000's)	899	930	953	959	966	976
Quantity (Hectollitres)	11,924	11,805	11,687	11,570	11,454	11,340
Summer 2023 (GBP 000's)	*1,001*	*1,098*	*1,145*	*1,143*	*1,145*	
Variance	*(102)*	*(168)*	*(192)*	*(184)*	*(179)*	
%	*-11%*	-18%	-20%	-19%	-19%	
Beer						
GBP (000's)	6,141	6,514	6,750	6,857	6,975	7,113
Quantity (Hectollitres)	78,041	78,821	78,821	78,821	78,821	78,821
Summer 2023 (GBP 000's)	*6,398*	*7,097*	*7,471*	*7,531*	*7,622*	
Variance	*(257)*	(583)	(721)	(674)	(647)	
%	*-4%*	-9%	-11%	-10%	-9%	
Tobacco						
GBP (000's)	18,698	17,397	17,764	17,804	17,861	17,995
Quantity (KG)	26,963	21,570	20,276	19,060	17,916	16,841
Summer 2023 (GBP 000's)	*14,785*	*15,412*	*15,254*	*14,453*	*13,750*	
Variance	*3,913*	1,985	2,510	3,351	4,111	
%	*21%*	11%	14%	19%	23%	
Fuel						
GBP (000's)	25,974	25,387	26,042	26,198	26,383	26,647
Quantity (Hectolitres)	406,416	398,466	394,570	390,713	386,895	383,115
Summer 2023 (GBP 000's)	*25,025*	*27,474*	*28,642*	*28,582*	*28,635*	
Variance	*949*	*(2,087)*	*(2,600)*	*(2,384)*	*(2,252)*	
%	*4%*	-8%	-10%	-9%	-9%	
Customs Duty						
GBP (000's)	686	700	700	700	700	700

Summer 2023 (GBP 000's)	*800*	1,000	1,000	1,000	1,000	
Variance	*(114)*	(300)	(300)	(300)	(300)	
%	*-17%*	-43%	-43%	-43%	-43%	
Vehicle Emissions Duty						
GBP (000's)	2,777	2,950	2,888	2,743	2,604	2,481
Summer 2023 (GBP 000's)	*3115*	*3,301*	*3,241*	*3,277*	*3,104*	
Variance	*(338)*	(351)	(353)	(534)	(500)	
%	*-12%*	*-12%*	*-12%*	*-19%*	*-19%*	
Total Impots	**71,102**	**70,433**	**72,327**	**72,846**	**73,454**	**74,320**
Summer 2023	*67,141*	*73,225*	*75,627*	*75,098*	*74,686*	
Variance	3,961	(2,792)	(3,300)	(2,252)	(1,232)	
%	6%	-4%	-5%	-3%	-2%	

Appendix E – Stamp Duty

Stamp Duty Summary

The stamp duty forecast has been updated to reflect the revised economic assumptions from the Fiscal Policy Panel (FPP), and to incorporate outturn data from 2023 which was c.£0.9m (2.3%) higher than the Summer 2023 forecast.

Higher mortgage rates resulted in a downturn in the housing market during 2023, and with base interest rates not anticipated to fall until the middle of 2024 whilst inflation outpacing earnings growth, the FPP assumptions for house prices are forecast to remain stable throughout the year. Prices in subsequent years are expected to increase in line with previous trends. Housing transactions are forecast to increase to pre-pandemic levels by 2026.

With a slower recovery of the housing market forecast than previously anticipated, there is a decrease of between 2% to 9% in each year of the forecast. However, due to the variable nature of the components in the forecast, it may be expected to fluctuate and should therefore be considered within a range. The first quarter House Price Index report[1] published by Statistics Jersey notes that the historically low turnover of properties results in sensitivities caused by the range of house prices within a distribution, and the variable nature of the components of the forecast

Stamp Duty						
	2023	2024	2025	2026	2027	2028
£m	Outturn	Forecast	Forecast	Forecast	Forecast	Forecast
Stamp Duty	28,148	30,272	35,329	40,566	41,606	42,688
Probate	3,335	2,600	2,600	2,600	2,600	2,600
Land Transaction Tax	4,107	2,725	3,614	4,534	4,717	4,907
Enveloped Property Transaction	228	1,000	1,000	1,000	1,000	1,000
Buy-to-let	3,975	1,500	2,000	2,500	2,600	2,600
Total Stamp Duty	39,793	38,097	44,543	51,200	52,523	53,795
Summer 2023	38,906	39,756	45,606	55,506	57,980	
Variance	887	(1,659)	(1,063)	(4,306)	(5,457)	

