Note from the States' Greffier: This report is to be read in conjunction with [Amendment 13] to [The Tax Review: Phase 2] policy letter

Tax Review: Alternative Model Supporting Report

1. Introduction

1.1. The Policy & Resources Committee is laying this amendment to give Members a choice between different options of closing the deficit in public finances. Having listened carefully to the debate and the public narrative, the Committee recognises that while many members accept that action is needed, they are reluctant to vote in favour of a GST. Therefore, options are offered with and without a GST.

1.2. The Committee remains committed to its original package of proposals which is fairer and more sustainable and all round a better fit against the objectives set for the tax review.

1.3. The amendment presents three alternatives:

	Option A	Option B	Option C
	As presented in the policy letter	The alternative revenue raising model	The cost cutting model
Revenue raising measures	A progressive combined package raising **£55m:** • Restructured social security contributions £19m • 15% tax band on income tax + £600 increase in the personal allowance costing £29m • Broad-based GST at 5% raising £67m • Ongoing cost support measures costing **£1m**	A series of measures raising **£49-54m**: • Modified restructure social security contributions **£34m** • 50% increase in domestic TRP **£5m** • Taxes on transport £10m-**£15m**	Continues the increases in unreformed social security contributions agreed in October 2021 **£34m**
	Corporate tax measures **£20m**	Corporate tax measures **£20m**	Corporate tax measures **£20m**
Public expenditure measures	Savings/cost reductions of **£10m**	Savings/cost reductions **£10-16m**	Cost and service reductions **£31m**
	Review of the GWP and capital portfolio	Review of the GWP and capital portfolio	Review of the GWP and capital portfolio
Total Package	**£85m**	**£85m**	**£85m**

1.4. It might be surprising to some that no options are presented which involve increasing income tax. The reasons why the Committee does not believe that this is a credible option are set out in paragraphs 5.6 to 5.16 of the Policy Letter and further explained in the analysis below.

1.5. Although Option B is a credible alternative in terms of raising sufficient revenue, it does not deliver any real diversification of the tax base – in fact it makes us more reliant on taxes on income. It is also less progressive and more challenging for some of the poorer members of the community.

1.6. Likewise, Option C would theoretically reduce the size of the deficit by the same value, but it is not possible to calculate at what cost and impact given the uncertainty as to the spending decisions that would be made.

1.7. Given the severity of the growing financial pressures, action is better than inaction. Options B and C are intended to be feasible alternative packages which could deliver the necessary financial gains to close the identified funding gap. However, in the opinion of the Policy & Resources Committee they are not good solutions which meet the objectives of the review.

2. REVENUE RAISING MEASURES

Why does option B not include an increase in income taxes?

2.1. Option B delivers a greater proportion of the revenue raising through taxes on income, but via social security contributions rather than income taxes. The reasoning behind this is that the Social Security schemes require an estimated £34m to make the pension and long-term care benefits sustainable. In the absence of significant revenue raising from an alternative source to top-up the requirements the proposal is that this revenue is raised via the restructured social security system.

2.2. This is not without potential issues, but it provides a more transparent option for meeting this funding requirement, than raising the income tax rate.

2.3. The Policy & Resources Committee has opted not to pursue higher tax rate bands for higher earners. This is because (as demonstrated later in this report, the high upper earnings limit on our Social Security Contribution system and the withdrawal of tax allowances already results in marginal tax rates for individuals earning between £90,000 and £168,000 of 31% for employees and 35.6% for the self-employed. In Jersey such individuals face a marginal rate of 21.5% or 24.0%. The primary proposals (Option A) already push this further – to 33.2% and 40.4% respectively - and option B pushes this further still, even in the absence of higher rate tax bands.

2.4. While members see the superficial attraction of higher rate bands, when examining the detail of our current system, they are clearly not appropriate to apply in combination with a social security system which sets the upper limit on contributions at well over twice the value applied by our nearest competitors.

Social Security Reform

2.5. The latest actuarial reports showed the combined equivalent of £34m of revenue a year is required in order to make the contributory benefit schemes sustainable over the long term.

2.6. As presented in the Policy Letter (Option A) the social security reform provides a structure which raises £19m (against a 2021 baseline). The remaining £15m would have been met via a transfer from General Revenue.

2.7. In the original proposals contributions rates were set significantly higher than the current rates in order to be able to fund the introduction of an allowance (aligned in full with the income tax system including the withdrawal for higher earners).

2.8. The concept of restructuring Social Security contributions in this way appears to have widespread support among States Members and the Policy & Resources Committee is keen not to lose this element of the original package. However, in the absence of a primary revenue raising measure through General Revenue (i.e. a GST), the proposal is to make this restructure self-funding, meeting the full £34m revenue requirement.

