STATES OF JERSEY

BUDGET

STATEMENT 2008

(as amended 04.12.2007)

MINISTER FOR
TREASURY AND RESOURCES

BUDGET STATEMENT 2008

PROPOSITION

The States are asked to decide whether they are of the opinion:

a) to approve the estimate of total taxation revenue in 2008 of £570,020,000 as set out in summary table A on page 30 of the Budget Statement, with the sum to be raised through existing taxation measures and the proposed changes to income tax, impôts duty, stamp duty and share transfer property tax for 2008 as set out in the Budget Statement;

b) to agree that the sum of £25,000,000 should be transferred from the Consolidated Fund to the Stabilisation Fund in 2008 as soon as appropriate amendments to the Public Finances (Jersey) Law 2005 to allow the transfer to take place are in force.

MINISTER FOR TREASURY AND RESOURCES

Contents

1. FOREWORD

MINISTER FOR TREASURY AND RESOURCES

I am pleased to present my second Budget as Minister for Treasury and Resources in accordance with the Public Finances (Jersey) Law 2005. I should take this opportunity to remind Members that this Budget Statement now only considers measures for taxation and borrowing, and any proposals for transfers to or from the Strategic Reserve. I am this year also taking the opportunity to propose a transfer of further funds to the newly created Stabilisation Fund as part of these Budget proposals. All decisions on expenditure allocations were taken in the Annual Business Plan debate in September, and it remains for me to take account of those decisions and the revised financial forecasts when presenting the tax and funding proposals in this Budget.

In addition I am required to present to the States, alongside the Budget Statement, the required taxation drafts in the form of the draft Finance Law 200- and the draft Income Tax (Amendment No. 26) (Jersey) Law 200- to give effect to the new tax and duty measures and changes that are being proposed.

The Strategic Plan and this year's Annual Business Plan approved quite significant increases in expenditure. This investment was part of our vision to protect and improve the level of public services and invest in social, environmental and economic initiatives. This vision was predicated on maintaining Jersey's competitive position and supporting the economic growth required in the Fiscal Strategy.

The latest financial forecasts show that our confidence in these policies was justified and the forecast increases in profits and earnings, and the success of the economy, are now reflected in the significantly improved tax revenues expected in 2007 and continuing in 2008. This success can also be seen in our recent economic growth results which show a 7% real increase in 2006 from 2005. This Budget demonstrates that we can deliver a balanced and sustainable financial position while still investing appropriately for the future. This position has only been achieved by sticking rigorously to the measures and timetable of our Fiscal Strategy and we must complete the delivery of the remaining measures, including GST, over the coming year.

In light of the improved forecasts and acknowledging the impact of fiscal measures recently brought in and, with the further impact of GST next year, the Council of Ministers is supporting my proposals in this Budget to provide some relief to those most affected. I am therefore proposing, in addition to the agreed increase in tax exemption limits last year, further increases for 2008 and 2009, increases to child allowances of 20% and an increase in the stamp duty relief for first-time buyers.

In further recognition of the significant improvement in the financial position I am proposing a transfer to the Stabilisation Fund equivalent to the expected surplus in 2007 of £25 million and if the surpluses forecast for 2008 and 2009 come to fruition then I will be proposing further significant transfers in future years. I say if, because we are currently assessing the impact on our Island of yet another external pressure beyond our control, the current ‘credit crunch’ in the global finance sector. But whilst I am not yet prepared to bank all our forecast surpluses I am confident that we are in a very strong position to deal with the impact of this latest threat and continue to prosper.

In conclusion I should like to record my appreciation for the support of the Council of Ministers in bringing together this Budget, following on from the recent Annual Business Plan, in a corporate and responsible manner and within the constraints of the agreed financial framework. I should also like to thank the Comptroller of Income Tax, the Director of Customs and Excise, the Economic Adviser, the Law Draftsman and a small but dedicated team of officers working under the aegis of the Treasurer of the States, without whom this Budget Statement could not have been produced in such a timely and efficient manner.

Senator Terry Le Sueur
Minister for Treasury and Resources **October 2007**

2. EXECUTIVE SUMMARY

Key features of the 2008 Budget are as follows:

Financial Forecasts

- The forecasts show a significant improvement in all future years since those prepared in June for the Annual Business Plan 2008.
- The improvement is principally in income tax revenues arising from the current year assessments for tax to be collected in 2007 and the associated improvement in forward forecasts which result.
- The forecasts show that the States will achieve balanced budgets over the five-year planning cycle provided that the Fiscal Strategy measures are implemented in accordance with the agreed timetable.
- The forecasts may not take full account of the adverse impact on tax revenues of the recent 'credit crunch' on financial institutions as it is too early for the effects to be quantified.

Tax Proposals (see also Amendments agreed)

The Minister's income tax proposals in the 2008 Budget are to:

- Confirm the increase in exemption thresholds of 2.5% for 2007 agreed last year and to announce a higher 3% increase in exemption thresholds for both 2008 and 2009.
- Increase child allowance by 20% for 2008, from £2,500 to £3,000 for the basic allowance for each child and from £5,000 to £6,000 for each child of parents with children at university or in further education.
- Facilitate greater market opportunities for new pension products.
- Offer electronic tax returns from 2009.

In addition to these measures, the Minister will also progress the remaining measures in the agreed Fiscal Strategy:

- Completion of the provisions for the 0/10% corporate tax structure.
- Implementation of a Goods and Services Tax from May 2008.
- Proposals for environmental taxes and their application in the early part of 2008.

Impôts Duty Proposals

The Minister's impôts duty proposals are to:

- Increase the duty on alcohol by 4% and tobacco duties by 4.5% representing:
    - 34 pence on a litre of spirits;
    - 4 pence on a bottle of wine;
    - 1 penny on a pint of ordinary beer;
    - 13 pence on a packet of 20 cigarettes.
- In respect of Fuel Duty, to increase duty by 4% on all road fuel by 1.6 pence a litre.
- Maintain the current scheme of Vehicle Registration Duty (VRD) in the short-term pending the development of a replacement scheme, probably to be based on vehicle emissions.

Proposals relating to Stamp Duty

The Minister's main proposals relating to stamp duty are:

- To propose a new Share Transfer Property Tax which will be assessed on the purchaser of the relevant shares.
- Increase the maximum level at which stamp duty discount for first-time buyers is available from £250,000 to £300,000.

Stabilisation Fund Transfer (see also Amendments agreed)

The Minister is proposing a transfer of £25 million from the Consolidated Fund to the Stabilisation Fund in 2008 as a provision against downturns in the economy.

Consolidated Fund (see also Amendments agreed)

The balance on the Consolidated Fund is estimated to be £111 million at the end of 2008, after allowing for the proposed transfer to the Stabilisation Fund.

The balance in future years is forecast to increase largely as a result of the timely introduction of a Goods and Services Tax ahead of the move to the 0/10% corporate tax structure.

Amendments agreed at Budget Debate 4 December 2007

The following Amendments to the Draft Budget Statement 2008 (P164/2007) were agreed by the States on 4 December 2008:

- The income tax exemption limits for the year of assessment 2008 are to be increased by 6.5% rather than 3% as originally proposed;
- The transfer to the Stabilisation Fund in 2008 will be increased to £38 million rather than £25 million as originally proposed; and
- The balance on the Consolidated Fund at the end of 2008 is now estimated to be £98 million after these amendments.

3. FINANCIAL FRAMEWORK

In accordance with the Public Finances (Jersey) Law 2005, the draft Budget Statement proposes the tax and borrowing proposals for 2008 with all the States expenditure allocations having been agreed in the Annual Business Plan debate in September.

