

STATES OF JERSEY



TERTIARY EDUCATION: STUDENT FINANCE (S.R.2/2017) – RESPONSE OF THE MINISTER FOR TREASURY AND RESOURCES

**Presented to the States on 2nd June 2017
by the Minister for Treasury and Resources**

STATES GREFFE

**TERTIARY EDUCATION: STUDENT FINANCE (S.R.2/2017) –
RESPONSE OF THE MINISTER FOR TREASURY AND RESOURCES**

Ministerial Response to: S.R.2/2017

Review title: Tertiary Education: Student Finance

Scrutiny Panel: Education and Home Affairs

INTRODUCTION

The Panel undertook the review into student finance because Jersey families were suffering varying degrees of financial hardship in sending students to university. The following Key Findings and Recommendations are made within the report [S.R.2/2017](#) and are directed to the Chief Minister, Minister for Treasury and Resources and Minister for Education.

This document presents the responses of the Minister for Treasury and Resources to those Findings and Recommendations addressed to him.

FINDINGS

	Findings	Comments
6	56. The provision within the Jersey Tax system of Higher Child Allowance is an indirect and poorly targeted method of assistance.	<p>The Treasury recognises the limitations of using the tax system in order to support parents and students with the costs of higher education. In particular it is recognised that the availability of the higher child allowance only helps those who actually pay income tax and that, because it is available to all taxpayers with children in higher education, it provides assistance to those taxpayers with the very highest income who do not require any form of financial assistance from the States in order to send their children on to higher education.</p> <p>In the 2016 Budget, the Minister for Treasury and Resources considered phasing out the higher child allowance from the standard rate calculation (at the same time as phasing out the other child-related allowances from the standard rate calculation), reducing the assistance provided within the tax system for those higher income taxpayers who have their income tax calculated by reference to the standard rate calculation. The Minister concluded that the availability of the higher child allowance in the standard rate calculation should be maintained until such time as a broader solution for assisting with the costs of higher education was found,</p>

	Findings	Comments
		<p>whereupon it would be phased out over an appropriate period.</p> <p>Despite its limitations, the Treasury highlights that the availability of the higher child allowance does provide significant financial assistance to those who do pay income tax, and were the allowance to be restricted such that it were only available in the marginal rate calculation, those with the highest incomes would not be able to benefit from its availability. The availability of the higher child allowance in the marginal rate calculation means that the majority of parents of children studying a 3-year degree course benefit from a cumulative reduction of their income tax of £9,360 over the relevant period.</p>

RECOMMENDATIONS

	Recommendations	To	Accept/Reject	Comments	Target date of action/ completion
1	59. The Minister for Treasury and Resources should phase out Higher Child Allowance from standard rate (20%) taxpayers as soon as possible.	Min. for T&R	Accept in principle	In the 2016 Budget, the Minister for Treasury and Resources considered phasing out the higher child allowance from the standard rate calculation (at the same time as phasing out the other child related allowances from the standard rate calculation) reducing the assistance provided within the tax system for those higher income taxpayers who have their income tax calculated by reference to the standard rate calculation. The Minister concluded that the availability of the higher child allowance in the standard rate calculation should be maintained until such time as a broader solution for assisting with the costs of higher education was found, whereupon it would be phased out over an appropriate period. The Minister for Treasury and Resources maintains that this is correct approach; agreeing that the allowance should be phased out, but only when a broader solution has been identified.	N/A

	Recommendations	To	Accept/ Reject	Comments	Target date of action/ completion
2	60. The Minister for Treasury and Resources should phase out Higher Child Allowance from marginal rate tax payers and redirect money to direct assistance for students once a suitable solution is found.	Min. for T&R	Accept in principle	<p>The availability of the higher child allowance in the marginal rate calculation means that the majority of parents of children studying a 3-year degree course benefit from a cumulative reduction of their income tax of £9,360 over the relevant period (£2,340 per annum for 4 tax years). Removal of this allowance and the corresponding increase in tax payable would have a significant impact on parents, unless they were receiving compensating support through other measures. This process would have to be carefully co-ordinated.</p> <p>It is noted that restricting the availability of the allowance to the marginal rate calculation limits the scope for the deadweight loss identified in the adviser's report (which appears to be the key argument for the removal of the allowance), because those with the highest incomes (who have their tax calculated by reference to the standard rate calculation) would not be able to benefit from its availability. The Minister for Treasury and Resources maintains that this is correct approach; agreeing that the allowance should be phased out, but only when a broader solution has been identified.</p>	N/A