2.9. The amendment suggests that the options for achieving this are explored by the Committee for Employment & Social Security before reporting back to the States with proposals. The three options to be considered are:

- Have a lower allowance for Social Security contributions.
  - If, for example, this were set at the level of the current allowance available to the non-employed (£9,527 as opposed to the £13,625 implied in the primary model) it would increase the net revenue generated to £30m. A further increase in the rates of 0.1% for employers and 0.2% employees would be necessary to meet the full £34m.
- Increase the contribution rates
  - If, for example, these were increased to 9.0% for employees and 8.5% for employers that would raise the full £34m.
- Reducing the range or restricting entitlement to contributory benefits

2.10. These approaches have consequences which should be considered:

- The reduction of the allowance makes the restructure significantly less beneficial for low- and middle-income earners;
- A further increase in the rates will push the combined marginal tax rate for those with an income between £55,000 and £157,000 to a level which is no longer competitive, particularly for the self-employed.

2.11. The table in Appendix 1 provides a comparison between the rates and allowances applied under four options and compares them to the current position.

Increase TRP by 50% in real terms between 2024 and 2028

2.12. Option B reinstates the policy agreed in 2015 which aimed to double TRP in real terms over 10 years. NOTE: Alderney set TRP rates independently of Guernsey so this proposal would NOT be applied to Alderney residents.

2.13. Domestic TRP is a stable and predictable source of income which makes it an important part of the tax base. It is also hard to avoid and (as currently structured) relatively simple to administer.

2.14. The TRP structure currently used is based on the physical size of a property, with the primary assessment calculated from aerial photography. This is a fixed value which is difficult to challenge. It is also a reasonably good predictor of property value, predicting about 70% of the variation in property prices in the third quarter of 2022. TRP can therefore be seen as a reasonably good proxy for peoples housing assets.

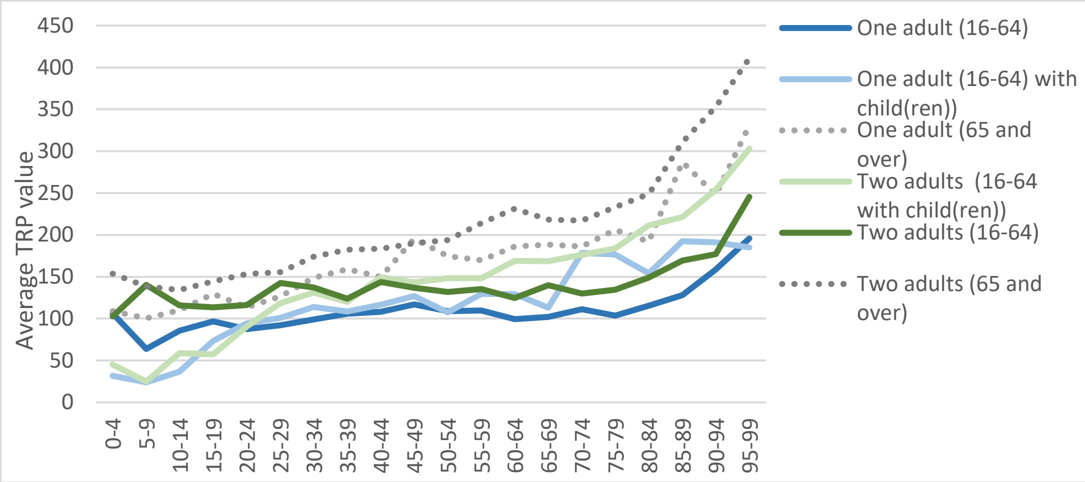
2.15. Rates for most properties remain reasonably low with the median rate at approx. £291 per annum. However, even apparently substantial increases in TRP do not raise significant amounts. It is intended that the proposed increase will be applied proportionately to all properties, so that the escalator applied to larger properties will be maintained. While the 50% real increase in TRP rates appears substantive, its revenue raising potential is fairly limited at £5m.

TRP value	In 2023	With 50% increase applied	Notes
50	£97	£145.5	Smallest 1%
100	£194	£291	Smallest 20%
150	£291	£436.5	Median TRP
200	£492	£648	Largest 30%
300	£855	£1,282	Largest 11%
400	£1,296	£1,944	Largest 5%
500	£1,860	£2,790	Largest 3%
750	£2,790	£4,185	Largest 1%
1000	£3,720	£5,580	Largest 0.2%

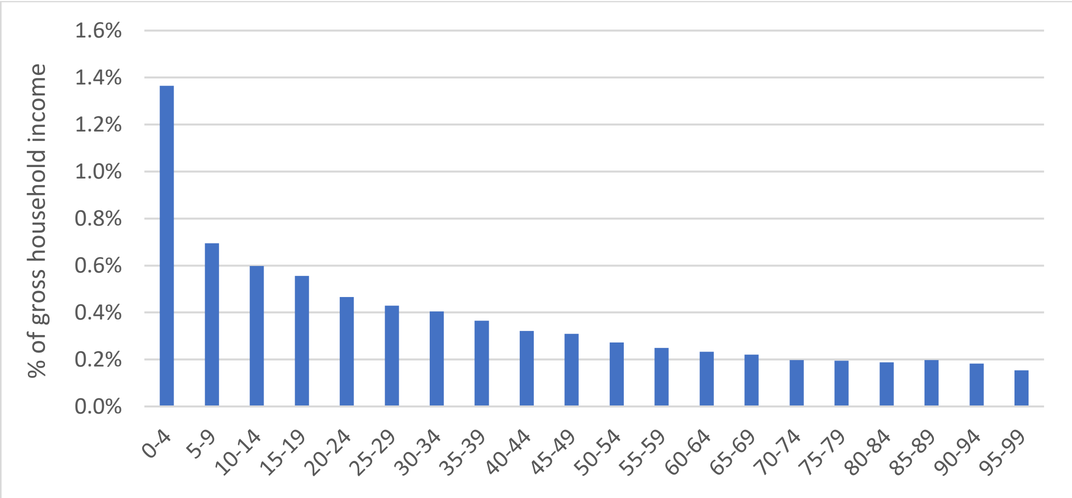
2.16. However, while income and TRP do tend to be positively related, the relationship is imperfect. This is particularly true for pensioner households who tend to own larger properties relative to their income.

