

Treasurer of the States.
 Law Draftsman.
 Comptroller of Income Tax.



Finance Committee

25th September, 1963

Income Tax
 allowances -
 liability on
 small incomes.

8. The Committee, having discussed with the Comptroller of Income Tax his letter, reference Est.45A/GHH, in regard to income tax allowances and liability on small incomes, approved the proposals contained therein and directed him to discuss with the Law Draftsman the legislation required to put these proposals into effect.

Alfred Davy
 Greffier of the States.



9/2(65)

FINANCE AND ECONOMICS COMMITTEE

1st July, 1970

Income Tax:
Personal
Allowances
and Thresh-
olds of Tax
Liability.
9/2(65)✓
T.O.S.
E.A.
C.of I.T.

14. The Committee received the Comptroller of Income Tax in connexion with his Note dated 17th June, 1970, on the subject of "Income Tax: Personal Allowances and Thresholds of Tax Liability".

The Committee noted that the amount of income tax payable by an individual was related to his capacity to pay tax measured against the taxable capacities of other individuals: the relativity being obtained by means of the system of statutory personal allowances deductible from

assessable income. The amounts fixed for personal allowances were not intended to represent the actual cost of the maintenance of dependents and, therefore, it followed that the amounts of such allowances did not need to be adjusted on account of variations in the cost of living or on account of inflation. Nonetheless, the effect of inflation over the recent past had had the effect of bringing into the taxable range individuals whose present incomes in terms of money values in the past would have left them out of the taxable range.

The Committee noted that the report dealt only with the liabilities of those persons in the lower income group as the Comptroller considered that, in the present economic climate, it would be unrealistic to consider any general increase in other allowances having regard to the cost of such increases.

The Comptroller, in conclusion, recommended the following adjustments:-

(a) Age Relief

Increase the income limit so as to provide that individuals of 65 and over whose incomes did not exceed £1,000 (now £750) should receive the Earned Income Relief allowances in respect of their total income - whether earned or unearned - with consequential marginal relief, as at present, for incomes slightly in excess of £1,000; and

(b) Small Income Exemption

Amend the present exemption of individuals with incomes not in excess of £600 so as to provide that individuals entitled to the single personal allowance should be exempt if their income did not exceed £675 and individuals entitled to the married man's personal allowance to be exempt if their incomes did not exceed £900.

The Committee noted that the effect of these adjustments on the starting points of liability would be as follows:-

THRESHOLDS OF LIABILITY

(For persons entitled to Age Relief or Small Income Exemption)

Status	No. of Children	Present		Proposed	
		Income All Earned	Income All Unearned	Income All Earned	Income All Unearned
Single	-	£ 600	£ -	£ 675	-
Married Man.	1	667	600	900	-
"	2	867	650	900	-
"	3	1,067	800	1,067	900
"	4	1,267	950	1,267	950
"	4	1,467	1,100	1,467	1,100

The Committee further noted that the effect of the increase in the Age Relief income limit would be as follows:

THRESHOLDS OF LIABILITY

(For persons with Unearned Income of £1,000 p.a.)

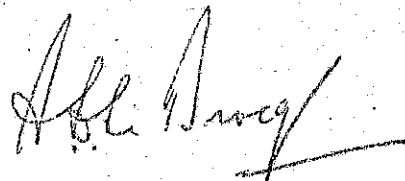
Status	Present Liability	Proposed Liability
	£	£
Married	75	25
Single	125	75

The Committee noted that it was anticipated that the total cost of the foregoing proposals would not exceed £100,000 per annum.

The Economic Adviser expressed the view that, if the principle of excluding those brought into the taxable range by the effect of inflation was accepted, it should apply to all categories of persons. Whereas the proposals excluded married persons without children or with one child they did not improve the situation in respect of married couples with three or four children. The Economic Adviser considered it would not be difficult to produce a range of thresholds of liability according to family circumstances.

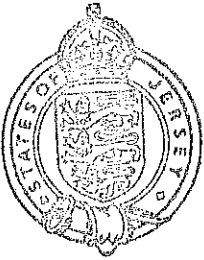
The Committee, having discussed the matter fully, agreed that it would wish to remedy the effect of inflation by uplifting the present thresholds of liability and further agreed that, eventually, it would wish to abolish entirely the reduced rate of tax - at present 2/- in the £ on the first £250 of taxable income.