[1] House Price Index report – First Quarter 2024 – Statistics Jersey - https://www.gov.je/SiteCollectionDocuments/Government%20and%20administration/House%20Price%20Index%20First%20Quarter%202024.pdf

Stamp Duty Outturn Data 2023

£'000s	Summer 2023	Outturn	Variance	Variance %
Transactions <£2m	13,151	13,850	699	5.3%
Transactions >£2m	13,054	11,627	-1,427	-10.9%
Wills	1,170	2,671	1,501	128.3%
Probate	2,700	3,335	635	23.5%
LTT	5,500	4,107	-1,393	-25.3%
EPTT	1,000	228	-772	-77.2%
Buy-to-let	2,330	3,975	1,645	70.6%
Total	**38,906**	**39,793**	**887**	**2.3%**

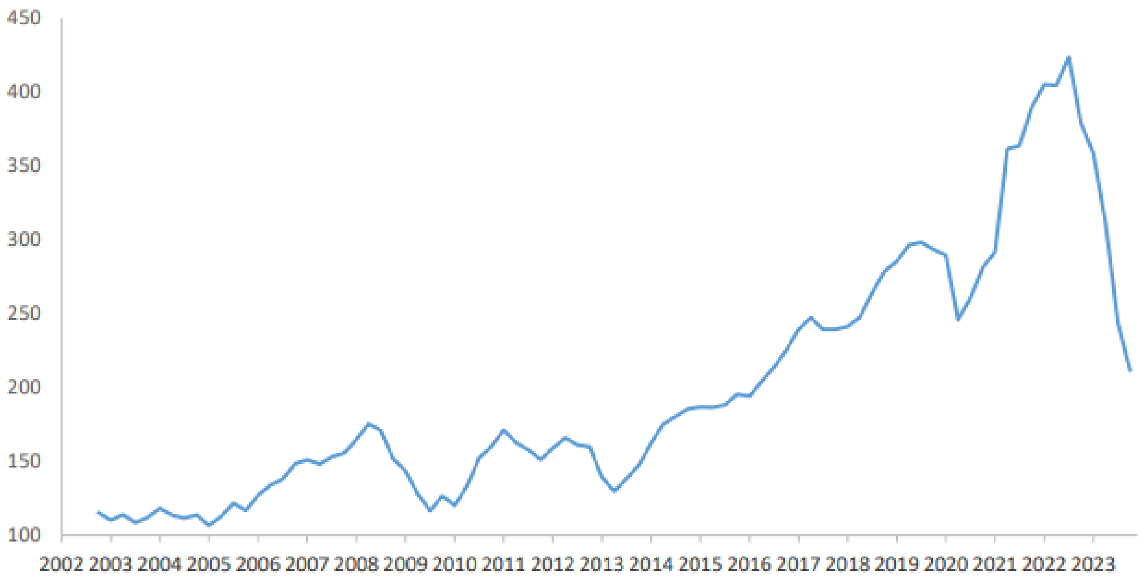
The outturn for 2023 was £0.9m (2.3%) higher than the Summer 2023 forecast, with notable variance in the outturn of the individual components.

Material percentage increases in revenue received from the registrations of Wills and Probate duty emphasises the variable nature of these components, however these are minor in terms of the overall forecast.

The graph below from the fourth quarter 2023 House Price Index report [2]published by Statistics Jersey shows the reduction in housing market activity.

Jersey Housing Market Activity Index

(2002 = 100; including share transfer properties and on a rolling four-quarter basis)



Source: Statistics Jersey

[2] House Price Index report – Fourth Quarter 2023 - Statistics Jersey - https://www.gov.je/SiteCollectionDocuments/Government%20and%20administration/House%20Price%20Index%20Fourth%20Quarter%202023.pdf

Whilst there was an overall downturn in the number of property transactions, 39% took place as a result of completions in new developments. Where these properties were purchased as second homes or as buy-to-let (BTL), they incurred the higher BTL duty rate which resulted in the revenue received from this component exceeding the forecast amount.

