



Wednesday, 17 August 2022

Cost of Living Mini-Budget Review: The case for introducing a tax free allowance for letting out furnished accommodation in your home

Dear Mr Mezec,

I am writing to request that as part of your review into ways to alleviate the cost of living crisis, you consider a scheme [similar to that offered in the UK](#) whereby a £7,500 tax-free threshold is offered to rent a furnished spare room in your home. In Jersey households are taxed at their standard rate, with a 50% tax on any income where meals are provided.

As you may know our language school has operated in Jersey for over 40 years, offering students of all ages an opportunity to learn English, discover the island through extra-curricular activities and stay in a local host-family or 'homestay provider'. Having worked very closely with our hosts for many years we understand very well the pressures on local households when it comes to the cost of living. In the past 10 years the number of hosts has steadily declined. In 2018 the government launched a 'crackdown' on lost income tax from private lodgers. While justifiable, the method was intimidating and the effect was a further deterioration in our homestay base; too many people either do not understand the tax rules or are simply worried they may inadvertently make a mistake and be permanently blacklisted. This year, we have only around one third of the number of homestay providers compared to 5 – 10 years ago. This drop in available accommodation has an inevitable knock-on effect on the economy as 90% of our revenue goes straight back into the local economy either via homestay payments or through wages, suppliers, transport etc. Put bluntly the island is losing out in potential £m's of export revenue by not encouraging this sector. (Not to mention the GST which is levied against course fees, unlike in the UK where language courses are exempt from VAT)

However, to focus only on the financial side would be to ignore the intangible benefits a thriving language school industry provides to the island – exemplified by the following testimony from one young German girl who stayed with us this summer:

This trip was one of my unimaginably most beautiful summer experiences ever... The islanders are also understanding and kind. Like the people we talked to every morning at the bus stop or the woman who, without knowing us, paid for us because we didn't have a card. I personally had the absolute dream family. We sat with them in the garden for a few evenings and talked for hours on end about anything and everything. I was able to speak so fluently with them and my time there really pushed my English. I would say I got half of my English skills from host family and from talking to strangers like bus drivers or shop assistants.. The weather was pleasant and mostly there were beautiful sunsets. Then students of all nations met on the beach and talked, celebrated and sang together. Especially nice was the volleyball or football games. Students with different mother tongues played and communicated together and were just such a close team. As a result, I can say: I am better in English, more self-confident and more independent. So I can really recommend this trip to EVERYONE

As you can see, our hosts are not only 'in it for the money'. They really want to give their students a positive experience of the island and these memories will last a lifetime, embedding Jersey's reputation as an open, multi-cultural island around the world. We strongly feel these hosts should be rewarded for the efforts rather than further taxed.

As the cost of living rises, we may expect to see an increase in people looking to host to make up their income. However, this will be offset by their expenses – mainly the soaring cost of food and utilities. While we generally welcome broad based tax cuts as a means to tackle the cost of living, it is difficult to see this as a targeted response. Living in Jersey it is all too easy to observe that many islanders are not suffering from cost of living pressures and this cut will simply fuel inflation, further exacerbating the problem.

A tax break on income to hosts is targeted – it will overwhelmingly support hard working households that are prepared to make sacrifices to their daily lives – for example by asking their children to share a bedroom for a few weeks over summer in order to free up a room. Also retired couples, who won't benefit from any income tax or social security reductions. It will stimulate the visitor economy by increasing the bed capacity at a time when hotels and guests house are declining at an alarming rate. It would also encourage people to make space available for essential key workers.

I hope that you will support our request to review this initiative and I remain, as always, open to any questions or information you may require about this sector.

Yours Sincerely,

A handwritten signature in black ink, appearing to read 'Sid Brown', written in a cursive style.

Sid Brown
(Principal)