



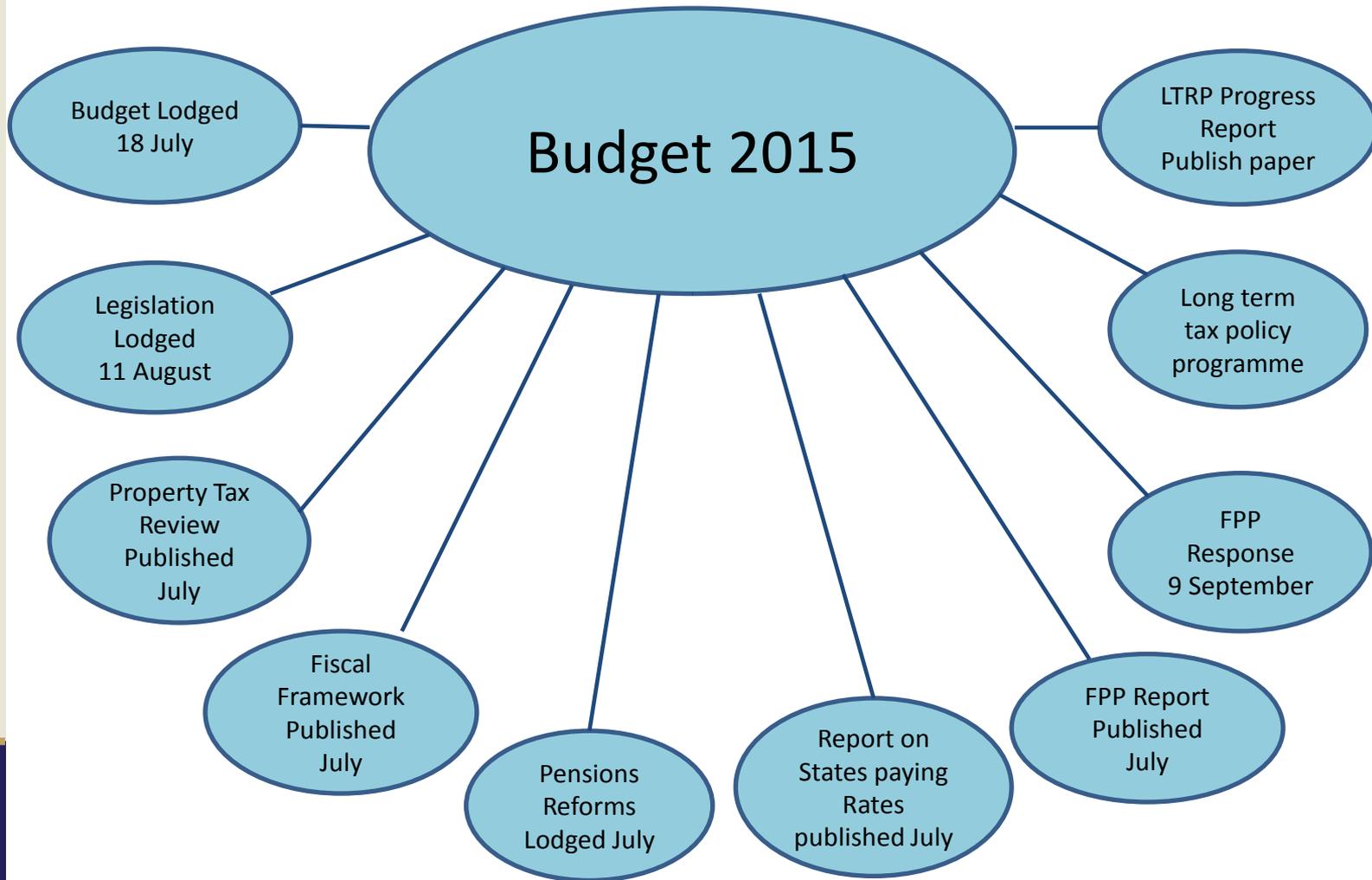
Budget 2015

September 2014



TREASURY
& RESOURCES

Budget 2015 – constituent parts



Our Vision: Inspiring confidence
in Jersey's future through...