The Annual Business Plan, approved earlier this year, outlined the financial framework for the next five years which showed that forecast budgets were broadly balanced over the five-year planning cycle and, with the current balances on the Consolidated Fund, the States' 'current account', the financial position was sustainable until 2013.

The five-year forecasts contained in Table 4.1 of this document show that the States policies are working well and the plans for economic growth are delivering the required increase in tax revenues. The income tax revenues show a significant improvement in all the forecast years since those produced in June for the Annual Business Plan.

The latest forecasts show that the financial framework consisting of the measures and policies within the approved Fiscal Strategy can deliver the objective of balanced budgets and a sustainable financial position, provided that the remaining measures are implemented on time; including the Income Support Scheme, GST and the remaining 0/10% provisions. Furthermore those underlying policies which have served us well over the last few years; balanced budgets, improvements in efficiency and sustainable growth in priority areas of public spending must be adhered to in order to achieve our target of low inflation. Importantly, this also means that the current spending limits must be adhered to and all the forecasts are based on this assumption.

Over the next twelve months a review of States spending will be undertaken, as agreed in the recent Business Plan debate, and this will inform the annual business planning process for 2009. The review will have an objective of identifying further efficiency savings and service reductions beyond the £35 million per annum already delivered in recent years. The review will involve chief officers, a nominated group of Assistant Ministers, the Public Accounts Committee, the Comptroller and Auditor General and will be supported by resources from the Treasury and Chief Minister's departments.

The recent Business Plan debate has also served to reinforce the importance of keeping Members informed and engaged as part of the process. As a result the process will continue to be developed and improved, recognising this point and particularly in relation to better coordination and communication with the Scrutiny function.

The final part of the financial framework is in terms of economic growth and there is an underlying assumption in our forecasts that real economic growth of 2% will continue beyond the lifetime of the current economic growth plan. This requires the States to continue to support and develop those policies and initiatives that will facilitate further productivity improvements and growth in the workforce (through increased participation of locals and/or inward migration).

As above average economic growth is achieved it must be locked away with the additional tax revenues and surpluses that arise transferred to the Stabilisation Fund or Strategic Reserve. The Stabilisation Fund in particular needs to be built up to its target as it forms a key part of a fiscal framework to contain inflation, improve economic stability and create the conditions for sustainable economic growth in the Island. The recent appointment of the Fiscal Policy Panel means we will have for the first time independent, economic expertise to advise on these policies and decisions.

There will also be continued improvements to our current reporting and monitoring processes. The identification and approval of a dedicated resource to deliver Generally Accepted Accounting Principles (GAAP) and Resource Accounting will enable many initiatives to be taken forward to improve the quality of reporting and therefore of the information in support of business decisions. This will gradually extend to the quarterly financial reporting and performance monitoring from departments to the Council of Ministers.

The GAAP project will also assist in the greater integration of strategic and business planning with resource allocation. This will be achieved in stages, gradually bringing financial allocations more in line with strategic and business objectives over a period of time.

In summary, the current financial position is very healthy and this has only been achieved by having a clear financial framework and sticking rigorously to the measures approved in the Fiscal Strategy. The longer term forecasts still show potential structural deficits, although these are now reduced and there is also uncertainty around the effect of the current ‘credit crunch’ and the scale of the 0/10% deficit. The States can be confident that it can continue to prosper through this period if it holds to the policies that have served it well thus far.

The States must not become complacent and must remain committed to its financial framework providing sustainable public services through tight controls on States spending, improved public sector efficiency leading to balanced budgets and contributing to low inflation. In addition the new fiscal framework will provide a wider economic assessment to inform measures to contribute to containing inflation and improving economic stability. Finally, it is essential that the remaining fiscal measures approved in the Fiscal Strategy are implemented in accordance with the current timetable.

4. FINANCIAL FORECAST 2006 - 2012

Background
The financial forecasts are typically prepared three times a year and in 2007 have been revised at appropriate points to inform the preparation of the Annual Business Plan 2008 and this Budget Statement.

Budget Statement 2008
The forecasts in the 2007 Budget, as amended, showed a deficit of £3 million in 2007 with surpluses in 2008 and 2009. The latest forecasts show a significant change from those figures as a result of:

- the improvement in the final 2006 financial position in respect of additional revenues from income tax and stamp duty;
- further improvements in the forecast of States revenues based on the current year income tax assessments and also the trends in duty revenues in the first eight months of 2007;
- a revised forecast of the effect of the move to the 0/10% corporate tax structure resulting in an increase of £10 million in the expected deficit; and
- the annual business planning process and quarterly expenditure monitoring during 2007 have identified service pressures and increases in benefits that could not be contained within previous spending limits. The 2008 Annual Business Plan proposed increases in net revenue expenditure of 7.3% in 2008 which were approved by the States and are included in these latest forecasts.

Summary
The overall effect of the changes since the 2007 Budget is a significantly improved financial position in each of the years from 2007 through to 2012. The increases in revenues, largely resulting from economic growth, have more than funded the increases in expenditure approved in the recent business plan debate. The increase in tax revenues forecast for 2007 is expected to be a robust base which will be maintained in future years. There is also confidence of continued growth in the short term, although this is partly offset by the recent 'credit crunch' problems affecting financial institutions and financial markets.

As a result of the increased tax revenues in the short term the deficits as a result of the move to a 0/10% corporate tax structure are likely to be increased and these have been reviewed. Despite these offsetting adjustments there is still a general improvement in the financial position with reduced deficits forecast in the longer term.
The forecasts beyond 2009 must be considered as indicative due to the assumptions made in respect of the significant fiscal changes and current uncertainty in financial markets.

The forecast financial position over the five-year planning period remains balanced and sustainable in accordance with the strategic objective and financial framework.

Table 4.1 Revised Financial Forecast (October 2007)

Actual 2006	Probable 2007		<------ Forecasts ------> 2008	2009	2010	2011	2012
£m	£m		£m	£m	£m	£m	£m
		States Income					
398	440	Income Tax	460	480	495	515	535
-	-	0/10% Corporate Tax Structure	-	(9)	(77)	(82)	(87)
-	-	Goods and Services Tax	30	45	46	47	48
53	52	Impôts Duty	52	52	52	52	52
23	26	Stamp Duty	27	28	29	29	30
-	-	Tax/Stamp Duty on Share Transfer	1	1	1	1	1
42	34	Other Income	33	32	28	25	24
9	10	Island Rate	10	11	11	11	11
525	562	**States Income**	613	640	585	598	614
		States Expenditure					
465	482	Net Revenue Expenditure	505	525	546	565	583
39	42	Net Capital Expenditure Allocation	40	38	39	39	40
504	524	**Total States Net Expenditure**	545	563	585	604	623
		One-off expenditure					
-	-	Income Support - Transitional relief	10	6	4	2	1
21	**38**	**Revised Forecast Surplus/(Deficit)**	**58**	**71**	**(4)**	**(8)**	**(10)**

Notes:

There are a number of assumptions behind the Financial Forecast in Table 4.1. These are:

Income Tax

- *2007 tax revenues are based on the latest tax assessments for earnings and profits in 2006 and these show significant increases.*
- *The 2008 revenues are based on specific assumptions about the increase in taxable profits, earned and unearned income for 2007. These forecasts are cautiously optimistic but do not and can not make specific adjustment for the recent 'credit crunch' as figures are not yet available.*
- *The forecast years, from 2009, include a general planning assumption of 2.5% increases in base income tax revenues ahead of the move to 0/10%. The effect of the new corporate tax structure is separately calculated.*
- *The impact of the change to a corporate structure 0/10% has been reassessed upwards to a range of £89 million to £104 million between 2009 and 2013, and the mid-point of this range at £96 million is included in these forecasts.*
- *The forecasts include the effect of the proposals to increase exemptions limits and child allowances in 2008.*

Impôts Duty

- *The forecasts reflect the predicted trends in consumption, which include a drop off for some goods, but also include an assumption that there would be annual increases in duty at a level equivalent to the Island RPI. The September RPI was not known at the time of drafting the report and is estimated at 4%.*
- *The forecasts and annual duty proposals reflect the currently agreed Alcohol and Tobacco Strategies.*

Stamp Duty

- *The forecasts for the current year continue to show significant growth based on the high turnover of properties. The future forecasts do not assume the same growth in turnover but that house prices in particular will continue to increase in future years at approximately 2.5% and that house sales will remain relatively stable.*
- *The forecasts include £1 million as a best estimate of the revenue to be derived from the new Share Transfer Property Tax but there is little available data on such transactions historically.*

Other Income

- *Within the forecasts are components of other income that may both increase and decrease so a cautious appraisal has been made.*
- *The principal increase in 2007 and 2008 is the revenue earned from EU retention tax which is higher than originally expected but may not be sustained.*

Island Rate

- *The Island Rate will increase annually according to the Island RPI (March) as prescribed in the Rates Law.*

Total States Net Expenditure

- *The forecasts for total States net expenditure represent the revenue and capital expenditure allocations agreed in the Annual Business Plan debate in September.*

One-Off Expenditure – Income Support Transitional Relief

- *The forecasts indicate the current estimated profile of £22.5 million one off funding required to provide transitional relief to parties currently in receipt of benefits but whose entitlement will be reduced as a result of the new income support scheme.*

Revised Forecast Surplus/(Deficit)

- *The figures can only be forecasts and are as accurate as the assumptions they are based on. Beyond 2008 the forecasts, in particular of States revenues, can only be considered to be indicative*

5. FISCAL STRATEGY

Background
The States is in the course of implementing the Fiscal Strategy and most of the proposals have been agreed and many are already in place in relation to the Economic Growth Plan, Income Tax Instalment Scheme, '20 means 20' measures, a new fiscal framework, Stabilisation Fund and a new policy for the Strategic Reserve. We also have in place a financial framework for balanced budgets over the five-year planning cycle.

Over the next 12 months the remaining proposals, most of which have already been approved, will be implemented. The regulations for the Income Support Scheme were approved in October to enable implementation in January 2008 ahead of the proposed Goods and Services Tax in May 2008. The status of the remaining components of the strategy, still to be implemented, are outlined in the following section.

0/10% Corporate Tax Structure
Due to competitive and international pressures, in order to maintain a prosperous and competitive economy, the States agreed in July 2004 (P.106/2004) to move to a 0/10% corporate tax structure. Extensive research on the detailed design of the 0/10% tax model has been undertaken and proposals for a reformed corporate tax structure were published at the beginning of May 2006. Consultation on these 0/10% proposals concluded at the end of July 2006.

The States approved the detailed structure of the 0/10% regime on 30th January 2007 and should debate shareholder provisions in November 2007. Once approved by the States the reformed tax structure will be fully in place as from 2009, thus giving businesses and the international community the confidence it requires to continue investing in the Island's economy.

As international obligations are separate from the Fiscal Strategy, ongoing work in respect of the EU Savings Directive and OECD Tax Information Exchange Agreements will continue to be progressed.

Goods and Services Tax (GST)
In order to help fill the revenue deficit arising from the move to 0/10% and for the Island to become somewhat less reliant on direct taxation, the States agreed in July 2005 (P.44/2005) to introduce a 3% broad-based Goods and Services Tax (GST) in early 2008. The introduction of GST at 3% should raise up to £45 million in taxation revenue. However, this tax yield is based on the assumption that there are very few exclusions from the tax. If further exclusions had been approved then the effect would be to raise the rate of tax above 3% in order to generate the same yield (£45 million) and significantly increase the costs of compliance for businesses and administration for the two agencies involved (Income Tax and Customs).

A considerable amount of implementation work has taken place, led by the Goods and Services Tax Director at the Income Tax Office in conjunction with internationally renowned Crown Agents, in planning for the introduction of GST. Consultation on the enabling legislation (law and regulations) has been undertaken, together with a parallel consultation exercise on how GST might work for the Financial Services Industry (FSI) to ensure that it will contribute some £5 million-£10 million to the GST yield, in addition to a continuing significant contribution in direct profit taxes at the 10% rate under the 0/10% system. Consultation on the GST legislation concluded at the end of August 2006 and the Primary Law was approved by the States in April this year and has received Royal Assent.

The GST Regulations are due for debate on 23rd October 2007 and if approved by the States GST will be implemented as from May 2008. The Regulations affecting how the FSI will be treated and proposals for a de minimis level are currently being finalised and should be lodged for States approval before the end of the year.

Environmental Taxes

The P.44/2005 debate also agreed the investigation of potential environmental taxes on waste, motor transport and energy. In addition the Minister for Planning and Environment was asked to advise on an environmental tax that could replace the current Vehicle Registration Duty. Detailed research work was undertaken by the Environment Minister's Department and reported to the Council of Ministers which concluded that there was a range of viable environmental taxes, the revenues from which could support the achievement of our strategic objectives for greater waste recycling, enhanced public transport and an energy efficiency programme, as well as replacing VRD.

The Council of Ministers' preference was to consult on a single, simple environmental tax that was capable of raising sufficient revenue to fund both VRD replacement and the stated environmental objectives programme. The Environment Minister made full details of this research available to the public and in the first quarter of 2007 consulted on a preferred environmental tax of an annual motor vehicle duty based on vehicle emissions.

The respondents to the consultation made four very clear points:

1. They were supportive of the planned spending on environmental objectives.
2. Taxes collected for this purpose should not be diverted to other priorities.
3. A tax on motor vehicle usage rather than ownership would be perceived as a fairer option.
4. They would prefer the phased introduction of any new tax.

Having considered the feedback from the public to the consultation exercise it would not have been sensible to try and rush the introduction of environmental taxes in the 2008 budget and consequently a replacement of VRD is not being proposed at this time. However the investigation of the options for a replacement continues. The Council of Ministers has commissioned a further comprehensive report which is expected in the first quarter of 2008 and which, if supported by the Council of Ministers, will allow a proposal to be brought to the States for a phased introduction of environmental taxes and the replacement of VRD along with associated environmental initiatives.