Legislative changes

Three legislative changes have been made to the amounts of Stamp Duty and LTT payable on property transactions.

The Government Plan 2024 to 2027[3] introduced a package which was broadly estimated to be revenue neutral:

> The maximum purchase price of properties applicable to the first-time buyer rate was increased from £500,000 to £700,000, a notable change from the previous increase from £450,000 to £500,000 in 2019 and estimated to cost £850,000.
>
> The rate payable for each stamp duty band over £2m was increased by 0.5pp which was estimated to raise an additional £950,000.

The estimated value for these changes were determined by reference to historical transactions, and due to the significant changes to the property market in 2023 it may be expected that these estimates will not be realised as forecast. With the proposed package being revenue neutral, the individual components have not been adjusted at this time.

Proposition P.29/2023 [4] was approved by the States Assembly to increase the High Value Resident (HVR) minimum property price from £1.75m to £3.5m, and £1.75m for apartments. Due to the variable prices of properties purchased by HVR's, it is not possible to estimate the additional revenue this may generate, as single transactions may be material to differences in outturn.

Housing Transactions under £2m

The value of property transactions under £2m in 2023 was in line with that forecast in Summer 2023. The forecast has been adjusted to reflect the slower housing market recovery in the updated assumptions from the FPP which results in a slightly lower forecast in later years (c.£4m in 2027).

[3] Government Plan 2024 to 2027 - https://www.gov.je/SiteCollectionDocuments/Government%20and%20administration/Government%20Plan%202024%20to%202027.pdf
[4] Proposition P.29/2023 – States Assembly - https://statesassembly.gov.je/Pages/Propositions.aspx?ref=P.29/2023

Housing Transactions over £2m

The tapering of stamp duty means that property transactions over £2m are difficult to forecast, with transfers of property potentially producing material amounts of duty from single transactions. The 2023 outturn from this component was £1.4m below the Summer 2023 forecast. However, legislative changes have added 0.5pp to each stamp duty band above £2m and increased the minimum purchase price of properties by HVR's from £1.75m to £3.5m.
The overall forecast for this component remains unchanged.

Land Transaction Tax (LTT)

Historically, Land Transaction Tax follows the trend seen in the transactions of property under £2m. However, largely due to a number of transactions in new developments, there was an increased level of turnover seen in Q4 of 2023. An analysis of the purchases has adjusted the base for those LTT transactions which were subject to the buy-to-let surcharge, as it is understood that this volume of transactions may be considered a singular event.
The value of property subject to first-time buyer relief has increased from £500k to £700k, which will potentially reduce the LTT charged on these properties.
The forecast has been updated to incorporate the updated base and to reflect the FPP economic assumptions, which has resulted in a reduction ranging from £1.0m in 2024 to £2.5m in 2027.

Wills and Probate

The forecasts for the stamp duty on Wills and Probate are both based upon a five-year average. Outturn data has confirmed the variable nature of these components and therefore supports the current forecast methodology. This results in a net movement of £400k for the forecasts of stamp duty on Wills and Probate.

Enveloped Property Transaction Tax (EPTT)

The introduction of Enveloped Property Transaction Tax (EPTT), following the States Assembly debate on proposition P.119/2021[5] in February 2022, provided an estimated £1m in each year of the forecast. Whilst this amount was not attained in 2023, there is no additional information to support a change for this update.

[5] Proposition P.119/2021 – States Assembly - https://statesassembly.gov.je/Pages/Propositions.aspx?ref=P.119/2021&refurl=%2fPages%2fPropositions.aspx%3fdocumentref%3dp.119%2f2021

