



Independent Taxation

Public Briefing

Revenue Jersey

October 2021





Welcome

Introductions

What we'll cover



- Introduction
- If you're: single / co-habit / married or in a civil partnership
- For married couples and civil partnerships: How allowances will change
- Deciding whether to move or wait
- Listening to customer feedback
- Questions

What is Independent Taxation?



Independent Taxation, means you will be responsible for:

- filing your own return
- and receiving and paying your own bill

This will be the same throughout your life, whether

- single
- co-habiting
- in a civil partnership
- married

The States Assembly agreed the first law changes in September 2021.

Islanders will begin moving to Independent Taxation from 1 January 2022.

Benefits of Independent Taxation



- Aligns Jersey with common international practices for personal taxation
- Tax law will reflect the equality and fairness we expect from our relationships, families and community.
- Both partners in a marriage or civil partnership will be treated the same way.

3 steps timeline



1: 2022 - Single people

- All single people and all new arrivals to the Island.
- After 31 December 2021, you stay independently taxed if you later marry or enter a civil partnership

2: 2023 - Optional change

- In 2022, married couples and civil partners can opt to move for 2023.
- Legislation for step 3 will be debated by the States Assembly in late 2022.

3: by 2025 - Compulsory change

- By 2025, if legislation is passed in 2022, remaining couples will move, and a new compensatory allowance introduced.

If you're single, or you co-habit



Single

- You'll continue to be taxed as you are now.
- Nothing will change for you, Independent Taxation is based on how single people are taxed.

Single, co-habiting

- You'll continue to be taxed as two single people if you live with your partner but are not married or in a civil partnership.
- Nothing will change for you because Independent Taxation is based on current tax for single people.

If you marry or enter a civil partnership in the future, you'll stay independently taxed.

If you're married or in a civil partnership



- Independent Taxation mainly changes the allowances that people who are married or in civil partnerships receive.
- Around 9 out of 10 taxpayers receive allowances when their tax is calculated, which reduces the tax they pay.

So

- if you're in this group, your allowances will change, and it's important you understand what's changing....

If you're married or in a civil partnership



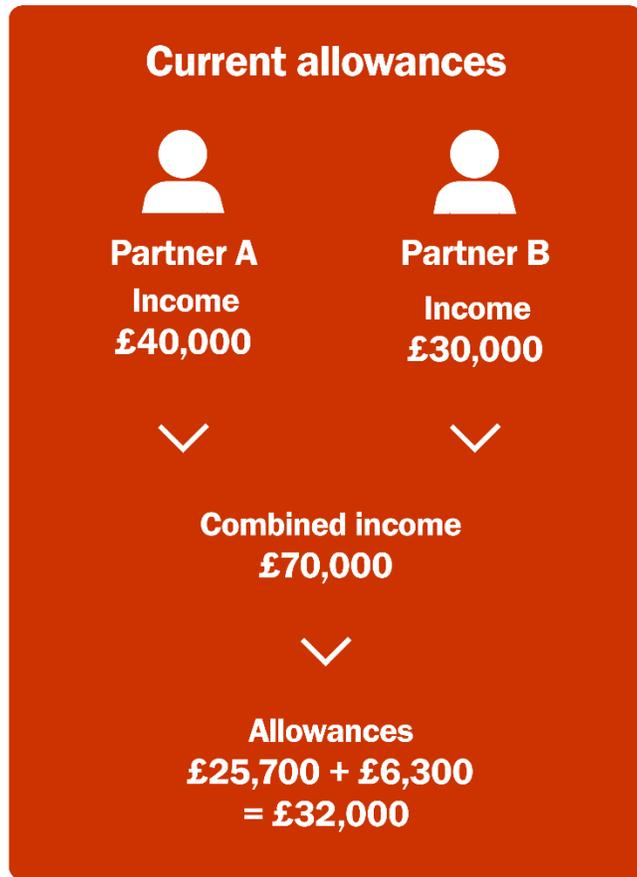
Current allowances:

- Most* married couples and those in a civil partnership are able to have **£25,700 of income** that is not taxed.
- If both partners work, they can claim an **additional allowance of up to £6,300**, allowing the couple to have **£32,000 of income** before paying any tax.