A SAFE AND
CARING
COMMUNITY



A STRONG
SUSTAINABLE
ECONOMY



PREPARING
FOR
THE FUTURE



PROTECTING
OUR
ENVIRONMENT

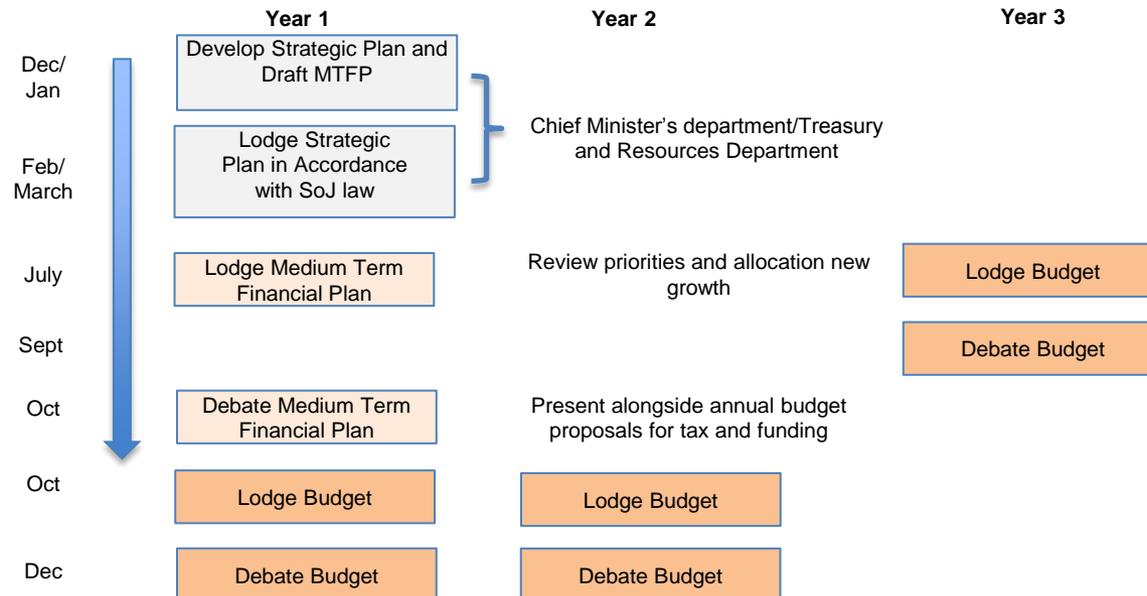


A HIGHLY
SKILLED AND
MOTIVATED
WORKFORCE

Medium Term Financial Planning

- We have adopted Medium Term Financial Planning
- The MTFP for 2013 to 2015 is based on three pillars;
 - cutting spending by £65 million;
 - promoting economic growth; and
 - raising taxes by £35 million