2.17. In order to counter the potential impact this might have on low-income households in, the proposition directs the Policy & Resources Committee to investigate the possibility of introducing a scheme to allow those on fixed income to defer payment of TRP.

Average TRP value by household type and equivalised income percentile



Average impact of a 50% increase in TRP rates by equivalised income percentile [1]



[1] This analysis assumes that the cost of TRP (chargeable to the owner) is passed on to the tenant in full via increases in rents

Transport taxes

2.18. At present around £20m a year is raised from duty on motor fuels. The States have recognised that this is unsustainable because the gradual improvements in fuel efficient and the transition to electric vehicles is eroding the revenues. The States have resolved to that distance charging should be explored as an alternative mechanism to raise the same amount of revenue in a different form.

2.19. However, given the current context and the frequency with which motor tax and paid parking have been raised as potential solutions, this alternative package incorporates a direction to raise a further £10m -£15m from taxes on transport. This could include distance charging, a modernised form of an annual motor tax and/or paid parking but it could also incorporate a wider definition of transport.

2.20. Provisional investigation suggests that paid parking, operated at a rate equivalent to that in Jersey using the same combination of a scratch card and app system, could raise between £1.4m and £3.3m net (depending on the occupancy rates). The app system now used in Jersey requires significantly less infrastructure than a more traditional barrier system (potentially as little as £100k-£200k) but the annual administration cost relative to the revenue generated is high – between £440k and £770k – largely because of the subscription fee for the app.

2.21. Alongside this the States will be progressing its existing resolution to review the TRP charged on corporate parking.

Occupancy assumption	Gross revenue	Estimated annual cost	Net revenue
High (95% @£0.90/hr)	£4.1m	£0.8m	£3.3m
Medium (75% @£0.90/hr)	£3.2m	£0.6m	£2.6m
Low (75% @£0.50/hr)	£1.8m	£0.4m	£1.4m

2.22. Prior to 2008 an annual motor tax was charged in Guernsey, but the revenue raised was transferred to fuel duty. Provisional estimates of an annual motor tax suggest that, allowing for an assumed 10% overcount in our current vehicle registration data[2], a flat annual charge of £150 would raise net revenue of approximately £10m. Importantly, that would be *in addition* to the current level of fuel duty. If there is a wish to off-set the motor tax by reducing fuel duty, the annual charge would need to be higher to raise the same net revenues.

2.23. Any new annual motor tax is likely to reflect the environmental impact of the vehicle, which means a structure of differential rates would be required. It is possible that this could be collected via annual insurance premiums, but it is still likely to require an administration system to liaise with the insurers, to validate that an appropriate tax has been collected for each registered vehicle and to manage any necessary compliance activity. There is the potential that a model which combines annual motor taxes with paid parking could cost almost as much to administer as a GST, but raise significantly less revenues.

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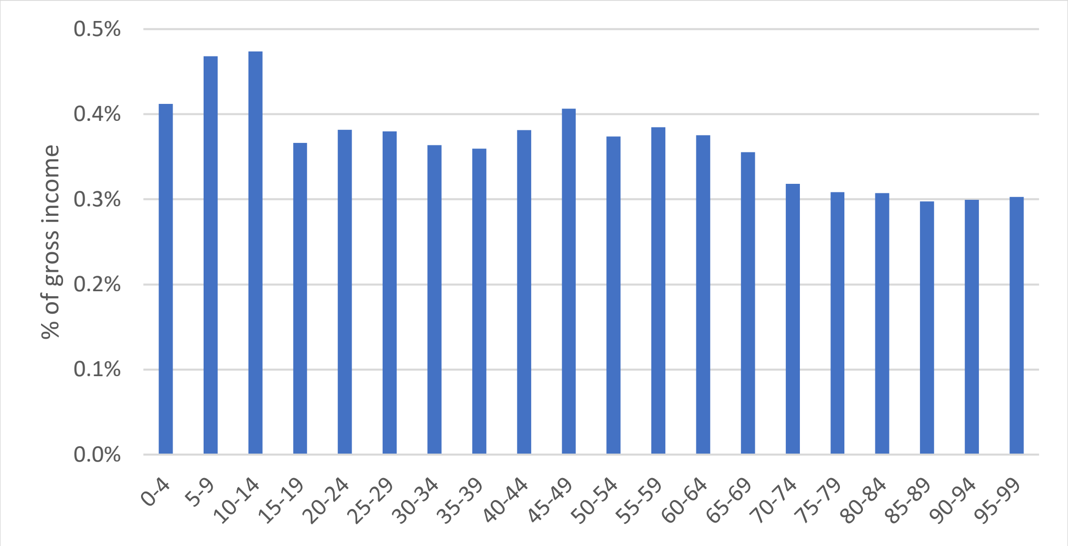
[2] Because of the lack of incentive to deregister unused vehicles in the absence of a motor tax it is believed the current published data on the number of cars registered in Guernsey is overstated