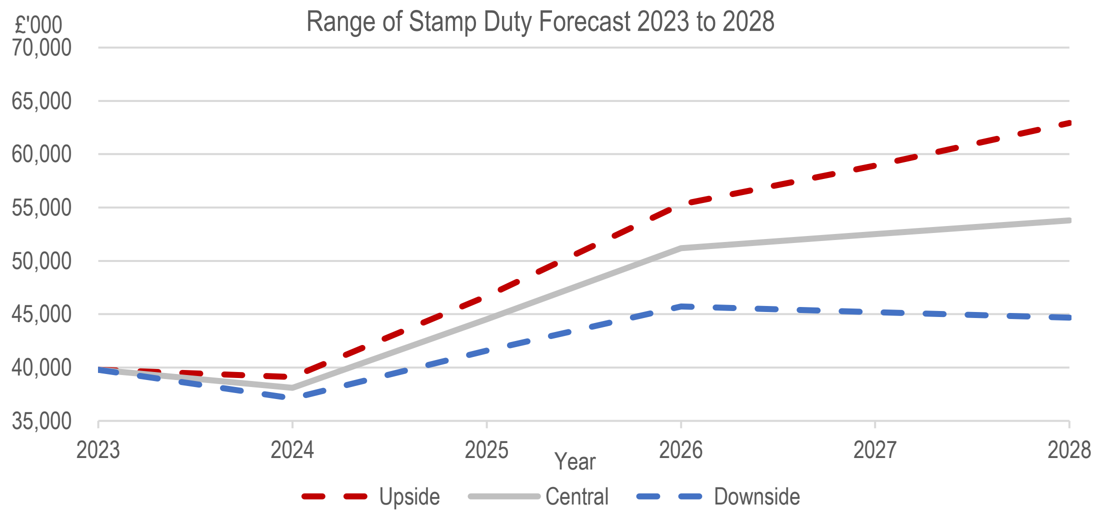
Buy-to-Let (BTL)

Government Plan 2023 to 2026 introduced a stamp duty increase of 3pp for properties purchased for buy to let investments, second homes and holiday homes.
The outturn from this component was above forecast due to the completion of properties in new developments that incurred the higher rate. Due to the size of the development, and with increased interest rates, this is considered a unique event which has resulted in an adjustment to the base.

Stamp Duty Range of Estimates

To present the forecast within a range, the FPP assumptions for house prices have been varied by +/- 2.0pp and for housing transactions by +/- 4.0pp. This results in an upside variation of £1.0m (2.7%) in 2024, extending to £9.1m (17.0%) in the final year of the forecast. The downside variation ranges from -£1.0m (-2.6%) in 2024 to -£9.1m (-16.9%) in 2028.

Stamp Duty Range of Estimates	2023 Outturn	2024 Forecast	2025 Forecast	2026 Forecast	2027 Forecast	2028 Forecast
Upper	39,793	39,110	46,687	55,293	58,925	62,929
Central	**39,793**	**38,097**	**44,543**	**51,200**	**52,523**	**53,795**
Lower	39,793	37,110	41,596	45,725	45,200	44,686



Stamp Duty Forecast						
£'000s	**2023 Outturn**	**2024 Forecast**	**2025 Forecast**	**2026 Forecast**	**2027 Forecast**	**2028 Forecast**
Stamp Duty						
- Transactions <£2m	13,850	15,512	20,569	25,806	26,845	27,927
- Transactions >£2m	11,627	13,054	13,054	13,054	13,054	13,054
- Wills	2,671	1,706	1,706	1,706	1,706	1,706
	28,148	30,272	35,329	40,566	41,606	42,688
Summer 2023	27,376	30,006	34,740	42,752	44,753	-
Variance	772	266	589	(2,186)	(3,148)	-
Probate	3,335	2,600	2,600	2,600	2,600	2,600
Summer 2023	2,700	2,700	2,700	2,700	2,700	-
Variance	635	(100)	(100)	(100)	(100)	-
Land Transaction Tax	4,107	2,725	3,614	4,534	4,717	4,907
Summer 2023	5,500	3,720	4,836	6,724	7,196	-
Variance	(1,393)	(995)	(1,222)	(2,190)	(2,479)	-
Enveloped Property Transaction Tax	228	1,000	1,000	1,000	1,000	1,000
Summer 2023	1,000	1,000	1,000	1,000	1,000	-
Variance	(772)	-	-	-	-	-
Buy-to-let	3,975	1,500	2,000	2,500	2,600	2,600
Summer 2023	2,330	2,330	2,330	2,330	2,330	-
Variance	1,645	(830)	(330)	170	270	-
Total Stamp Duty	**39,793**	**38,097**	**44,543**	**51,200**	**52,523**	**53,795**
Summer 2023	38,906	39,756	45,606	55,506	57,980	-
Variance	887	(1,659)	(1,063)	(4,306)	(5,457)	-
Variance %	2.3%	-4.2%	-2.3%	-7.8%	-9.4%	