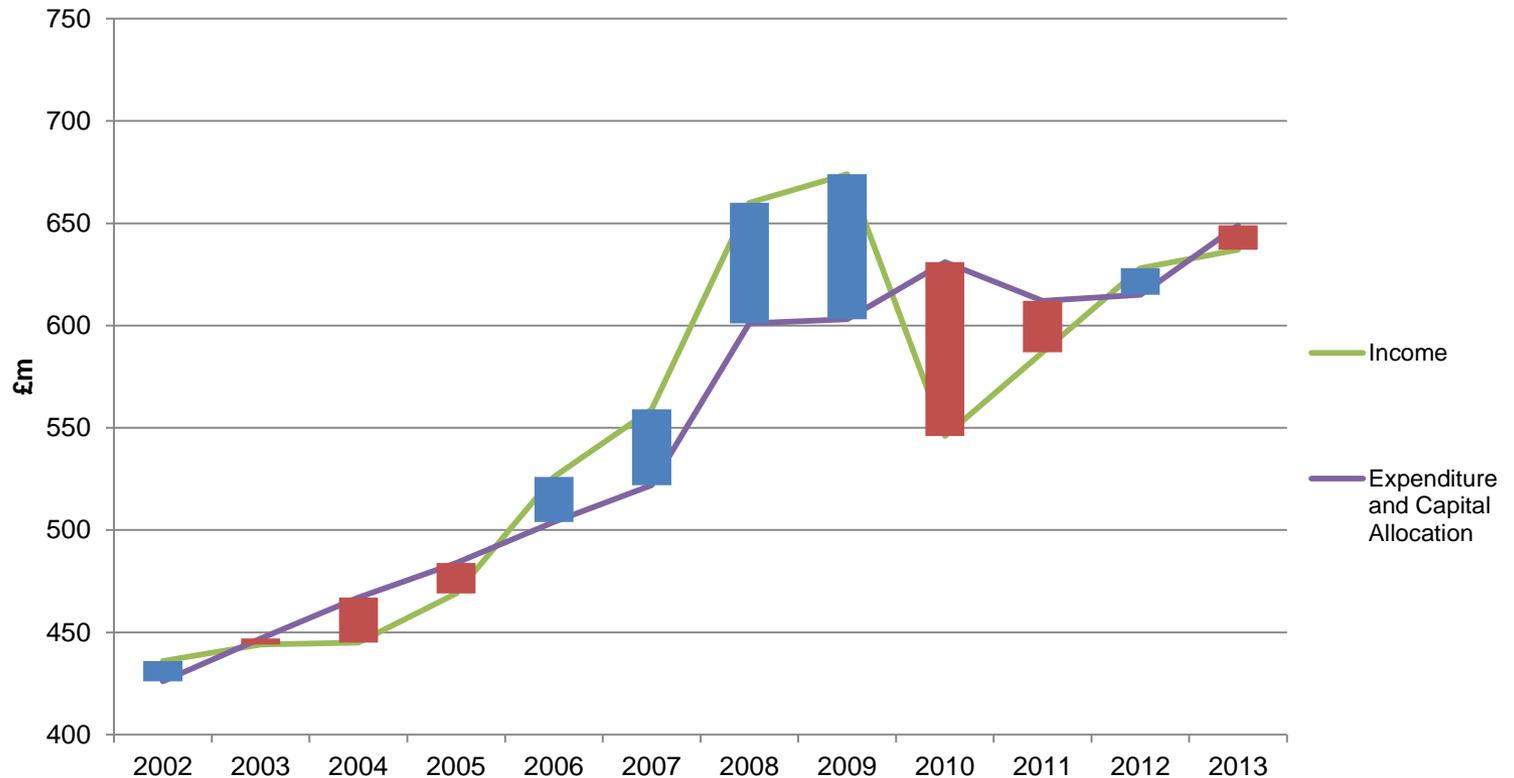
Budget planning cycle



Fiscal Surpluses and the Stabilisation Fund

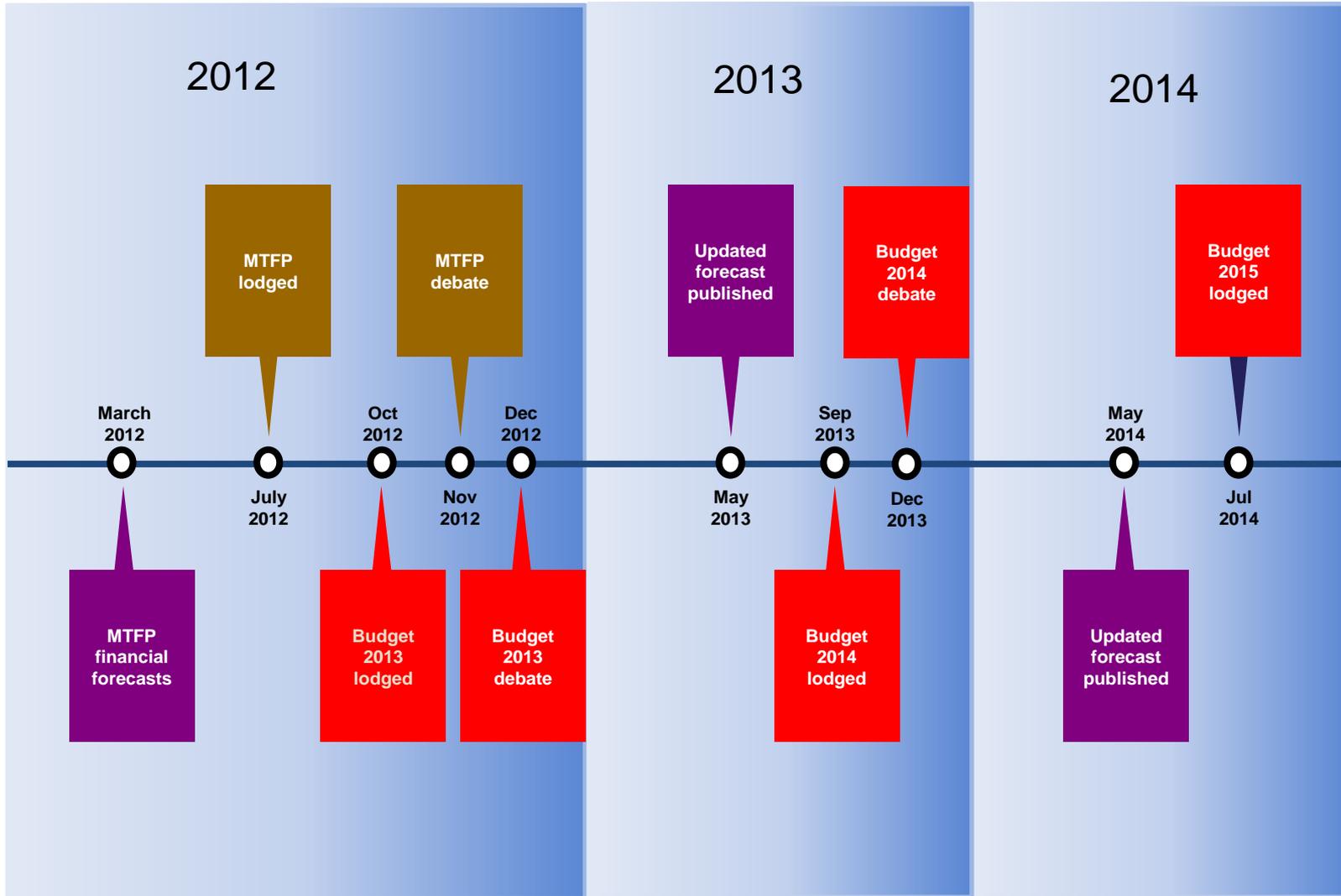
Stabilisation Fund

- The States invests budget surpluses in a Stabilisation Fund and withdrawals from this fund have allowed Jersey to finance deficits in the wake of the global financial crisis without recourse to debt