Fiscal Timeline

Law Drafting on Share Transfer proposals begins	8th October 2007
States Debate GST Regulations	23rd October 2007
Lodge 2008 Draft Budget Proposals together with supporting legislation	23rd October 2007
Lodging of Comments on behalf of Treasury and Resources Minister in Response to GST Petition (P.125/2007)	16th October 2007
GST Petition Debate (P.125/2007)	6th November 2007
Lodging of Comments on behalf of Treasury and Resources Minister in Response Price Marking Debate (P.149/2007)	13th November 2007
States Debate Price Marking issue (P.149/2007)	20th November 2007
0/10% Shareholder Provisions Legislation Debate	20th November 2007
States Debate 2008 Budget and GST Appointed Day Act (P.121/2007)	4th December 2007
Lodging of Share Transfer Property Tax Draft Law	4th December 2007
Lodging of GST Regulations for the Financial Service Industry	4th December 2007
GST Registration begins	1st January 2008
States Debate Share Transfer Property Tax Draft Law	15th January 2008
States Debate on GST Regulations for the Financial Services Industry	16th January 2008
New Income Support scheme starts	January 2008
Revised Environmental Tax proposals	By March 2008
Target date for implementation of Share Transfer Property Tax	April 2008
GST begins	1st May 2008
Price marking legislation implemented	May/June 2009

6. INCOME TAX PROPOSALS (as amended)

Background
Income tax revenues represent almost 80% of States income but these tax revenues remain relatively volatile as a high proportion is derived from tax on company profits. The States Fiscal Strategy will begin to broaden the tax base of the Island by introducing a new indirect tax in the form of a Goods and Service Tax. As well as mitigating some of the loss in revenues anticipated from the move to a competitive 0/10% corporate tax structure the change will also increase the stability of tax revenues.

However, even after these planned changes, a significant proportion of States income will still be derived from income tax. Consequently, the figures beyond 2008 must be considered as indicative forecasts, particularly with the uncertainty of the impact of the fiscal changes over the next five to ten years and the current ‘credit crunch’ affecting the global finance sector.

Latest Forecasts
The forecasts show that income tax revenues are expected to increase by 10% in 2007, and by a further 4.5% in 2008. For 2007 the forecasts are based on the current assessment of earnings and profits for 2006 and the revenues in 2008 and beyond are forecast from this base.

The current assessments show growth in international business company and other company tax revenues reflecting in part the widely reported increase in profitability of finance companies, but profits in the construction sector have also shown a significant increase. There is also significant growth in the tax revenues from earnings in 2007 and this is made up of a number of factors. The impact of ITIS had always been expected to increase revenues but the level of increase is higher than expected probably reflecting a greater number of seasonal workers who now only receive a proportional tax allowance. There has also been an increase in employment figures and higher than expected rates of pay. In total tax from earnings is forecast to increase by 16% over 2006.

The forward forecasts reflect the changes arising from the ‘20 means 20’ measures approved last year and the proposals for changes in exemptions limits and child allowances in this year’s budget. The forecast of the deficit from introducing the 0/10% tax structure, the so called ‘black hole’, has also been revised to reflect the latest tax assessment data and the effect is to increase the deficit by £10 million, the forecast range now being £89 million to £104 million.

Proposals for 2008

The proposals for 2008 are intended to provide some relief to those most affected by the fiscal measures of ITIS, '20 means 20' measures and GST which will all have an effect in 2008.

Increase in Child Allowances

It is proposed to increase child allowance by 20% for 2008, from £2,500 to £3,000 for the basic allowance for each child and from £5,000 to £6,000 for each child of those parents with children at university or in further education with effect from year of assessment 2008. While this increase is estimated to cost £2.1 million in reduced tax revenues it will recognise the pressure on families with children, in particular those looking for nursery provision or faced with the increased cost of higher education.

Further Increases in Exemption Limits

In last year's Budget the States approved proposals as part of the '20 means 20' measures to increase tax exemptions by 2.5% for each of the next three years. The Minister is now proposing further increases to a total of 3% in both 2008 and 2009. The proposals will ensure that more taxpayers in the lower income range are kept out of the 'tax net'. The enhanced exemption limits will also ensure that those in the middle income range also gain.

As a result of an Amendment to the Budget by the Minister for Treasury and Resources the income tax exemption limits were increased by 6.5% for 2008.

Greater Opportunities in Pension Products

Amendments are proposed to the current pension provisions in the Income Tax (Jersey) Law to assist in providing greater market opportunities for pension products for the general public. This will be achieved through the introduction of a trust vehicle, which will ensure greater choice, and a more cost effective, flexible and transparent pensions vehicle.

Electronic Tax Returns

It is proposed that a system is introduced for personal taxpayers for the year of assessment 2009 under which they will have the option to file their Income Tax Returns electronically. This will allow those taxpayers to self assess their own personal tax liability online through the Income Tax Office electronic online service which currently caters for all ITIS payments from employers and European Union Savings Directive payments from paying agents. As an incentive, all personal taxpayers will be given a credit of £20 against their tax bill when they file and self assess electronically. Detailed guidance notes will be available for those who wish to use this new service and it is expected that self assessment will be available from January 2010 for year of assessment 2009. A robust system of random checks will be employed to ensure compliance. It is anticipated that there will be no additional resource cost for this new service as it will be possible to introduce it within the current operational budget of the Income Tax Office.

Commissioners of Appeal

The Commissioners of Appeal are independent from the Office of the Comptroller of Income Tax. They are the first point of appeal for taxpayers against decisions of the Comptroller. Further appeals are allowed, either by the taxpayer or the Comptroller, to the Royal Court and, if necessary, all the way to the United Kingdom Privy Council. In anticipation of the new Goods and Services (Jersey) Tax, which the Comptroller will administer, it is proposed that the current number of Commissioners, who total eight, be increased to twelve, as they will have to handle both income tax and goods and services tax appeals with effect from 2008.

Exemptions and Allowances

Exemptions

Increases in tax exemption limits were approved in last year's Budget as part of the revised '20 means 20' measures. As a result of this years proposals they will **increase by 6.5% for 2008 (as amended)** and 3% for 2009.

Table 6.1
Exemption Thresholds for Year of Assessment 2007 to 2009 (as amended)

Exemptions and Allowances	*Year of Assessment* 2007	*Year of Assessment* 2008	*Year of Assessment* 2009
Exemptions			
- Single Person	£11,300	£12,040	£12,400
- Single Person (aged 63+)	£12,610	£13,430	£13,830
- Married Couple	£18,130	£19,310	£19,890
- Married Couple (aged 63+)	£20,760	£22,110	£22,780

Allowances

The allowances for year of assessment 2007 and 2008, as proposed under the '20 Means 20' measures, are shown in Table 6.2 for illustrative purposes. This illustrates that for taxpayers affected by the '20 means 20' measures the allowances reduce by one fifth in year of assessment 2007, and by two fifths in 2008. The allowances are further reduced by one fifth each year through to year of assessment 2011. However, for the purposes of assessment of taxpayers under the 27% marginal rate, all tax allowances remain unchanged. Table 6.2 shows the proposed 20% increase in child allowances.

Table 6.2
Proposed Allowances for Year of Assessment 2007 and 2008

Allowances	*Year of Assessment* 2007 (at Marginal 27% rate)	*Year of Assessment* 2007 (at Standard 20% rate)	*Year of Assessment* 2008 (at Marginal 27% rate)	*Year of Assessment* 2008 (at Standard 20% rate)
- Single Person	N/A	£2,080	N/A	£1,560
- Married Person	N/A	£4,160	N/A	£3,120
- Earned Income (max)	N/A	£2,720	N/A	£2,040
- Wife's Earned Income (max)	£4,500	£3,600	£4,500	£2,700
- Child Allowance	£2,500	£2,500	**£3,000**	**£3,000**
- Child Allowance (higher education)	£5,000	£5,000	**£6,000**	**£6,000**
- Additional Allowance*	£4,500	£4,500	£4,500	£4,500

**for people with single-handed responsibility for children*

TAX FACTS

The following **Tax Facts** provide an illustration of the existing personal tax structure and also provide relative comparisons against other jurisdictions.