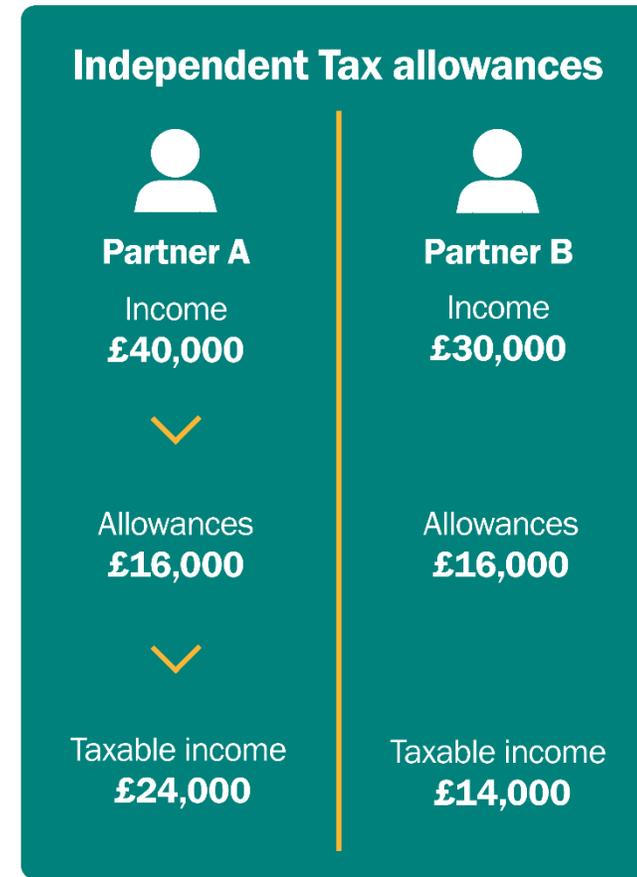
Independent Taxation allowances:

- Each partner will have their own **single person's allowance of £16,000**. These allowances combined amount to the same earnings threshold of **£32,000**.

If you're married or in a civil partnership



Combined taxable income
£70,000 - £32,000
= £38,000



Combined taxable income
£24,000 + £14,000
= £38,000

If you're married or in a civil partnership



Declaring income

New rules: Based on the current rules for co-habiting couples, (single people)

You declare income according to the person who earns it, or owns the asset that generates it, for example:

- Rental income - declared by the person/s who own the property, if jointly owned, split according to ownership
- Bank interest on savings – declared by the person/s names on the account split equally if a joint account.

States Pension income

The wife will declare her portion of a joint social security pension as her own income, even if it's paid by virtue of her husband's contributions.

If you're married or in a civil partnership



Claiming other allowances

New rules: Based on the current rules for co-habiting couples, (single people)

You claim expenses you pay personally, like work expenses or contributions into a pension scheme on your own tax return.

- Mortgage interest relief claim - made by the person who pays the mortgage.
- Any childcare tax relief claim - made by the person who pays for the childcare.
If you share payment, record on your tax return the portion of the costs that you pay.
- Any available child allowance - shared between you equally unless you ask otherwise.

If one of you has less than £16,000 income



- When they move to Independent Taxation, over 60% of couples:
 - better off
 - see no real difference in their tax
- Those couples where only one partner has taxable income (other has below £16,000) may, be worse off:
 - The partner with higher income, receives their own £16,000 allowance
Rather than the £25,700 married couple / civil partnership allowance
- It's proposed a new compensatory allowance be introduced:
 - To support any islander in this situation
 - To be in place when Independent Taxation becomes compulsory, by 2025



Compensatory allowance

- It would mean that for the next 10 years (at least up to 2035), you would pay no more tax on your income than if you'd remained in married couples or civil partnership taxation.
- Eligible to claim any year needed, even if not needed in the first few years. (Eg: one of you retires, or goes on maternity leave 'in year 3')
- Before the end of the 10 years, the allowance will be reviewed.
- This will give time (14 years) for future Treasury Ministers to undertake other work within the Personal Tax Reform Programme.