2.24. If there is a long-term objective to reduce the number of vehicles in Guernsey, taxes of this nature might contribute to achieving that aim. However, that would lead to the level of revenues being eroded over time. This means that, from a revenue raising perspective, such charges are less sustainable than other options in the long term.

2.25. The impact on both businesses and households of such measure is difficult to calculate. However, to give an illustration the modelling presented below assumes that 70% of the cost will be borne by households (reflecting the distribution of vehicles between commercial and domestic use) and will reflect broadly how spend on motoring is currently distributed.

2.26. In summary - families with children spend proportionally more relative to their income on motoring costs than other households; richer households spend more in absolute terms but relative to income the distribution is relatively even across the community, but slightly higher for lower income households.

Estimated impact of an increase in motor taxes on households



3. Cost reduction measures

3.1. Each of the three options on the table incorporate some degree of cost reduction with the same mechanism – the establishment of a Sub-Committee of Policy & Resources dedicated to reviewing opportunities for efficiencies, structural change, cessation, outsourcing, restricting access to or commissioning services where this could deliver significant reductions in the cost of public services.

3.2. It should be noted that delivering sustainable savings generally requires investment if they are to be achieved effectively. The Committee would expect the report back from the Sub-Committee to examine the cost of change and a cost/benefit analysis.

3.3. **Option A** – formalises the £10m of savings built into the original modelling about which the policy letter says "to date, progress with achieving this has been limited and so the Committee will look to allocate the remaining target across Committees in future budgets." The direction is to deliver these savings over a five-year period beginning with the 2025 budget.

3.4. **Option B** – increases the requirement for cost reduction from £10m to £16m over the same five-year period beginning with the 2025 budget.

3.5. **Option C** – requires significantly more cost reduction of £30m to £35m, but with the timeline for delivery of these more substantial savings not yet defined. The higher levels of cost reduction under this option will require structural changes in the way services are delivered or curtailing their extent. Such changes can have significant social consequences.

3.6. All Principal Committees have already been asked to consider how they might find cost reductions should there be a requirement t to reduce their budgets. While this exercise was hypothetical, we would encourage members to review Section 3 of the Policy Letter for the measures proposed. The data provided via this exercise identified just £3m of potential efficiency savings. While a more thorough exercise might uncover more scope, it is unlikely that even the lowest target of £10m can be delivered without some level of impact on service provision and/or investment in change.

3.7. The primary users of public services are those who are in poorer health (typically older people), those in need of education (young people) and those whose resources are limited. Typically, the poorest in our community will be compensated for any change in their circumstances via the benefits system. Beyond the thresholds of the benefit system, households are particularly vulnerable to cuts in provisions, but their effect if very difficult to predict.

4. Comparison of options

4.1. This section compares the options presented against the objectives of the review which is summarised in the table below:

	Option A	Option B	Option C
capable of raising revenues of up to 24% of GDP in a way that is economically and socially sustainable	✓	×	×
diversified between different forms of taxation	✓	×	×
transparent, simple and credible	✓	✓	✓
resilient to demographic change and economic shocks	✓✓	✓	×
support and facilitate sustainable economic growth and employment	✓✓	×	✓
comply with international tax standards	✓	✓	✓
maintain alignment on corporate tax policy with Jersey and the Isle of Man	✓	✓	✓
overall, reflect people's ability to pay and be generally progressive, while accepting that a balanced tax system will include some elements (such as excise taxes) which are considered regressive in nature	✓	×	×
Not discriminate on the basis of age, gender, marital status or employment status in assessing the amount an individual must pay	✓	✓	×
Support the delivery of environmental and social objectives if there are opportunities to do so without breaching the previous principles	✓	✓	×

- ***be capable of raising revenues of up to 24% of GDP in a way that is economically and socially sustainable***

4.2. This is the underlying objective of the tax review from which all the other objectives flow. Option A was specifically designed to optimise the outcome against these objectives. Options B and C, while they may meet the ultimate financial objective, and some may consider that they perform better under specific objectives than Option A, they do not address the underlying weaknesses of Guernsey's tax base.