The tax threshold, i.e. the point above which an individual starts to pay income tax, is determined by the individual's personal circumstances. For example, a married couple, who are both working and have two children (one at university) paying mortgage interest of £7,500, do not become liable to income tax in 2007 until their income exceeds £37,630. For 2008 this would increase to **£40,310 (as amended)** under the current proposals, calculated as follows:

	2007	**2008**
Married Couple Exemption	£18,130	£19,310
Wife's Earned Income (max)	£4,500	£4,500
Child Allowance	£2,500	£3,000
Child Allowance (higher)	£5,000	£6,000
Mortgage Interest	£7,500	£7,500
	£37,630	**£40,310**

<u>Comparisons</u>

The historically generous tax thresholds in Jersey mean that despite the freezing of most allowances and exemptions for several years, many Islanders still pay less tax than in most neighbouring territories. It should also be noted that 17.5% VAT is an additional tax burden in the Isle of Man and the UK.

The **income tax payable by a married couple** in 2006 with a joint income of £30,000, without children or a mortgage, is as follows:

Isle of Man	£1,266
Jersey	**£2,111**
Guernsey	£2,700
United Kingdom	£4,244

The **income tax payable by a married pensioner** in 2006 (aged 63+) with an income of £20,000, without a mortgage, is as follows:

Jersey	**£NIL**
Guernsey	£100
Isle of Man	£266
United Kingdom	£1,933

The figures in respect of the Isle of Man reflect its competitive policy for direct taxation which this jurisdiction is able to adopt because of its significant indirect tax revenue.

7. IMPÔTS DUTY PROPOSALS

Background
The Minister is continuing the policy of including the proposed duty increases in the Budget Statement ahead of Budget Day, and the proposals for 2008 are indicated in Table 7.1.

The Minister continues with the consistent policy adopted in recent years by the then Finance and Economics Committee in relation to increases in duty, and importers now expect increases at budget time and make any decision regarding extra stocks accordingly.

As is now customary it is proposed that this year's increases in duty will not take effect until midnight on 31st December 2007.

Latest Forecasts
The forecasts of revenues from certain commodities of impôts duty can be unpredictable. A combination of the impact of duty free sales and the twin Health strategies, aimed at reducing consumption of alcohol and tobacco, results in fluctuating revenue from these commodities.

The Customs and Immigration Service employs long-term trends to attempt to average out these fluctuations and produce more accurate forecasts. The methodology has been reviewed including consultation with the Statistics Office and has been shown to be robust. Currently the forecasts show an improvement in the revenues forecast in last year's Budget and a further slight improvement since the Annual Business Plan in July. It should however be noted that the long-term trend of revenue from impôts duty is declining, which reflects the balance between the objectives of the twin Health strategies to reduce consumption and that of raising additional revenue. Consequently, the annual increases in duty, broadly in line with inflation, are fundamental to maintain the current level of revenues in the future

Alcohol
The Alcohol Strategy for Jersey was adopted by the States in 2004. One of the Strategy's aims is to reduce consumption, and price increases are identified as a potential tool. At the same time it recognises that there is a need to ensure that duty increases do not have a negative impact on the Island's economy, in particular local producers and the hospitality industry.

The Minister has taken note of the aims of the Alcohol Strategy and believes that for 2008 the correct basis for the duty increases should be the increase in the Retail Price Index. At the time of writing the most recent RPI figure was for June 2007 which showed an increase of 4.3%. Latest estimates suggest that the September RPI is unlikely to be higher than 4%.

Accordingly the Minister proposes that the duty on alcoholic beverages should rise by 4%

The percentage increase on the retail price would be significantly lower than the duty increases. The current differentials between duty and retail price can be seen in Table 7.3.

Tobacco

The policy of increasing duty on tobacco at a level above the cost of living is being continued. The ‘Tobacco Strategy for Jersey 2003 – 2007’ has as an objective; “to ensure that the cost of tobacco products increases annually over and above the level of inflation”. The proposed new duty rates are 4.5% higher than the current rates, and are thus above inflation. This is consistent with the Minister’s policy, as while the short-term effect is a small increase in the Retail Price Index, in the medium to long-term increases in indirect taxation reduce inflationary pressures.

The increase in tobacco duty is intended to discourage consumption and the Health and Social Services Department believes that the policy is having success.

Undoubtedly the high cost of tobacco is playing an important part in reducing consumption but there is also evidence to show that locals and tourists are increasingly turning to duty free sources for their tobacco supplies. The Customs and Immigration Service is monitoring this activity and personal importations in excess of the allowance continue to be detected. There is however no evidence or intelligence to suggest that there has been a marked increase in passengers evading Impôts duty by exceeding their statutory allowances or that commercial quantities of cigarettes are being smuggled into the Island.

Fuel

The Minister continues to consider all issues regarding the duty for fuel and in particular the need to address environmental issues and also the high margins which appear to exist in the retail price of fuel in Jersey.

The proposed increase in fuel duty is 4% or approximately 1.6 pence per litre.

The Minister remains keen to pursue, together with the Economic Development Minister, the issue of high price margins in monopoly markets. There still appears to be significant scope to encourage competition to reduce the retail price and offset the effects of the duty increases.

The relative margins within the retail price between Jersey and the UK can be seen in Table 7.3.

Duty Increases for 2008

Table 7.1
Duty Increases Proposed for 2008

	Current Duty		Proposed Duty		Increase
Litre of Whisky	£8.54		£8.88		£0.34
Bottle of Table Wine	£1.02		£1.06		£0.04
Pint of beer <5% alcohol	£0.26		£0.27		£0.01
Pint of beer >5% alcohol	£0.39		£0.40		£0.01
20 King Size cigarettes	£2.96		£3.09		£0.13
Litre of unleaded petrol	£0.39		£0.41		£0.02

Comparisons with neighbouring jurisdictions

Table 7.2
A Comparison of Typical 2007 Tax and Duty Levels for a Range of Commodities

	Jersey		Guernsey		UK		France
Litre of Whisky @ 40%	£8.54		£6.64		£9.85		£5.61
Bottle of table wine	£1.02		£1.07		£1.93		£0.35
Pint of beer < 5% alcohol	£0.26		£0.27		£0.69		£0.60
Pint of beer > 5% alcohol	£0.39		£0.27		£0.82		£0.74
20 King Size cigarettes	£2.96		£2.35		£4.07		£2.27
Litre of unleaded petrol	£0.39		£0.13		£0.62		£0.55
Litre of Diesel	£0.39		£0		£0.63		£0.40
1800 cc family car	£625		£0		£1,805		£1,950

The higher rates of duty in Jersey, compared to Guernsey, reflect our strategies against alcohol and tobacco and similarly those increases in road fuel in support of environmental initiatives.

Table 7.3

2007 Retail Price Margins – Comparisons with the UK

	Jersey Retail Price	Jersey Duty	Price net of Duty	Duty as % of price	UK Retail price	UK Duty	UK VAT	Price net of Duty and VAT	Duty and VAT as % of price
Litre of Whisky	£14.99	£8.54	£6.45	57%	£13.59	£7.82	£2.02	£3.74	72%
Pint of Beer <5%	£2.29	£0.26	£2.03	11%	£2.31	£0.35	£0.34	£1.62	30%
20 King Size Cigarettes	£4.85	£2.96	£1.89	61%	£5.04	£3.31	£0.75	£0.98	81%
Litre of Unleaded Petrol	£0.89	£0.39	£0.50	44%	£0.97	£0.48	£0.14	£0.35	64%
These figures are before the impact of the budget proposals.									