How the compensatory allowance works



1

Independent taxation

Compensatory allowance

Partner A	Partner B
Income £40,000	Income £7,000
↓	↓
Allowances £16,000	Allowances £16,000
↓	↓
Taxable income £24,000	Taxable income £0

2

Current allowances

Income £40,000	Income £7,000
↓	↓
Combined income £47,000	
↓	
Allowances £25,700 + £6,300 = £32,000	
↓	
Combined taxable income £47,000 - £32,000 = £15,000	

3

Combined taxable income
£24,000

With current allowances this would be
£15,000

4

Compensatory allowance calculation
£24,000 - £15,000
= **£9,000** needed for this couple

Partner A	Partner B
Taxable income with compensatory allowance £24,000 - £9,000 = £15,000	

Deciding whether to move or wait



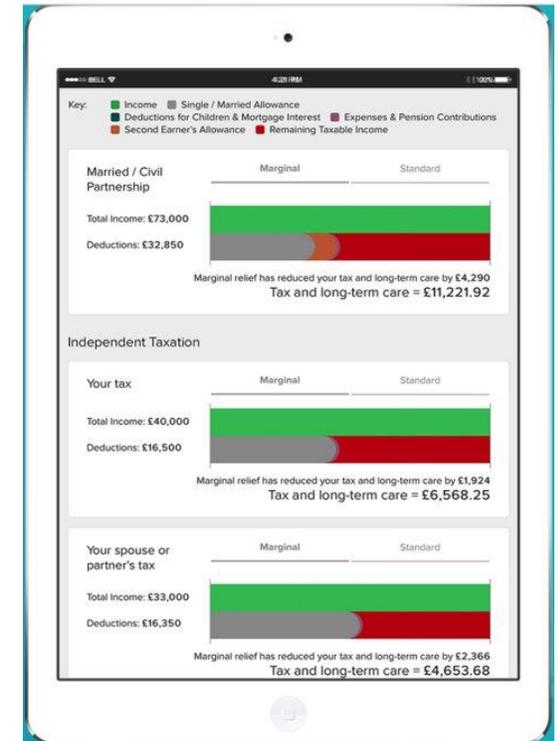
- January to July 2022, you can elect to move from 2023
- Or wait and be moved automatically when it's compulsory - by 2025.
- Once you elect to be independently taxed, you can't go back
- You may pay the same, or less tax, or you may pay more in 2023 or in any year until the compensatory allowance is available.

It's important you understand how tax works and how your tax bill may change before you decide.

Deciding whether to move or wait



- Compensatory allowance not available until Independent Tax is mandatory, by 2025
- Consider how possible future changes 2023-2025 may affect your tax - eg having children or retiring
- Our tax calculator allows you to **enter and change** details about your circumstances
- With every change, you see how this affects:
 - Your allowances
 - How much of your income is taxed
 - The amount of tax and long-term care you may pay