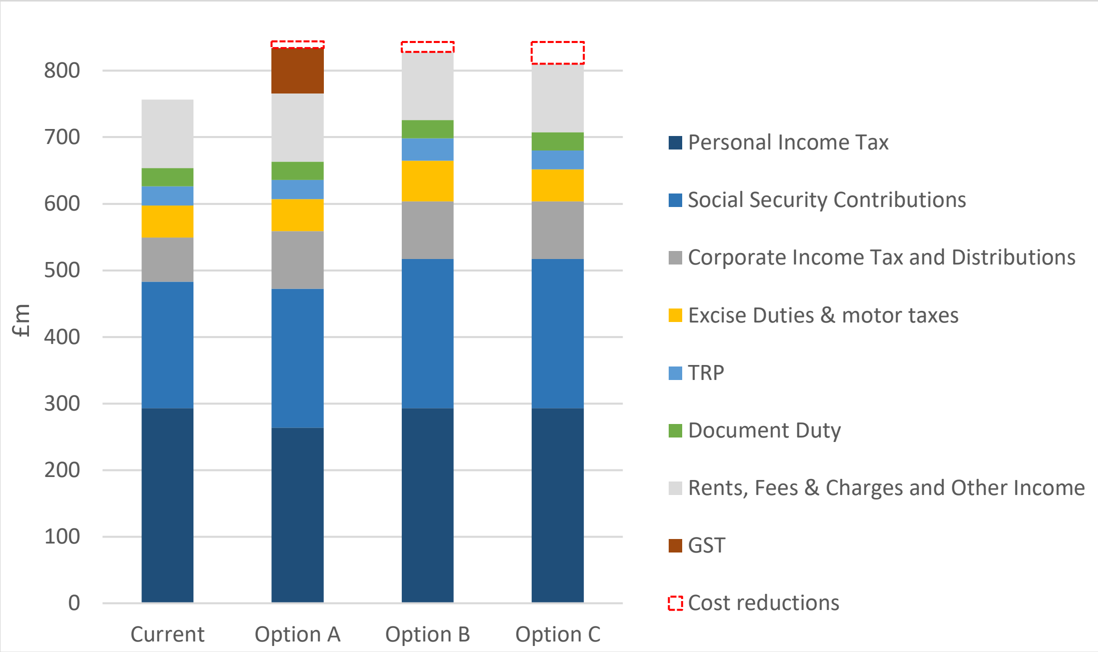
- ***be diversified between different forms of taxation***

4.3. The objective of a diversified tax base is to spread both the distribution of the tax burden, and the risk to which government revenues are exposed. The challenge presented within our current tax base is the extent to which it is reliant on taxes charged against income, 64% in 2022. This leaves Guernsey's finances heavily dependent on the health and activity of the of workforce, while these very taxes tend to suppress employment.

4.4. Only option A reduces the total amount of revenue gained from income-based taxes, both relative to the whole and in actual value, to 62% while increasing corporate tax receipts from 9% to 11% and incorporating a 9% contribution from a GST.

4.5. Options B and C rely on a positive gain from social security contributions, increasing the exposure to income-based taxes to 68%, as well as including the increase in corporate tax revenues.

Comparison of revenue sources



- ***be transparent, simple and credible***

4.6. Transparency and simplicity are one of the key strengths of Guernsey's tax system and any of the options presented could meet this criterion. Options B and C which do not include the introduction of a GST are simpler. However, a tax base which includes a consumption tax and is more consistent with international norms is arguably more credible to the international community.

- ***be resilient to demographic change and economic shocks***

4.7. The heavy reliance on the size and activity of the working age population represents the primary risk in the current tax base. Option A provides diversification by both corporate tax and a consumption tax, both of which are known to respond differently to economic stress and demographic change than income-based taxes. Of the options presented it offers the largest improvement in the long-term resilience of the tax base.

4.8. Both Options B and C increase the reliance on income-based taxes. Option B offers some long-term stability in terms of the relatively small increase in revenues from TRP, which is among the most stable of the revenue streams in the tax base; and by increasing revenues from motor taxes, although these are likely to be subject to behavioural change which may erode their sustainability on the long term.

4.9. Option C utilises only increases in Social security contributions and an increase in corporate tax. Given that Corporate tax revenues are particularly vulnerable to economic conditions, it is the weakest of the three options in terms of the long-term resilience of the tax base.

- ***support and facilitate sustainable economic growth and employment***

4.10. Any increase in taxation has the potential to dampen economic growth for a period of time. As set out in report by Deloitte at Appendix 2 to the Policy Letter, income-based taxes have a tendency to suppress employment, while consumption taxes create short term inflation.

4.11. Because of the unique nature of Guernsey's social security system and the unusually high upper earnings limit, the existing marginal rate (the rate of tax paid on the next £1 earned) applied to higher income earners is higher than generally appreciated, particularly if the withdrawal of tax allowances is included. Despite the lack of a higher tier tax band the marginal tax rate for individuals earning between about £90,000 and £168,000 is already 31.0% for employed people and 35.6% for the self-employed.

4.12. The addition of the 15% tax band in Option A significantly reduces the marginal rate for those earning below median income. However, the higher contribution rates applied in all options mean the marginal rates for higher income earners are increased to a maximum of 33.2% and 40.4% in Option A; up to 34.8% and 42.6% in Option B; and 32.0% and 37.4% in Option C. This results in marginal rates for those individuals being significantly higher than those applied in Jersey and, for the self-employed, approaching the rates applied in the UK. Of the options, Option A is most competitive at low incomes, Option C is most competitive at higher incomes. Further analysis of marginal rates is shown in Appendix 1 to this report.