Appendix F – Other Income

Other Income Summary

Other Income combines several income lines for the Government of Jersey which do not relate to taxation and charges. At a high level, these are:

- Island-wide rates (part of the rates system and collected by parishes)
- Income from dividends and returns (from States-owned entities)
- Non dividends (crown revenues, miscellaneous interest, fees and fines)
- Returns from Andium Homes

The Summer 2023 forecast other income was £83.9 million in 2023, compared with outturn of £87.5 million. The favourable variance to forecast is attributed to an increase in tax penalties, OFCOM income and JFSC returns. The other income forecast for 2024 of £88.4 million, has been updated to reflect the current FPP economic assumptions and outturn data.

Figure F1: Other Income Forecast

Other Income Summary						
£'000s	**2023 Outturn**	**2024 Forecast**	**2025 Forecast**	**2026 Forecast**	**2027 Forecast**	**2028 Forecast**
Island Rate	16,429	17,365	17,660	17,960	18,319	18,722
Dividends	16,964	21,121	21,226	12,331	9,457	9,600
Non-Dividends	25,048	20,443	20,021	19,982	19,983	20,068
Andium Return	29,062	29,461	29,645	29,628	29,820	30,024
Total Other Income	87,503	88,390	88,552	79,901	77,579	78,414
Previous Forecast	83,919	89,589	89,769	80,897	78,802	-
Previous Forecast	3,584	(1,199)	(1,217)	(996)	(1,223)	-
Variance %	4.3%	-1.3%	-1.4%	-1.2%	-1.6%	0.0%

Island-wide Rates

The projection for Island-wide rates takes the Retail Price Index for the given year and applied it to the previous year to reflect the forecast.

Figure F2: Island-wide rates

Island Rates						
£'000s	**2023 Outturn**	**2024 Forecast**	**2025 Forecast**	**2026 Forecast**	**2027 Forecast**	**2028 Forecast**
Island Rate	16,429	17,365	17,660	17,960	18,319	18,722
Previous Forecast	16,429	17,300	17,439	17,648	18,071	-
Variance £	-	65	221	312	248	-
Variance %	0.0%	0.4%	1.3%	1.8%	1.4%	0.0%

Dividends

The forecasts for dividends from both wholly or majority States owned entities are based on the following assumptions:

- Jersey Electricity Company – an inflationary increase in forecast dividends.
- Jersey Water – an inflationary increase in forecast dividends.
- JT Group – additional planned special dividend payments for 2024 and 2025 of £15 million before lowering to £6 million in 2026 and £3 million in 2027 and 2028. The increase in dividends in both 2024 and 2025 are funded through the retained proceeds of the sale of the IoT element of the company.
- Jersey Post – no forecast dividends for the period due to the projected investment into Jersey Post operations.
- Ports of Jersey – continuing no forecast dividends for the period due to the projected investment in the Harbour and Airport.
- States of Jersey Development Company – continuing no forecast dividends for the period as all profits are being reinvested into future projects at South Hill and the Waterfront.

The dividends are paid according to the defined dividend policies and forecasts are prepared in line with the company's latest business model. In most cases the dividends are directly related to trading performance but can be affected by projects being undertaken.

Forecasts are based on detailed conversations with the board of the companies and the reviews of their Strategic Business Plans.

Figure F3: Other income – Dividends

Dividends						
£'000s	**2023 Outturn**	**2024 Forecast**	**2025 Forecast**	**2026 Forecast**	**2027 Forecast**	**2028 Forecast**
Jersey Electricity	4,465	4,621	4,700	4,780	4,875	4,983
Jersey Water	2,571	1,500	1,526	1,551	1,582	1,617
SoJDC	-	-	-	-	-	-
Jersey Post	-	-	-	-	-	-
JT Group	9,928	15,000	15,000	6,000	3,000	3,000
Ports of Jersey	-	-	-	-	-	-
Total Dividends	**16,964**	**21,121**	**21,226**	**12,331**	**9,457**	**9,600**
Previous Forecast	16,839	22,231	22,517	13,976	11,379	-
Variance £	125	(1,110)	(1,291)	(1,645)	(1,922)	-
Variance %	0.7%	-5.0%	-5.7%	-11.8%	-16.9%	0.0%

Non-Dividends

Non dividends include other types of income, including investment returns on the Consolidated Fund and Jersey Currency Fund. It also includes tax penalties, miscellaneous fines, returns from the Jersey Financial Services Commission and Crown Revenue.