The Committee, having agreed the general principles to be followed, directed the Comptroller of Income Tax to consult with the Economic Adviser and to report back in due course with further proposals.



GREFFIER OF THE STATES.

9/2 (65)



Finance and Economics Committee

7th October, 1970

Income
Tax:
Personal
Allowances
and
Thresholds
of Tax
Liability.
9/2(65)
T.O.S.
E.A.
C.of.I.T.
L.Dr.(2)

18. The Committee, with reference to its Act No. 14 of 1st July, 1970, received the Comptroller of Income Tax in connexion with two letters by him dated 8th and 24th September, 1970, respectively, concerning the Income Tax Personal Allowances and Thresholds of Tax Liability.

The Committee approved a joint recommendation by the Comptroller of Income Tax and the Economic Adviser that the original proposals to raise the thresholds of tax liability for individuals with modest incomes should be extended to take into account the number of children in a family and that, for this purpose, the newly proposed limits should be increased by £200 for each child in respect of which the person was entitled to an allowance for income tax purposes. In the cases of incomes slightly in excess of the limit, a marginal relief, as presently in use, would operate so as to reduce liabilities to 50% of the excess of the income over the limits.

The Committee noted that the effect of these adjustments on the starting points of liability would be as follows:-

THRESHOLDS OF LIABILITY

Status	No. of Children	Present		Proposed (Both Earned and Unearned Income)
		Income All Unearned	Income All Earned	
Single	-	600	600	675
Married	-	600	667	900
"	1	650	867	1,100
"	2	800	1,067	1,300
"	3	950	1,267	1,500
"	4	1,100	1,467	1,700

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The Committee noted that the estimated total cost of these proposals in a full year was £120,000.

The Committee further noted that the new limit did not differentiate between earned and unearned incomes.

The Vice-President opposed the proposals on the grounds that:-

- (a) single persons in receipt of an income of £600 a year could not be regarded as poor;
- (b) the raising of the amount of tax-free income for persons in these categories would only serve to encourage immigration by attracting workers to the Island; and
- (c) the present time was inopportune to give away the equivalent of £120,000 to the taxpayer - or at least it was the wrong form in which to do it.

The Committee, having discussed the Vice-President's views with him, agreed to defer a final decision until the complete Budget for 1971 had been compiled in draft form. The Committee also agreed, however, in the interest of expediency, that the Law Draftsman should be asked to prepare the necessary draft legislation to give effect to these proposals should it ultimately be decided to implement them.

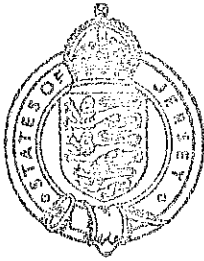
The Committee concurred with a recommendation by the Comptroller that the income limit for Age Relief should be increased from £750 to £1,000 - as provisionally agreed on 1st July, 1970.

The Committee further agreed that, in order to keep in step with the increased Retirement Pensions payable from 15th February, 1971, under the Insular Insurance Scheme, the income limit for dependants in respect of whom an individual was granted an allowance for maintenance, should be increased from £210 to £270. The Committee noted that the object of this increase would be to ensure that individuals who were maintaining dependants would not lose any part of their income tax allowance by reason only of the increase in the retirement pension.

The Committee directed the Law Draftsman to prepare the necessary amending legislation in respect of the foregoing proposals for consideration at a subsequent meeting.



9/2(65)



Finance and Economics Committee

28th October, 1970

Income Tax:
Personal
Allowances
and Thresh-
holds of
Tax
Liability.
9/2(65)
T.O.S.
E.A.
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L.Dr.(2) ✓

31. The Committee, with reference to its Act No. 18 of 7th October, 1970, received the Comptroller of Income Tax and confirmed its provisional approval of the proposals concerning the revision of the Income Tax Personal Allowances and Thresholds of Tax Liability.

The Committee accordingly confirmed its previous direction to the Law Draftsman to prepare the necessary amending legislation for consideration prior to the presentation to the States of the Budget for 1971.

DEPUTY GREFFIER OF THE STATES