4.13. Option A is expected to create an increase in RPIX of 3.4% for a period of 12 months. However, by reducing the amount of deductions made from people's income, particularly among the lower paid, the impact that inflation might have on peoples consumption should be at least partially offset by an increase in their net income.

4.14. Options B and C should not cause a direct increase in inflation (although there may be some limited pressure from the increase in employer contributions). However, a net increase in social security contributions is likely to reduce people's consumption, which will impact retail and construction sectors.

4.15. The increases in TRP proposed in Option B will create a marginal reduction in consumption. The tax on motoring proposed will likely do the same and will also likely induce behavioural changes, but it is difficult to predict what these might be in the absence of a detailed proposal.

- ***comply with international tax standards***

4.16. This is a minimum requirement and a core principle of the proposal to progress changes to taxes on corporate entities included in all three options.

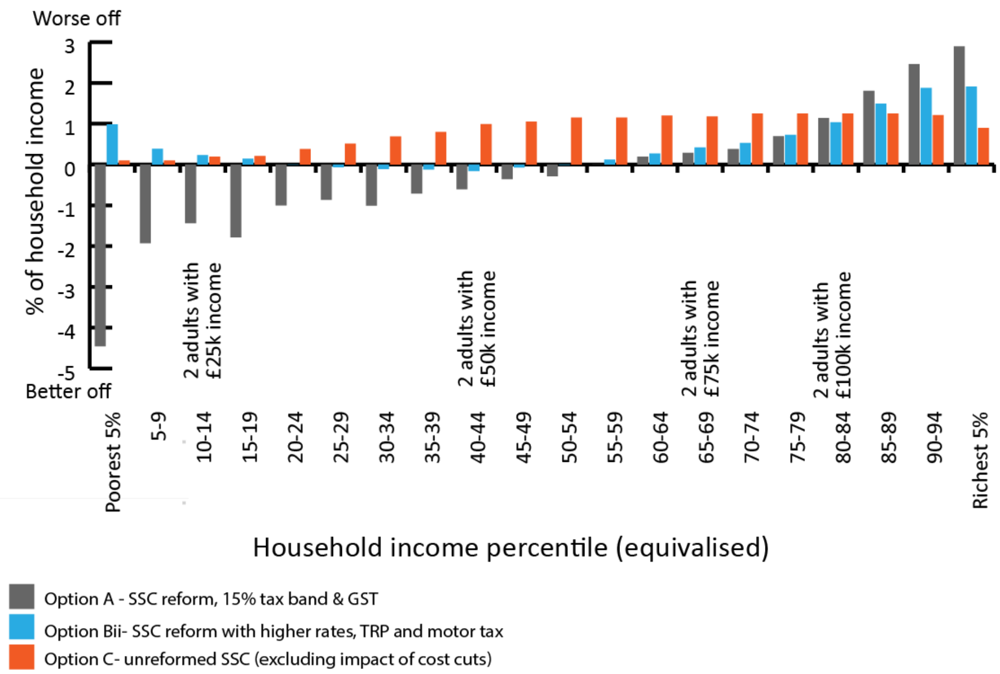
- ***maintain alignment on corporate tax policy with Jersey and the Isle of Man***

4.17. This is a minimum requirement and a core principle of the proposal to progress changes to taxes on corporate entities included in all three options.

- ***overall, reflect people's ability to pay and be generally progressive, while accepting that a balanced tax system will include some elements (such as excise taxes) which are considered regressive in nature***

4.18. The chart below provides an analysis of how the revenue raising within these options will affect the financial position of local households across the income distribution. A comparison of the outcome under a small number of Case studies is provided in Appendix

Distribution of impact across household income



4.19. Option A provides the most benefit to lower income households by reducing the tax and contribution liability. Adding further measure to counter the inflationary effect of the GST by bringing forward the normal policy of uprating pensions and benefits means that the majority of lower- and middle-income households could be financially benefited under option A.

4.20. Option A also applies the highest average increase in liability to the highest income households.

4.21. Within option B, the restructure of the contributions system offers a reduction in the contribution liability of lower income households, but the inclusion of increases in TRP and motor taxes in the model means the overall tax liability for the lowest income households is likely to rise.

4.22. It is assumed that income support rates will be adjusted for changes in TRP and motoring costs and therefore the those in receipt of means tested benefits are likely to be protected to some extent. For those just outside the benefit system, and low-income pensioners who still live in a large family home in particular, they are likely to pay more under Option B.

4.23. Within Option C anyone who currently pays contributions will pay more. Low-income pensioner households are protected from this by the high threshold at which they become liable, and this brings down the average amount paid by very low-income households. Option C is likely to have the largest increase in liability for middle income households and the lowest increase in liability for high income households

4.24. It should be noted that cost cutting measures will also impact households but in the absence of a plan for how these will be achieved it is impossible to model the impact. To make significant reductions in costs, it will be necessary to curtail services more broadly. Generally, those with high incomes make less use of these services or can afford alternatives in their absence; those on the lowest income are generally compensated for any loss in services (or increase in costs) via the benefit system. **As a result, it is typically lower-middle- and middle-income households who are beyond the reach of the benefit system but who do not have significant discretionary spend available to the, who are most impacted by cuts in services. Option C is therefore likely to have a further impact on such households than that displayed on the graph above.**

- ***not discriminate on the basis of age, gender, marital status or employment status in assessing or determining the amount an individual must pay; and,***

4.25. The restructure of the social security system is intended to remove some of the more discriminatory elements of the current structure. Options A and B therefor improve this position.