The forecasts for returns on the Consolidated Fund and Jersey Currency Fund are based on the following:

- In projecting returns we have applied a conservative assumption of a stable core value of currency in circulation value at c. £80m. Given both relatively high inflation and the value of historic notes included in circulation, we believe this is an appropriately prudent assumption, though the position will be monitored carefully.
- The Currency Fund is invested, in line with its published Investment Strategy.
- The previous forecast for the Currency Notes Fund was calculated during a period of economic turmoil with significant inflation, higher interest rates have provided improved returns, however these are offset by conservative assumptions about core currency in circulation.
- The Consolidated Fund is expected to hold only frictional cash balances, based on timing differences between receipts and payments.

The forecast for tax penalties has improved due to higher outturn data and better than expected collections from incremental late filing penalties.

Figure F4: Other income – non-dividends

Non-Dividends						
£'000s	**2023 Outturn**	**2024 Forecast**	**2025 Forecast**	**2026 Forecast**	**2027 Forecast**	**2028 Forecast**
Investment Income	1,164	-	-	-	-	-
Currency Notes Return	3,000	4,461	4,433	4,403	4,373	4,341
Tax Penalties	12,474	8,700	8,300	8,300	8,300	8,300
Miscellaneous Loans	833	755	615	461	352	329
Miscellaneous Fines	581	247	241	235	229	223
JFSC	5,412	5,570	5,728	5,885	6,043	6,201
OFCOM income	1,356	437	423	410	396	382
Crown Revenue	228	273	281	288	290	292
Total non-dividends	25,048	20,443	20,021	19,982	19,983	20,068
Previous Forecast	21,374	20,343	19,561	18,797	18,806	-
Variance £	3,674	100	460	1,185	1,177	-
Variance %	17.2%	0.5%	2.4%	6.3%	6.3%	0.0%

Return from Andium Homes

The returns from Andium Homes arise from the incorporation of the housing function in July 2014. Andium is obliged to make a return based on the transfer agreement and an agreed rental and return policy.

Figure F5: Andium Return

Andium Return						
£'000s	**2023 Outturn**	**2024 Forecast**	**2025 Forecast**	**2026 Forecast**	**2027 Forecast**	**2028 Forecast**
Return from Andium Homes	29,062	29,461	29,645	29,628	29,820	30,024
Previous Forecast	29,277	29,715	30,252	30,476	30,546	-
Variance £	(215)	(254)	(607)	(848)	(726)	-
Variance %	-0.7%	-0.9%	-2.0%	-2.8%	-2.4%	0.0%

Other Income Range of Estimates

The other income forecast has been prepared based upon the FPP economic assumptions with additional consideration by IFG.

Due to the uncertainties that may be expected around the forecast, a central forecast of other income has been considered within an illustrative range. For other income the main economic driver is RPI, this has been considered within a range of +/-3% on the FPP economic assumptions. The range is shown below:

Figure F6: Range of Forecast

Range of Other Income Forecast						
£'000	**2023 Outturn**	**2024 Forecast**	**2025 Forecast**	**2026 Forecast**	**2027 Forecast**	**2028 Forecast**
Upper Scenario	87,503	88,827	89,045	80,432	78,591	79,931
Central Forecast	87,503	88,390	88,552	79,901	77,579	78,414
Lower Scenario	87,503	87,953	88,059	79,078	76,746	77,570

Appendix G – Social Security and Long-Term Care Contributions

Summary

This paper details the forecast for social security contributions which are received into both the Social Security Fund and Health Insurance Fund (HIF), and long-term care contributions, which are received into the Long-Term Care (LTC) Fund. Contributions paid into the Social Security Fund are used for the purpose of providing the funds required for paying social benefits payments, such as the old age pension and incapacity benefit. Contributions paid into the HIF for the purpose of paying medical and pharmaceutical benefits. LTC contributions are collected for the purpose of paying out benefits and expenditure relating to the provision of long-term care.