Table 7.3 illustrates that in all the above examples of dutiable products the proportion of price made up by duty is significantly lower in Jersey than the UK. Even allowing for other cost factors in Jersey there would appear to be a much greater margin in the retail price of products in Jersey than exists in the UK.

Vehicle Registration Duty (VRD)

Vehicle Registration Duty was introduced on 1st January 2003 and applies to all vehicles when they are first registered in Jersey, except for certain specific exemptions. Hire cars have a reduced rate of 15% of the full rate. In 2005 new rates of VRD were introduced for previously registered vehicles to take into account the reduced value of these vehicles.

The current rates for previously registered vehicles are 65% of the full rate for vehicles between one and two years old, 50% of the full rate for vehicles between two and three years old and 40% of the full rate for vehicles over three years old. Vehicles up to one year old pay the current full rates of VRD.

In May 2005 the States approved the Finance and Economics Committee's Fiscal Strategy which, inter alia, proposed a Goods and Services Tax (GST) to be introduced in 2008. The Committee announced that Vehicle Registration Duty would be repealed upon the introduction of GST with the revenue that would be lost replaced by a new environmental tax on motor vehicles.

In February 2007 a public consultation was undertaken by the Planning and Environment Department. The Consultation paper proposed that an annual banded Vehicle Emissions Duty be introduced in 2008.

Having considered the feedback from the public to the consultation exercise it would not have been sensible to try and rush the introduction of environmental taxes in the

2008 budget and consequently a replacement of VRD is not being proposed at this time. However the investigation of the options for a replacement continues. The Council of Ministers has commissioned a further comprehensive report which is expected in the first quarter of 2008 and which, if supported by the Council of Ministers, will allow a proposal to be brought to the States for a phased introduction of environmental taxes and the replacement of VRD along with associated environmental initiatives.

The Minister is therefore proposing that VRD continue in the short term and that there be no change to the levels of vehicle registration duty on motor vehicles for 2008.

8. STAMP DUTY PROPOSALS

Background
The budget proposals in the last two years have focussed on closing loopholes in the existing legislation. With the significant changes taking place in other aspects of the tax framework, changes to the underlying stamp duty rates have not been considered this year. At the time of preparing the budget proposals there have been no further proposals forthcoming in respect of clarifying the interpretation of the existing legislation or closing other loopholes which have become apparent. The legislation will continue to be kept under review and further proposals developed as required.

The Treasury and Resources Department has been considering over a period of time the fairly complex options necessary to capture a tax or duty from share transfer property transactions. The Minister is pleased to be able to announce proposals in this Budget Statement for a new Share Transfer Property Tax.

The Minister is also proposing a 20% increase in the value of properties from which first-time buyers receive a discounted duty rate.

Latest Forecasts
Unlike impôts duty which is consumption or volume based, stamp duty benefits in the current economic climate from the increase in house prices. The House Price Index has continued to rise and currently shows an 8% annual increase. The forecasts of stamp duty reflect this increase and also the high levels of activity. In 2007 the stamp duty revenues are again expected to exceed previous forecasts with an increase as much as 15% possible based on the experience of the first seven months of the year. The increase in price seems likely to continue in the short to medium term but it is more likely that the turnover of properties will level out.

Proposals for Stamp Duty in 2007
The Minister is proposing that Stamp Duty rates are frozen for the fourth consecutive year, recognising the significant changes in other aspects of the tax structure.

Property Value (£)	Current Duty Rate (%)
0 – 50,000	0.50
50,001 – 300,000	1.50
300,001 – 500,000	2.00
500,001 – 700,000	2.50
> 700,001	3.00

Increased Discount for First-Time Buyers
The Minister is proposing that the level of property on which a first-time buyer receives a discounted rate is increased by 20% from £250,000 to £300,000. This will mean that a first-time buyer purchasing a £300,000 property would save almost £2,000 in stamp duty.

It is difficult to estimate the additional amount of duty that will be lost under this proposal but it is not expected to significantly affect the stamp duty forecasts.

Share Transfer Property Tax

During 2005 the States overwhelmingly approved proposition P211/2004 which charged the then Finance and Economics Committee with preparing the necessary legislation, for consideration by the States, to introduce stamp duty on share transfer transactions involving immoveable residential and commercial property in Jersey. Following this decision, officers of the Treasury and Resources Department commenced a project to find the most suitable mechanism for introducing such a duty. After extensive research and consultation with interested parties Law Drafting Instructions have now been issued to give effect to the States' approval

The proposed Share Transfer Property Tax will be self-assessed on the purchaser of the relevant shares. Taxable transfers will relate to Jersey property only but will include both residential and commercial property. The occupancy of property will be incidental - a change in ownership of shares is the trigger for Tax to become payable. Tax will be assessed as exactly equal to that which would have been paid as Stamp Duty for the equivalent freehold property transactions. The intention is to amend related Laws so that a transfer of shares which constitutes a property transaction will not be legally valid unless the requisite Tax has been paid. Companies listed on a recognised stock exchange will be exempt. Transactions in shares of Development Property companies will be included within the scope of the Tax. Administration on the part of the States will be limited to the issue of receipts for Tax received.

The Minister for Treasury and Resources' proposals have been agreed by the Council of Ministers and the draft law is being prepared by the Law Draftsman. The intention is for the draft law to be lodged in advance of the Budget debate so that if there is in principle agreement then a debate on the legislation could take place at the earliest opportunity in the new year, for introduction during 2008.

There is no requirement currently to register share transfer transactions so the additional revenue to be earned is difficult to estimate. A provisional estimate of at least £1 million per annum has been included in the forecasts. A first-time buyer would save almost £2,000 on the purchase of a £300,000 property.

9. FISCAL FRAMEWORK (as amended)

A new Fiscal Framework
Alongside last year's Budget the Minister proposed (P133/2006) the establishment of a new Special Fund of the States in the form of a Stabilisation Fund. The States also approved proposals for a new policy for the Strategic Reserve and the appointment of a Fiscal Policy Panel all as part of a new Fiscal Framework.

The Fiscal Framework will help to contain inflation, improve economic stability and create the conditions for sustainable economic growth in the Island. This requires setting fiscal policy relative to the prevailing economic conditions, ensuring that it is countercyclical. The Stabilisation Fund is to be used to achieve these objectives and its use is to be guided by the recently appointed independent Fiscal Policy Panel.

In future an annual report will be published by the Fiscal Policy Panel outlining the current state and future trends in the Island's economy. The report will also include recommendations, based on the economic appraisal, as to the scale and nature of any appropriate transfers to and from the Stabilisation Fund.

As the Fiscal Policy Panel has only just been appointed it has not yet had the opportunity to prepare an economic appraisal but will be working closely with the Economic Adviser and Minister for Treasury and Resources over the next twelve months.

Transfer to the Stabilisation Fund in 2008
Although the Fiscal Policy Panel has not been able to make recommendations for 2008, the Minister, in consultation with the Economic Adviser, is proposing a transfer to the Stabilisation Fund in 2008 from the Consolidated Fund. In making this proposal the Minister recognises that:

- the current balance on the fund of £32 million is well below the recommended level of at least £75 million to £100 million;
- the increased surplus in 2007 is directly as a result of cyclical improvement in economic growth and the fiscal framework recommends that such surpluses in times of economic growth should be transferred to the Fund and not spent;
- there is a relatively healthy balance predicted in the Consolidated Fund even allowing for the **transfer of £38 million (as amended).**

There is a proposal to transfer funding to the Stabilisation Fund and the Minister will be proposing the necessary amendments to the Public Finances (Jersey) Law 2005 to allow this to happen. At this stage there are no plans to spend this money or the monies transferred last year. Indeed the Minister would have to take a separate proposition to the States to use these funds. The purpose of the Fund is quite clear from the original proposition and the Minister would want to be advised by the Fiscal Policy Panel before any proposal to use the Fund is considered.