4.26. Option C incorporates an increase in contributions without the restructure and therefore retains the identified issues within the contributions system

- ***support the delivery of environmental and social objectives if there are opportunities to do so without breaching the previous principles.***

4.27. By reforming the social security system Option, A and reducing the overall tax burden Option A would support policy objectives aimed at supporting low income households and reducing in work poverty.

4.28. Option B, with the inclusion of further taxes on motoring could be seen as supporting environmental objectives to reduce vehicle use and pollution.

5. APPENDIX 1: Comparison of Social Security structures

- Original Tax Review proposals - "Option A"
- Modified restructure with a smaller allowance - "Option Bi"
- Modified restructure retaining higher allowance but with higher contribution rates - "Option Bii"
- Completion of the October 2021 ten-year plan which is the default position and would therefore form part of - "Option C"
- Current rates (2023) following two years of the agreed increases
- 2021 rates – the baseline for the £34m required

	Restructured plans			Unrestructured plans		
Class 1	Option A: Tax review	Option Bi: SSC restructure with lower allowance	Option Bii: SSC restructure with higher rates	Option C: October 2021 proposals in full	2023 rates	2021 rates (baseline)
Employee < 65 below UEL	8.5%	8.7%	9.0%	8.0%	7.0%	6.6%
Employee above UEL	0.0%	0.0%	0.0%	0	0	0
Employer above UEL	2.0%	2.0%	2.0%	0	0	0
Employer below UEL	8.0%	8.1%	8.5%	7.6%	6.8%	6.6%
Non- employed						
< 65 below UEL	8.5%	8.7%	9.0%	12.8%	11.0%	10.4%
above UEL	0.0%	0.0%	0.0%	0.0	0	
>64	4.0%	4.0%	4.3%	3.8%	3.6%	3.4%
Self employed						
below UEL	8.5%	8.7%	9.0%	13.4%	11.6%	11.0%
SE Employer below UEL	6.0%	6.1%	6.5%	Na	NA	NA
Total (on SE income)	14.2%	14.8%	15.5%	13.4%	11.6%	11.0%
SE Employer above UEL	2.0%	2.0%	2.0%	0	0	0
Allowance	£13,625	£9,527	£13,025	£9,527 for non-employed and pensioners only	£9,527 for non-employed and pensioners only	Available for non-employed and pensioners only
SSC revenue	+£18.8m	£34.0m	+£34.0m	+£34m	+£13.8m	£0m
Of which is HH	-£0.1m	£14.1m	£8.6m	+c£18m		
Of which is employers	+£18.9m	£19.9m	£25.4m	+c£16m		

6. APPENDIX 2: Comparative marginal and effective tax rates

Marginal rates - the rate paid on the next £1 of additional income earned														
	Current		Option A		Option Bi		Option Bii		Option C		Jersey**		UK***	
Income	Employed	Self- employed	Employed	Self- employed	Employed	Self- employed	Employed	Self- employed	Employed	Self- employed	Employed	Self employed	Employed	Self employed
20000	27.0%	31.6%	23.5%	29.5%	28.7%	34.8%	29.0%	35.5%	28.0%	33.4%	33.9%	40.5%	33.3%	29.0%
30000	27.0%	31.6%	23.5%	29.5%	28.7%	34.8%	29.0%	35.5%	28.0%	33.4%	33.9%	40.5%	33.3%	29.0%
40000	27.0%	31.6%	28.5%	34.5%	28.7%	34.8%	29.0%	35.5%	28.0%	33.4%	34.0%	40.5%	33.3%	29.0%
50000	27.0%	31.6%	28.5%	34.5%	28.7%	34.8%	29.0%	35.5%	28.0%	33.4%	34.0%	40.5%	33.3%	29.0%
75000	27.0%	31.6%	28.5%	34.5%	28.7%	34.8%	29.0%	35.5%	28.0%	33.4%	27.9%	30.4%	43.2%	42.0%
100000*	31.0%	35.6%	33.2%	40.4%	34.4%	41.8%	34.8%	42.6%	32.0%	37.4%	21.5%	24.0%	53.3%	52.0%
125000*	31.0%	35.6%	33.2%	40.4%	34.4%	41.8%	34.8%	42.6%	32.0%	37.4%	21.5%	24.0%	53.3%	52.0%
150000*	31.0%	35.6%	33.2%	40.4%	32.7%	38.8%	34.8%	42.6%	32.0%	37.4%	21.5%	24.0%	48.3%	47.0%
200000	20.0%	20.0%	20.0%	22.0%	20.0%	22.0%	20.0%	22.0%	20.0%	20.0%	21.5%	24.0%	48.3%	47.0%

***Marginal rates incorporate the withdraw of income tax allowances above £90,000 for all options and Social Security Allowances for options A, Bi and Bii**