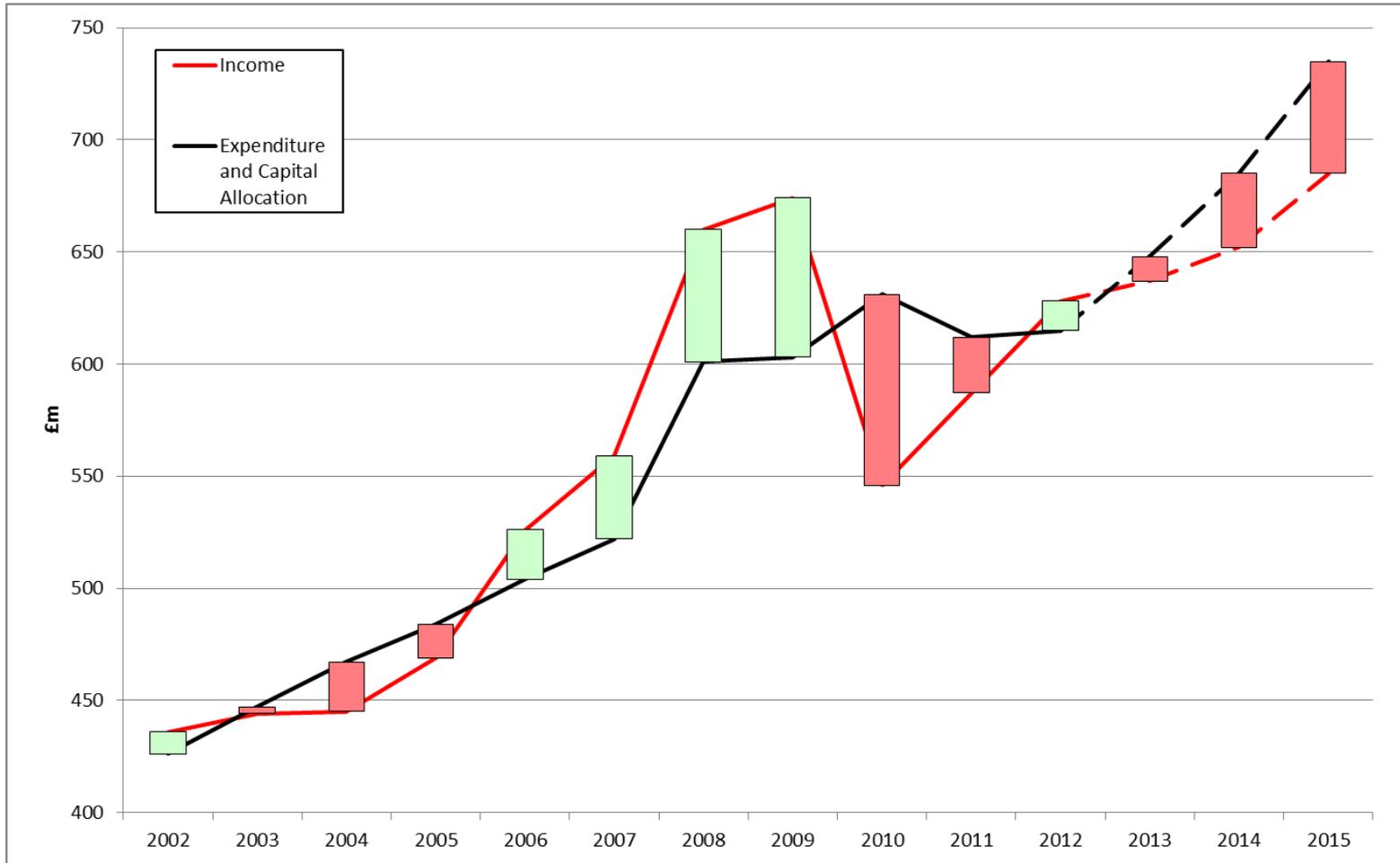


Source: States of Jersey Medium Term Financial Plan

Medium Term Financial Plan: forecasts



Budget 2015: before proposed measures



Measures proposed to balance the books

Requiring States Approval:

Use balances
from Dwelling
Houses Loan
Fund and
Stabilisation
Fund

Redeem
preference
shares
Jersey Water

Re-phasing
Capital
Projects

Further Treasury and Council of Ministers Actions:

2% spending
cut across
departments

Use of unspent
carry forwards

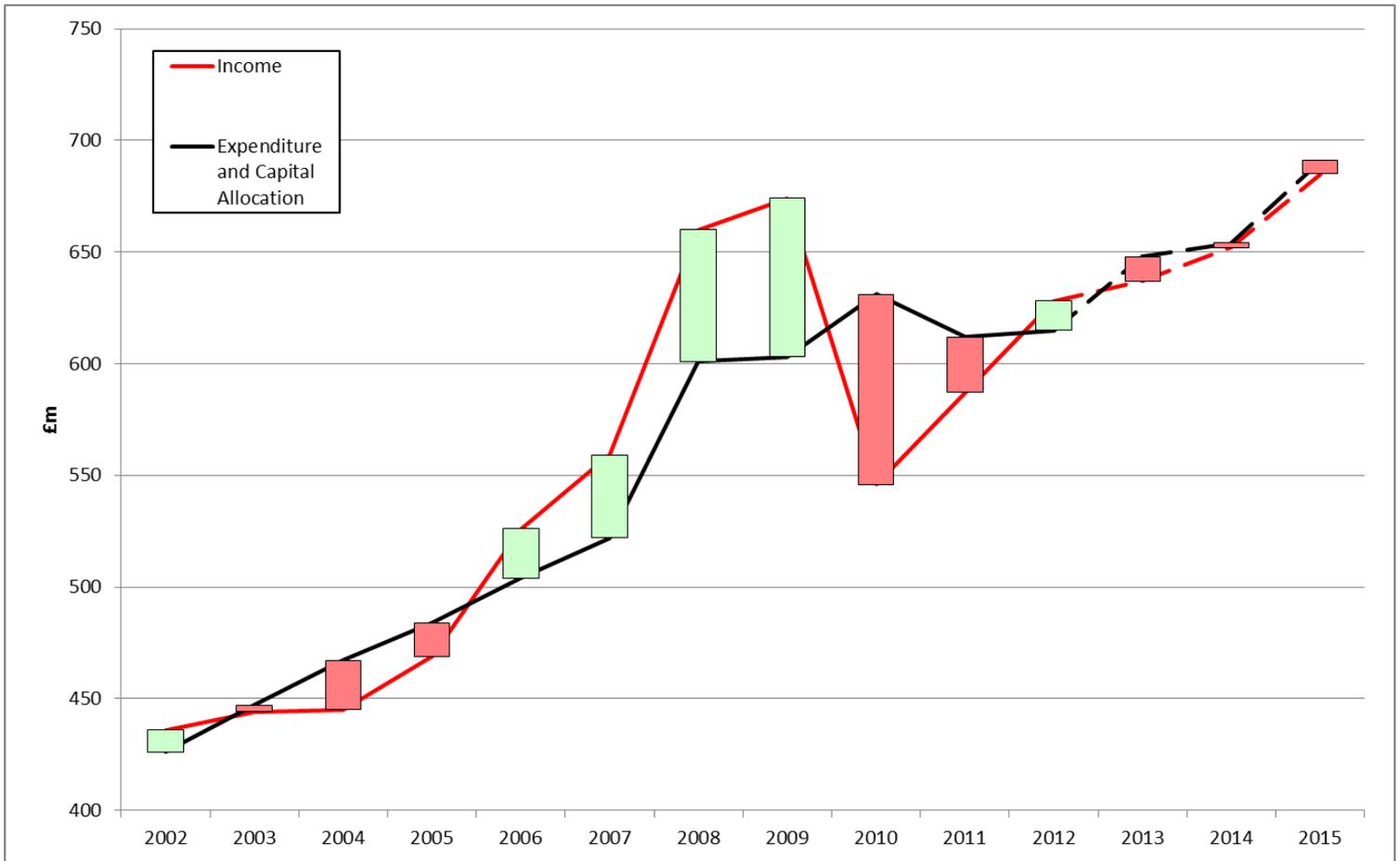
Restraint on
future pay
awards

Utilising other
unspent
balances

Extra dividend
Jersey Post

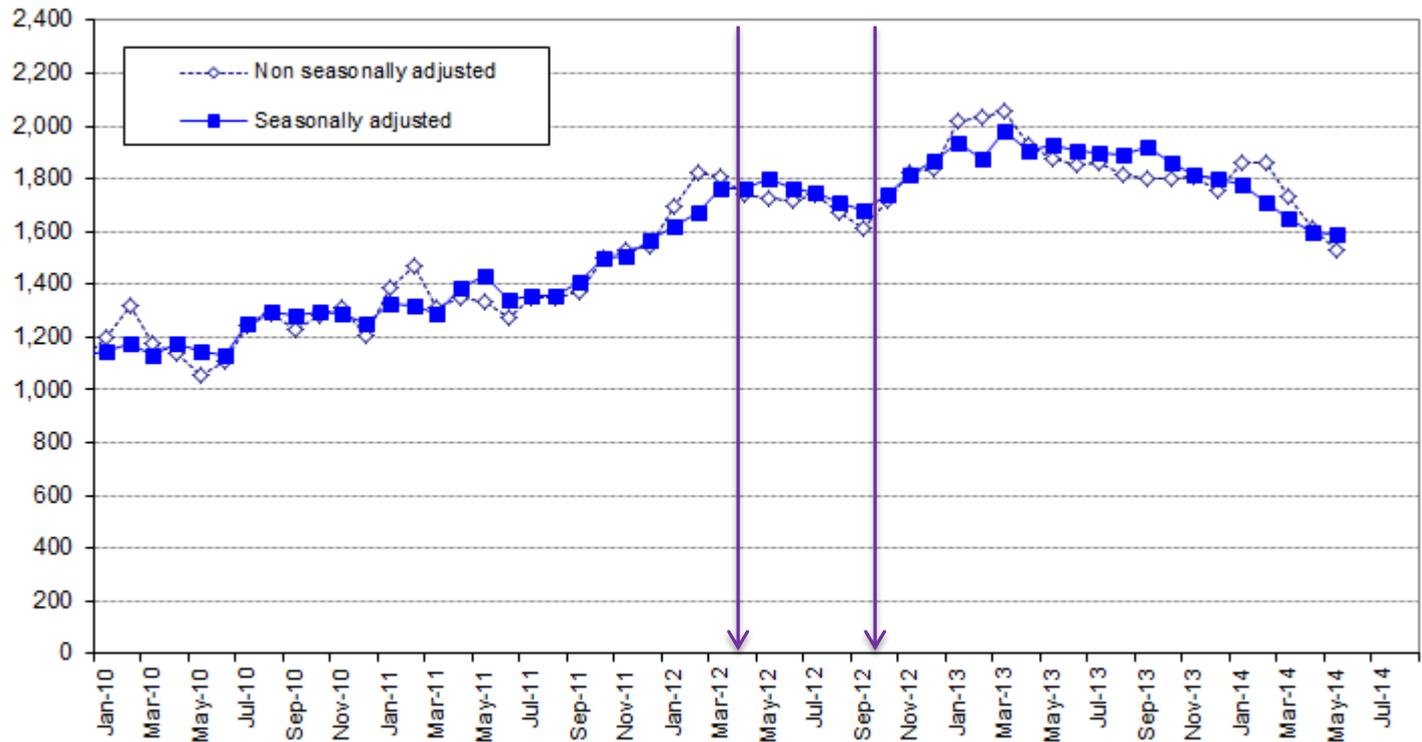
Extra dividend
Jersey
Telecoms

Budget 2015: after proposed measures