The Minister would wish to alert Members that if the forecast surplus in 2008 comes to fruition then another proposition to transfer further monies to the Fund would be likely to be brought in next year's Budget.

10. FINANCIAL AND MANPOWER IMPLICATIONS

Financial Implications

The financial implications of the budget proposals are summarised in the financial forecast at Table 4.1 and in detail are as follows:

- Income Tax
    - the increase in child allowances in 2008 will result in reduced tax revenues of £2.1 million from 2009;
    - the '20 means 20' measures is estimated to generate additional tax revenues of £10 million p.a. by 2012. This will be reduced by £4 million as a result of the agreed increase to tax exemptions from 2.5% to **6.5%** for 2008 and 2.5% to 3% for 2009. The effect will be phased in, impacting on tax revenues from 2009 to 2012 **(as amended).**
- Impôts Duty
    - the effect of the proposals to increase impôts duties is to generate additional States income in 2008 of an estimated £1.8 million.
- Stamp Duty
    - the introduction of the proposed Share Transfer Property Tax is estimated to generate additional tax revenues of at least £1 million in a full year;
    - it is difficult to estimate the effect of the increase in first time buyer relief but it is anticipated this will be less than £1 million.
- Stabilisation Fund
    - **the proposed transfer of £38 million to the Stabilisation Fund (as amended)** would reduce the estimated balance on the Consolidated Fund at the end of 2008 by that amount.

Manpower Implications

The proposals within the Budget Statement 2008 will be implemented without any increase to current approved manpower levels.

SUMMARY TABLES
(as amended)

DRAFT BUDGET STATEMENT 2008

SUMMARY TABLE A:
STATES INCOME 2008

States Income Analysis - Sources of Income

2006 Actual	2007 Revised Estimate		2008 Estimate
£	£		£
		Income Tax	
171,245,000	188,000,000	Employees	197,000,000
34,520,000	35,000,000	Self Employed and Investment Holders	35,000,000
192,442,545	217,000,000	Companies	228,000,000
398,207,545	**440,000,000**	**Total Income Tax**	**460,000,000**
		Goods and Services Tax	**30,000,000**
		Impôts Duty	
4,230,904	3,830,000	Impôts on Spirits	3,780,000
5,398,061	5,410,000	Impôts on Wines	5,630,000
638,758	680,000	Impôts on Cider	730,000
5,086,874	4,870,000	Impôts on Beer	4,960,000
13,067,076	12,720,000	Impôts on Tobacco	11,960,000
20,557,085	19,760,000	Impôts on Motor Fuel	20,510,000
113,530	100,000	Impôts on Goods Imported	100,000
4,047,485	4,310,000	Vehicle Registration Duty	4,310,000
53,139,773	**51,680,000**	**Total Impôts Duty**	**51,980,000**
22,557,661	**26,000,000**	**Stamp Duty and Share Transfer Property Tax**	**28,040,000**
473,904,979	**517,680,000**	**Total Taxation Revenue**	**570,020,000**
9,368,416	**9,840,000**	**Island Rate**	**10,230,000**
		Other Income	
4,604,000	5,500,000	Interest on Cash Balances	5,500,000
22,828,140	11,070,000	Dividends	11,170,000
4,100,000	4,100,000	Financial Services Commission	4,100,000
1,202,000	950,000	Income Tax Penalties	950,000
3,189,367	3,270,000	Currency and Coinage Surplus	3,350,000
1,895,000	1,680,000	Interest and Repayments on Loans	1,460,000
253,643	370,000	Financial Returns from States Trading Operations	370,000
3,005,981	7,000,000	Commission from EU Retention Tax	5,500,000
783,617	450,000	Miscellaneous Income	450,000
41,861,748	**34,390,000**	**Total Other Income**	**32,850,000**
£ 525,135,143	**£ 561,910,000**	**Total States Income**	**£ 613,100,000**

SUMMARY TABLE B:
STATES NET EXPENDITURE 2008-2012
(as approved in the Annual Business Plan P93/2007)

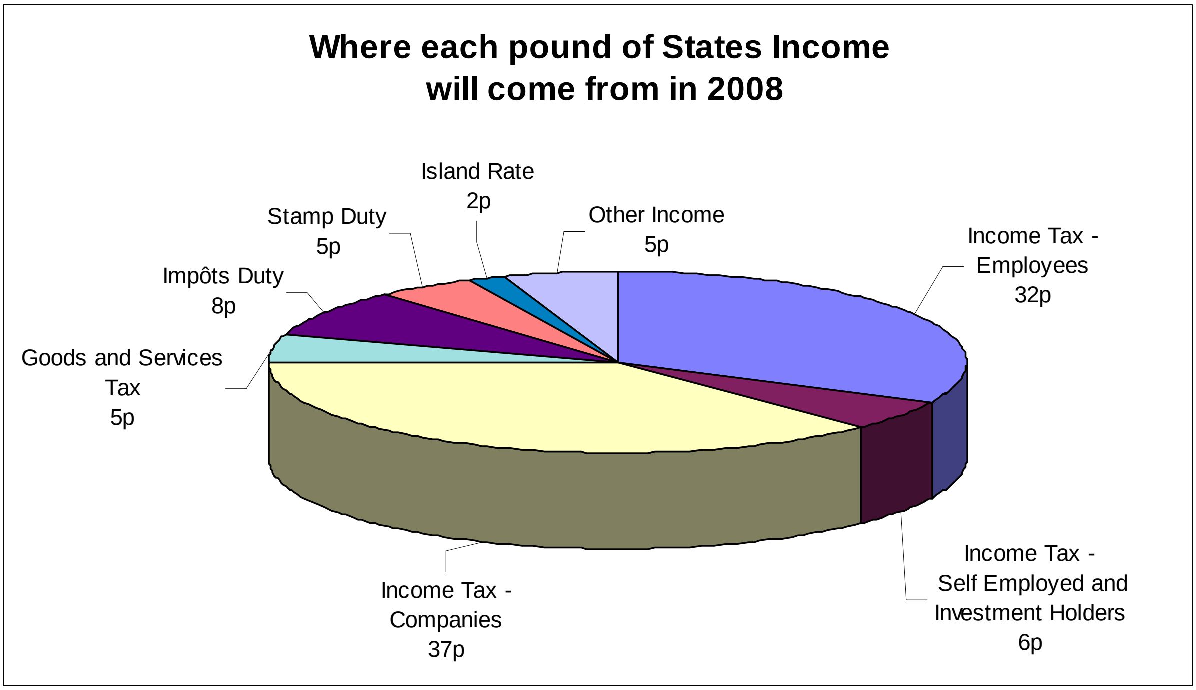
States Funded Bodies	2008 Expenditure Allocation	2009 Expenditure Allocation	2010 Expenditure Allocation	2011 Expenditure Allocation	2012 Expenditure Allocation
	£'000	£'000	£'000	£'000	£'000
Ministerial Departments					
Chief Minister	14,757	15,208	15,806		
- Grant to the Overseas Aid Commission	7,363	7,731	8,118		
Economic Development	16,057	16,459	16,857		
Education, Sport and Culture	95,984	98,667	101,059		
Health and Social Services	147,902	154,090	161,043		
Home Affairs	42,901	44,096	45,165		
Housing	(22,015)	(22,565)	(23,132)		
Planning and Environment	6,016	6,187	6,338		
Social Security	146,596	149,914	155,593		
Transport and Technical Services	21,877	22,473	23,017		
Treasury and Resources	61,586	63,042	63,462		
Non Ministerial States funded bodies					
- Baliff's Chamber	1,225	1,259	1,289		
- Law Officers' Department	5,272	5,412	5,543		
- Judicial Greffe	3,880	3,983	4,080		
- Viscount's Department	1,393	1,432	1,466		
- Official Analyst	586	602	616		
- Office of the Lieutenant Governor	727	747	765		
- Office of the Dean of Jersey	22	22	23		
- Data Protection Commission	220	226	231		
- Probation Department	1,510	1,552	1,590		
- Comptroller and Auditor General	712	730	748		
States Assembly and its services	5,084	5,215	5,341		
Net Revenue Expenditure Allocation	**£ 559,654**	**£ 576,481**	**£ 595,017**	**£ 613,000**	**£ 630,000**
Capital Expenditure Allocation	**£ 42,441**	**£ 42,223**	**£ 43,189**	**£ 42,965**	**£ 43,627**
Total States Net Expenditure Allocation	**£ 602,095**	**£ 618,704**	**£ 638,206**	**£ 655,965**	**£ 673,627**