****Calculations for Jersey include marginal rate calculations for income tax and long-term care**

*****UK tax allowances are withdrawn at a rate of £1 for every £2 above £100,000, 40% tax band is applied to income above £50,270, 45% tax rate above £150,000**

7. APPENDIX 3: Comparison of effective rates

Effective rates- the total amount paid as a % of gross income														
	Current		Option A		Option Bi		Option Bii		Option C		Jersey		UK	
	Employed	Self employed	Employed	Self employed	Employed	Self employed	Employed	Self employed	Employed	Self employed	Employed	Self employed	Employed	Self employed
20000	14.0%	18.6%	7.5%	9.4%	11.5%	14.7%	10.1%	12.4%	15.0%	20.4%	8.0%	14.5%	12.3%	12.8%
30000	18.3%	22.9%	12.8%	16.1%	17.3%	21.4%	16.4%	20.1%	19.3%	24.7%	16.7%	23.2%	19.3%	18.2%
40000	20.5%	25.1%	16.7%	20.7%	20.1%	24.8%	19.6%	23.9%	21.5%	26.9%	21.0%	27.5%	22.8%	20.9%
50000	21.8%	26.4%	19.1%	23.5%	21.8%	26.8%	21.4%	26.3%	22.8%	28.2%	23.6%	30.1%	24.9%	22.5%
75000	23.5%	28.1%	22.2%	27.1%	24.1%	29.4%	24.0%	29.3%	24.5%	29.9%	25.6%	31.6%	33.2%	29.0%
100000	24.8%	29.4%	24.3%	29.6%	25.8%	31.5%	25.8%	31.6%	25.8%	31.2%	24.9%	30.1%	35.7%	32.2%
125000	26.0%	30.6%	26.1%	31.7%	27.6%	33.5%	27.6%	33.8%	27.0%	32.4%	24.2%	28.9%	39.2%	36.2%
150000	26.9%	31.5%	27.2%	33.2%	28.6%	34.7%	28.8%	35.3%	27.9%	33.3%	23.8%	28.0%	39.9%	37.2%
200000	25.5%	29.1%	25.9%	29.7%	26.8%	31.6%	26.7%	32.2%	26.3%	30.5%	23.2%	27.0%	42.0%	39.6%

8. Appendix 4: Case studies comparing outcomes

8.1. The tables below demonstrate the impact of the alternative options on three of the case studies previously used. The version of Option B presented is that with an allowance for Social Security contributions matched to the income tax allowance with an increase in rates (the version most favourable to lower income households).

8.2. These case studies **do not** incorporate the impact that any reduction in services might have. For option C this impact could be significant.

Two adults (65 and over)

Gross income (incl benefits)
£27,064

Income support recipient
No

Equivalised income percentile
15-19%

Housing
Owner Occupier without mortgage

	Option A	Option B	Option C
Current "take home" income after tax and social security	£27,064	£27,064	£27,064
Proposed "take home" income after tax and social security	£27,064	£27,064	£27,064
Change income tax and social security liability	£-	£-	£-
Reduced Income support because of lower tax payments	£-	£-	£-
Estimated GST expenditure per year	£1,187	£-	£-
Increased income support for GST	£-	£-	£-
Increased pension for GST	£606	£-	£-
Cost support payment	£878	£-	£-
TRP Motoring taxes	£-	£432	£-
Net change in tax contributions	£297 1.1% Better off	£432 1.6% Worse off	£- 0.0% No Change

One adult (16-64)

Gross income (incl benefits)
£35,164

Income support recipient
No

Equivalised income percentile
45-49%

Housing
Private market: renter

	Option A	Option B	Option C
Current "take home" income after tax and social security	£28,369	£28,369	£28,369
Proposed "take home" income after tax and social security	£29,777	£28,611	£27,887
Change income tax and social security liability	-£1,408	-£241	+£483
Reduced Income support because of lower tax payments	£-	£-	£-
Estimated GST expenditure per year	£894	£-	£-
Increased income support for GST	£-	£-	£-
Increased pension for GST	£-	£-	£-
Cost support payment	£-	£-	£-
TRP Motoring taxes	£-	£177	£-
Net change in tax contributions	£513 1.5% Better off	£64 0.2% Better off	£483 1.4% Worse off

Two adults (16-64) with child(ren)

Gross income (incl benefits)
£97,875

Income support recipient
No

Equivalised income percentile
60-64%

Housing
Owner Occupier with mortgage

	Option A	Option B	Option C
Current "take home" income after tax and social security	£78,344	£78,344	£78,344
Proposed "take home" income after tax and social security	£80,130	£78,163	£77,005
Change income tax and social security liability	-£1,786	+£181	+1,340
Reduced Income support because of lower tax payments	£-	£-	£-
Estimated GST expenditure per year	£2,472	£-	£-
Increased income support for GST	£-	£-	£-
Increased pension for GST	£-	£-	£-
Cost support payment	£-		£-
TRP Motoring taxes	£-	+540	£-
Net change in tax contributions	£686 0.7% Worse off	£722 0.7% Worse off	£1,340 1.4% Worse off