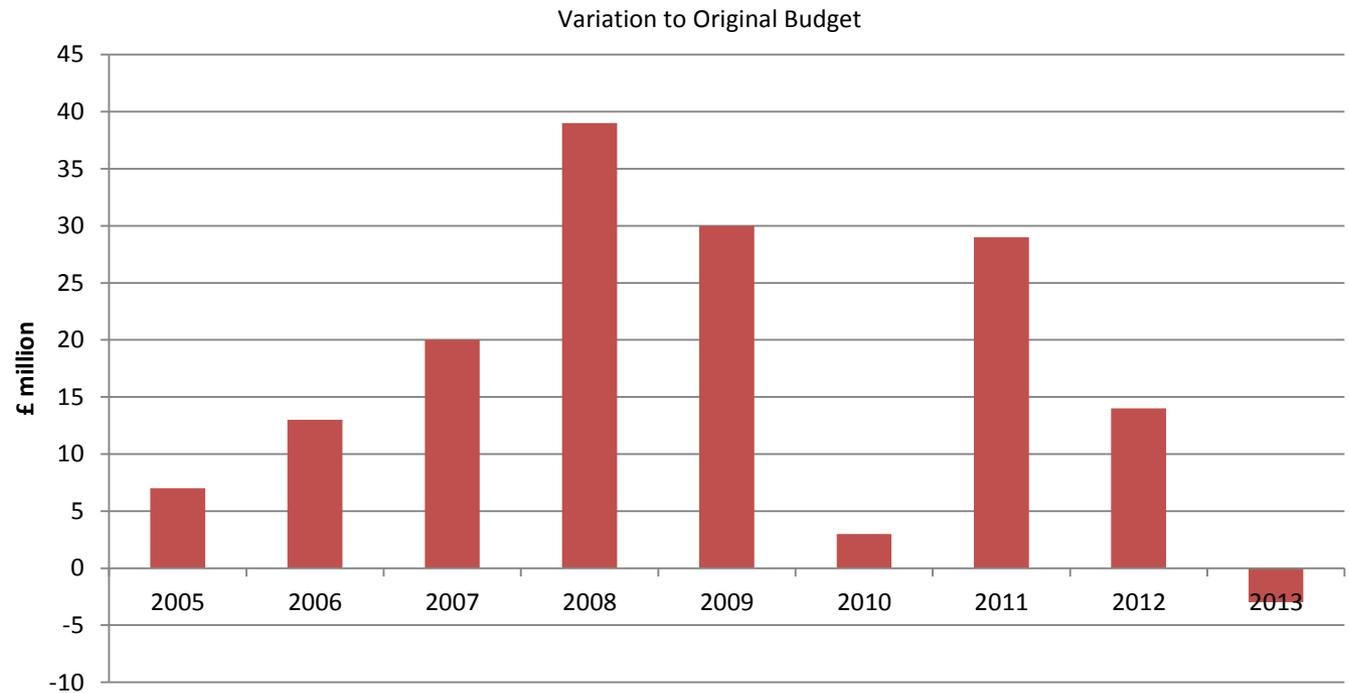


Unemployment

Registered as actively seeking work: January 2009 – May 2014



In recent years Income Tax forecasts have underestimated Income Tax revenue actual



The graph highlights the difficulties in forecasting Income Tax Revenues and in particular a trend for actual to exceed original budget.