Forecasts have been prepared based on the FPP economic assumptions.

Social Security Contributions

Social security contributions are received under the following 3 classes of contributions.

a) Class 1 contributions, which include;
   i. employed persons' primary class 1 contributions, and;
   ii. employers' secondary class 1 contributions
b) Class 2 contributions which are either full rate or reduced rate contributions.

The contributions model is updated based on outturn data, economic assumptions provided by the FPP are then applied to the outturn data to adjust for earnings and employment. An adjustment is made for the annual uplift in earning limits and a further adjustment for assumptions of unemployment levels.

An element of total social security contributions shown below is also paid into the Health Insurance Fund.

Social Security Contributions						
	2023	2024	2025	2026	2027	2028
£m	Outturn	Forecast	Forecast	Forecast	Forecast	Forecast
Summer 2023	283	299	311	320	329	-
Spring 2024	289	305	316	325	334	344
Variance	*+6*	*+6*	*+5*	*+5*	*+5*	*-*

Long-Term Care Contributions

Every insured person who pays income tax, pays into the long-term care fund with a long-term care contribution. The long-term care contribution is based on personal income tax and is therefore a function of changes to personal income tax forecasts.

The long-term care forecast is based on outturn data for the 2023 year-of-assessment, and then adjusted in line with the year-on-year change in the personal income tax forecast.

The methodology of the forecast in personal income tax is described in the appendix A.

Long-Term Care Contributions						
	2023	**2024**	**2025**	**2026**	**2027**	**2028**
£m	**Outturn**	**Forecast**	**Forecast**	**Forecast**	**Forecast**	**Forecast**
Summer 2023	42	45	47	49	52	-
Spring 2024	43	46	48	50	52	54
Variance	*+1*	*+1*	*+1*	*+1*	-	-

Appendix H – Terms of Reference

Purpose

The group is established as an advisory function on the forecasts of all States income from taxation and social security contributions which will be informed by economic assumptions produced by the Fiscal Policy Panel with additional forecasts for other States income prepared by Treasury officers.

Objectives

To produce an absolute minimum of one forecast each year. A full review of states tax, social security contributions and duty revenue forecasts will take place following the provisional outturn and no later than May of each year.

A further forecast (if needed) to inform the Government Plan debate, including any revised economic assumptions and experience from the current year actual revenues.

To produce reports on the forecasts of states income from taxation and social security contributions, including:

- Forecasts for income tax revenues
- Forecasts for goods and services tax and ISE Fees Forecasts for impots duties
- Forecasts for stamp duties
- Forecasts for social security contributions Forecasts for long-term care contributions Forecasts for other States income Economic assumptions used; and
- Factors and risks that should be considered

The forecasts will cover a period of at least four years and include a range within which a central forecast can be applied.

Reporting

The reports will be presented to the Treasury and Resources Minister in advance of the Council of Ministers consideration. Once a report is approved by the Treasury and Resources Minister it will be published alongside the Government Plan. Other reports can be prepared on the request of the Treasury and Resources Minister.

Administration

All meetings will be minuted with agreed actions.
Quorum – at least six members be present for the meetings to be considered quorate. In exceptional circumstances a delegate may be appointed by an official, however external members cannot delegate. Quarterly internal review meetings will also be held.

Any variations to the group membership once established are to be agreed by the Treasury and Resources Minister or Chief Minister.

It will be the responsibility of the Chief Executive and Treasurer of the States to ensure that the group has sufficient resources to fulfil its responsibilities.

Group Membership

The members of the group are:
Chief Officer of Treasury and Exchequer (Chair)
Chief Officer of Customer and Local Services
Chief Officer of the Department for the Economy
Comptroller of Revenue
Deputy Comptroller of Revenue
Group Director Strategic Finance
Chief Economic Adviser
GoJ Economist.

At least two external members appointed by the Treasury and Resources Minister

The meetings of the group may be attended by the following officers in a supporting role:
Head of Financial Planning (secretary)
Revenue Accountant
Tax Policy Unit Officer

The group will invite other officers and external advisers to attend as appropriate which will be documented.

The group will operate independent of any political influence.