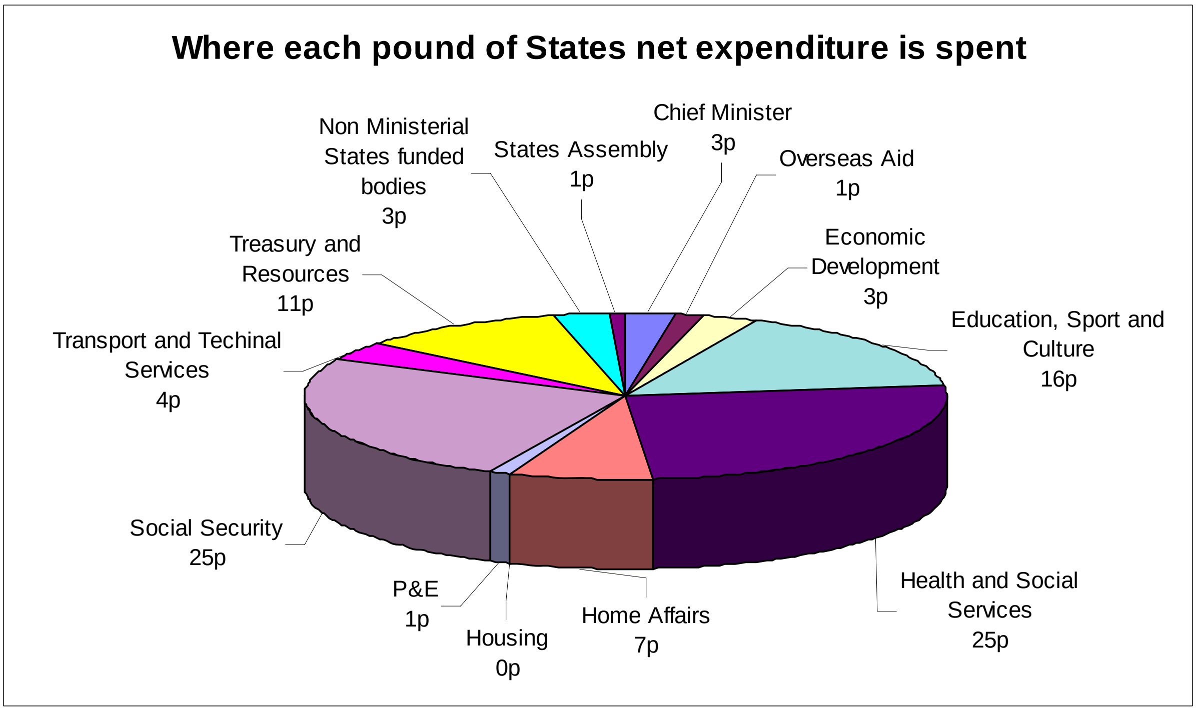
Adjustments to reconcile to Financial Forecasts:					
Income Support - Transitional Relief	*(£ 9,700)*	*(£ 5,600)*	*(£ 3,700)*	*(£ 2,200)*	*(£ 900)*
Repayment of Capital Debt (revenue)	*(£ 44,711)*	*(£ 45,700)*	*(£ 45,700)*	*(£ 45,700)*	*(£ 45,700)*
Property Capital Receipts (capital)	*(£ 2,300)*	*(£ 4,000)*	*(£ 4,000)*	*(£ 4,000)*	*(£ 4,000)*
Total States net expenditure allocation (as shown in financial forecasts)	*£ 545,384*	*£ 563,404*	*£ 584,806*	*£ 604,065*	*£ 623,027*

Note:

The Overseas Aid Commission expenditure allocation appears as a grant from the Chief Minister's department, solely for the purpose of the expenditure allocations, as it has not yet been established as a States funded body under the new Finance Law.

SUMMARY TABLE C: SUMMARY GRAPHS





SUMMARY TABLE D:
CONSOLIDATED FUND 2008 (as amended)

		2007 Estimate		2008 Forecast
	£	£	£	£
Estimate of Unallocated Consolidated Fund Balance brought forward - 1st January		**50,447,000**		**78,597,000**
Movements in Year				
Income				
Income Tax	440,000,000		460,000,000	
Goods and Services Tax			30,000,000	
Impôts Duties	51,680,000		51,980,000	
Stamp Duty	26,000,000		28,040,000	
Island Rate	9,840,000		10,230,000	
Other Income	34,390,000		32,850,000	
Income to the States		561,910,000		613,100,000
Repayment of Capital Debt		42,400,000		44,711,000
Capital Receipts and Vote Transfers		1,700,000		2,300,000
Unallocated Funds Available		**656,457,000**		**738,708,000**
Expenditure				
Revenue Expenditure Allocation	481,961,000		514,943,000	
Repayment of Capital Debt	42,400,000		44,711,000	
Capital Expenditure Allocation	43,499,000		42,441,000	
Total Net Expenditure Allocation to States Funded Bodies		**567,860,000**		**602,095,000**
Transfer to Strategic Reserve		(10,000,000)		
Proposed Transfer to Stabilisation Fund				*(38,000,000)*
Estimated Unallocated Balance in Hand at 31 December		**78,597,000**		**98,613,000**

SUMMARY

	2007 Estimate	2008 Forecast
	£	£
Unallocated Consolidated Fund Balance brought forward - 1st January	**50,447,000**	**78,597,000**
Forecast surplus/(deficit for the year)	38,150,000	58,016,000
Transfer to Strategic Reserve	(10,000,000)	0
Proposed Transfer to Stabilisation Fund	0	(38,000,000)
Estimated Unallocated Balance in Hand at 31 December	**78,597,000**	**98,613,000**

The Public Finances (Jersey) Law 2005 requires the balance on the Consolidated Fund at the end of 2008 to be estimated, reflecting the effect of the tax and funding proposals in this Budget, and those expenditure allocations agreed in the Annual Business Plan in September. The States is asked to note the estimated balance of £98,613,000.

The estimated balance on the Consolidated Fund includes the transfer of £38,000,000 (as amended) although this transfer will only take place in 2008 once the necessary amendment to the Public Finances (Jersey) Law 2005 (P167/2007) to allow this and future transfers has received approval from Privy Council.