2015 Budget Measures



Budget 2015 – Key Considerations

- Maintain a stable tax system and sustain a lower marginal rate of taxation
- Enable recovery and protect our strong financial position
- Support the housing market which is showing signs of recovery
- Continue to put more money into the economy than we take out of it by protecting capital spending and making no significant tax changes
- Support long term savers by providing greater flexibility on the tax treatment of pensions



Budget 2015 – Measures being proposed

Proposal	Cost / Revenue
Maintain the marginal rate at 26% for 2015	None
Increase income tax exemption thresholds by 1.7%	£2.9m cost (2016)
Freeze Tax Allowances	None
Introduce positive changes to the tax rules applying to pensions and pension schemes	None
Cap mortgage interest tax relief at £15,000	Additional revenue for 2015 estimated to be £100,000
Reduce the Stamp Duty/LTT rates on the cost of borrowing (Nil for the first £300,000 then 0.25% on balance up to a maximum property cost of £400,000)	£530,000 cost
Increase the Stamp Duty/LTT payable on purchasing property costing £1m or more on an increasing scale	Additional revenue £860,000



Budget 2015 – Measures being proposed

Proposal	Cost / Revenue
Enable fair rates of probate duty to apply to charities and individuals	None
Amend the double tax credit provisions in order that marginal rate taxpayers can benefit	£0.5m cost (2016)
Oil supplying companies to pay tax at 20% on profits as intended	None
Taxpayers returning to the Island after a period of non residence are put on a current year basis for ITIS	None
Align the time limit for a repayment of GST with the Income Tax Law	None



Impôts Proposals – Increase per Unit

The proposals for increases in duty from 31st December 2014 are as follows:-

	Duty Rate Increase	Increase per Unit
Spirits	1.7%	21.7p per litre bottle at 40% abv
Wines	1.7%	2.4p per 75cl bottle of table wine
Strong Beer	1.7%	1p per pint over 4.9% abv
Weak Cider	6.9%	1.1p per pint under 2.8% abv
Standard Cider	6.9%	2.2p per pint under 4.9% abv
Strong Cider	8.7%	4.6p per pint over 4.9% abv
Tobacco	4.7%	22.4p per packet of 20 cigarettes
Fuel	2.2%	1p per litre of unleaded petrol
VED	1.7%	

Impôts Proposals – Previous 5 Year Data continued..

Based on the above percentage increases for each commodity the actual increase in price is listed in the table below:

Commodity	2010	2011	2012	2013	2014
Litre Spirits at 40% abv	Nil	58p	50p	105p	126p
75cl Bottle Wine	Nil	7p	6p	13p	5p
Weak Pint Beer	Nil	2p	1p	2p	1p
Strong Pint Beer	Nil	2p	1p	2p	5.6p
Packet of 20 Cigarettes	Nil	35p	35p	38p	47p
Litre of unleaded Petrol	Nil	2p	Nil	Nil	0.6p



Summary of Duty Revenues

Based on the above percentage increases for each commodity the actual increase in price is listed in the table below:

Commodity	Revised MTFP as adjusted from previous year's budget (£'000)	Budget 2015 (£'000)	Variation in forecast to MTFP (£'000)
Impôts on Spirits	4,724	4,858	134
Impôts on Wine	7,891	7,677	(214)
Impôts on Cider	902	1,113	211
Impôts on Beer	5,601	5,194	(407)
Impôts on Tobacco	14,236	15,316	1,080
Impôts on Motor Fuel including Fuel Duty Rebate	20,584	20,395	(189)
Impôts on Goods imported	150	200	50
Vehicle Emissions Duty	924	896	(28)
Total Impôts Duty	55,012	55,649	637

Capital Programme 2015

	£'000 2015 Budget
Chief Minister's	
E Government	320
JDE Development and Upgrade	1,238
Payroll Replacement	1,000
Chief Minister's total	2,558
Education, Sport and Culture	
School ICT	1,000
Additional Primary School Accommodation (Phase 2)	2,134
Sports Strategy Infrastructure (Phase 2)	1,450
Education, Sport and Culture total	4,584
Health & Social Services	
Future Hospital (Phase 2)	22,700
Replacement of MRI Scanner	2,277
Replacement of RIS/PACS	1,567
Refurbishment of Limes	1,662
Health & Social Services total	28,206
Transport and Technical Services	
Infrastructure Rolling Vote	11,097
Liquid Waste Strategy (Phase 1)	25,494
EFW Plant La Collette Replacement Assets	681
Road Safety Improvements	635
Transport and Technical Services total	37,907
Vehicle Replacement (additional from consolidated fund)	300
Replacement Assets	2,827
Total Programme	76,382



Budget 2015 Amendments

- The closing date for States Members to propose amendments to Budget 2015 has now passed