Pilot Group

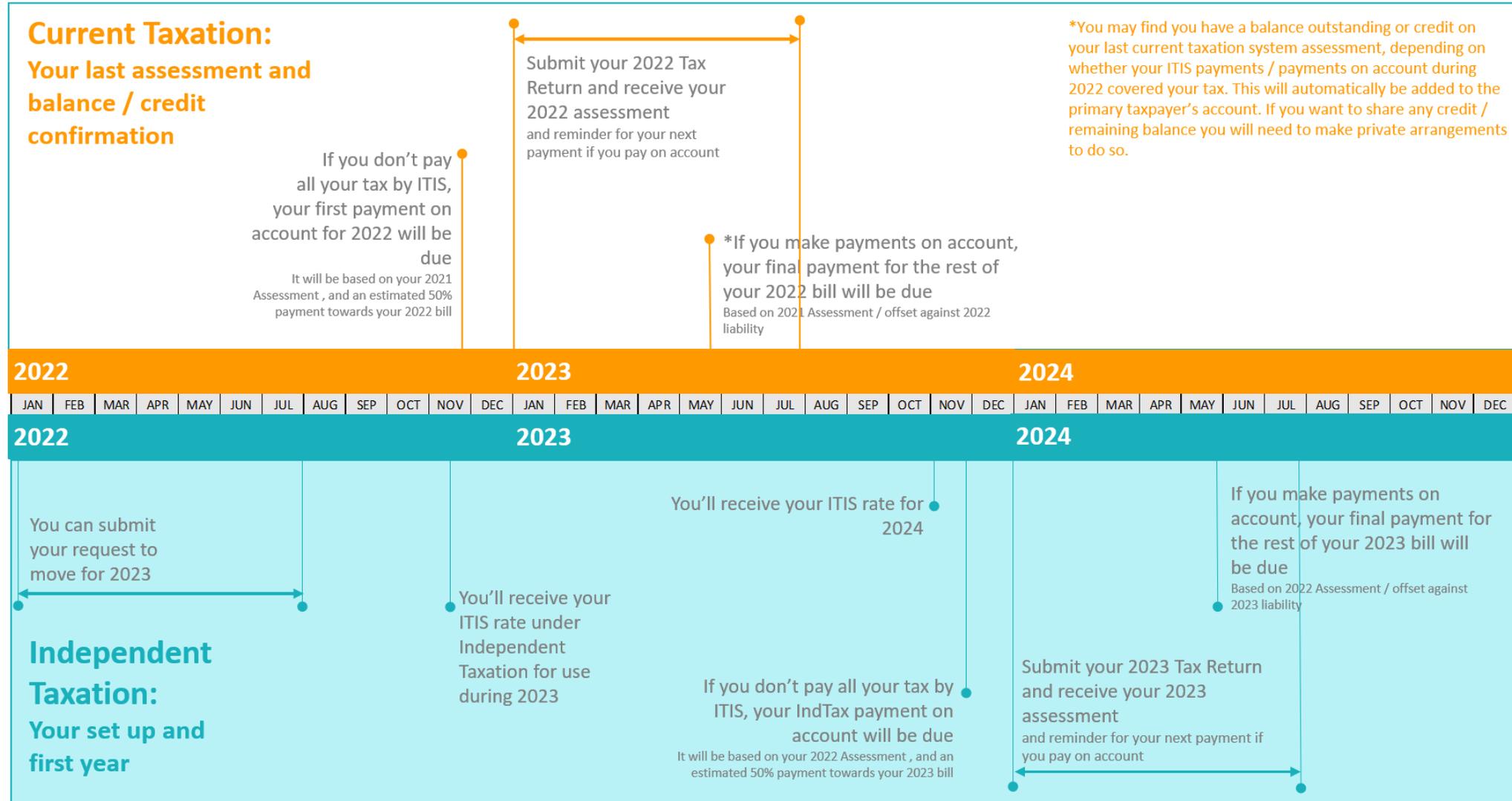


- A Pilot Group study is under way.
- It is gathering feedback so we can improve processes and customer support ahead of step 2, for those islanders who opt to move for 2023.
- It covers:
 1. Deciding whether to move to Independent Taxation for 2022
 2. For those who elect to move , the transition process.
- 671 couples who were separately assessed for the 2020 year of assessment, are invited to take part
- There will be 4 key points when we ask for feedback from participants, over 15 months

Transitioning to Independent Tax



Transition Timeline example



*tax return submission and assessment receipt dates are examples for illustrative purposes.

Key dates



Date	Action
Jan 2022	All remaining married/civil partnership couples will receive an invitation to elect to move to Independent Taxation for the year 2023
29 Jul 2022	Deadline for married/civil partnership couples to elect to move to Independent Taxation for year of assessment 2023
Sep/Oct 2022	Legislation for Phases 3 will be lodged (covering compensatory allowance and the date for the mandatory move to Independent Taxation)
Dec 2022	Legislation for Phase 3 is debated in the States Assembly



Filing a return

Not eligible to file a return

- Some people won't need to submit a tax return.
- If you are going to claim the compensatory allowance, the partner whose income under £16,000 won't need to submit a full tax return.
- They may be asked to complete a simple income declaration
- This is around 7,000 people

Getting used to filing

- If you've not completed a tax return before or it's been a while there is help with both:
 - online filing
 - paper return.

Next Steps



No action for single people and those co-habiting

No action for married couples and civil partnerships until January to July 2022

No action if you choose not to elect

Prepare to decide...

- Read the leaflet
- Explore more on gov.scot/IndependentTax
- Watch / share the calculator demo video
- Think about future life changes – children, work changes
- Explore your circumstances using the calculator
- Talk to family / friends
- Seek tax advice from your accountant or tax advisor
- Citizens advice appointments

Questions