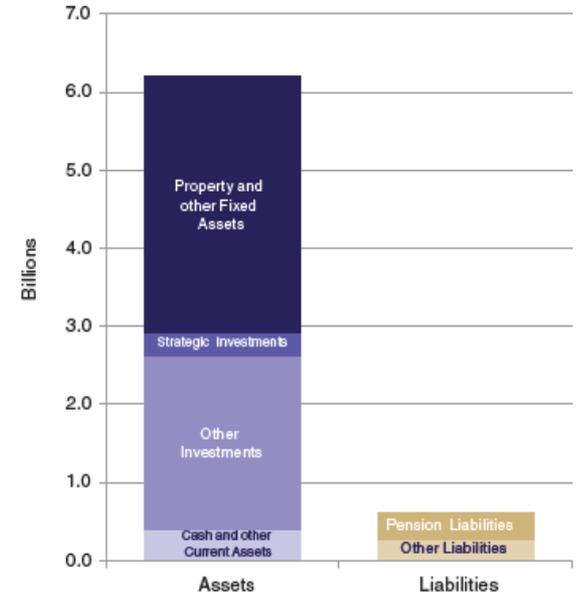
- Three amendments have been proposed as follows:-
 1. That health insurance premiums paid by taxpayers over the age of 55 shall qualify for relief from income tax with effect from the year of assessment 2015 (brought by Deputy Young)

 2. That the estimate of income from taxation during 2015 shall be reduced by £277,000 by maintaining for 2015 the current reduced rates of stamp duty and land transaction tax for first- time buyers on properties up to a value of £450,000 and not removing this concession on 1st January 2015 (brought by Deputy Young)

 3. That the estimate of income from taxation during 2015 shall be reduced by £3,400,000 by exempting or zero-rating domestic energy from Goods and Services Tax from 1st January 2015 (brought by Deputy Tadier)

Managing the Balance Sheet as well as the Budget

- The States has a healthy Balance Sheet.
- As at 31st December 2013 we had net assets of £5.6 billion.
- £3.3 billion of Property and other Fixed Assets
- £2.4 billion of Long Term Financial Assets
- In June we successfully issued a bond for £250 million at a coupon of 3.75% for 40 years.
- This is to be managed through the Housing Development Fund, the rules of which have been set out in the draft Budget 2015 report.



Strategic Reserve

- Budget 2015 sets out the rules to be applied for the future operation of the Strategic Reserve Fund
- States approval is being sought to agree that the Strategic Reserve balance at 31 December 2012 should be defined as the capital value of the Fund (£651,216,000)
- The capital value of the fund is to be maintained in real terms in future years by increasing the capital value in line with increases in RPI(Y)
- The capital value increased from £651m to £743m in 2013, a £92m increase
- States will be asked to approve £22.7m from these improved investment returns to help fund the hospital in 2015



Fiscal Policy Panel Annual Report – July 2014

- Independent economic experts made 10 recommendations, including:
 - Focus in 2014 and 2015 should be on supporting the economy
 - Policy should not change in light of lower tax receipts
 - **If** there is a structural deficit, address when economy has recovered
 - Plan for improvement in economic conditions and reduction in spare capacity
 - Monitor the Strategic Reserve relative to the size of the economy/States expenditure
 - Look at longer-terms projections for States income and expenditure.

- The FPP will undertake further work to inform the next MTFP.

- All 10 of the FPP recommendations have been accepted and acted upon.



Budget 2015: Conclusion

- We end this Administration in 2014 with a much stronger Balance Sheet
- We have been bold and innovative in finding investment solutions for housing, the hospital and liquid waste which will benefit Islanders for decades to come
- We still face challenges on the “Current Account”
- And will need to do all we can to balance spending needs with tax take and promote economic growth
- This Budget maintains our position of financial strength and prudent management – the prerequisites for a prosperous economy





Pension Reform



TREASURY
& RESOURCES

Pension reform - background

- Jersey's tax rules applying to pensions have not kept pace with societal changes and have fallen behind those applied in comparable jurisdictions
- Undertook a consultation on the tax rules applying to pensions and pension schemes (launched October 2013)
- Main aims of consultation:
 - Simplify
 - Modernise
 - More flexibility
- Overall respondents were supportive of proposals, but wanted greater flexibility



Pension reform – key changes proposed

- Removal of rule that forces members of occupational pension schemes to choose between retirement and continuing in employment
- Much greater flexibility over access to 30% tax free lump sum
- Greater access to the flexibility of approved drawdown contracts
- International pension fund transfers to be permitted on a much broader basis
- Already in place for 2014 – ability to pay up to 50% more from a retirement trust scheme as a pension



Pension reform – next steps

- Legislation due to be debated by the States alongside the Budget
- If agreed, changes become effective from 1 January 2015
- Need to do more to encourage Islanders to make suitable provision for retirement
- Work has commenced on the issue of pension regulation with the JFSC
- Monitoring the changes in the UK, once final package of measures is determined will consider what, if any, changes should be made in Jersey



QUESTIONS

