

MINISTRY PAPER NO. 17

Increased Personal Reliefs

I have to inform this Honourable House that Government has decided to amend the Income Tax Law, 1954, to provide for increased personal reliefs.

2. The intention is to:

- (a) increase the existing personal allowance of £300 to £500 in respect of taxpayers whose total income for a year of assessment does not exceed £500 and to give relief to taxpayers whose total income exceeds £500 but does not exceed £600 for a year of assessment;
- (b) increase the wife's earned income relief from £200 to £400; and the surtax exemption limit to £3,500.

3. In regard to 2(a) above, it is recognised that although it will not be possible because of the excessive cost to the Revenue to increase the personal allowance of all taxpayers, it is felt that relief ought to be given to taxpayers in the income group £300-£500 who are at the lower end of the income scale.

There will thus be an increase in the existing personal allowance of £300 to £500 in respect of taxpayers -

- (a) whose main source of income is employment; and
- (b) whose total income does not exceed £500.

This measure will completely relieve 20,000 individuals from Income Tax.

In the case of the taxpayer whose main source of income is employment but whose total income for a year of assessment does not exceed £600, the taxpayer is to be given the option to be taxed either in accordance with the existing provisions of the Law or to pay an amount of income tax representing one-sixth of the amount by which his total income for the year of assessment exceeds £500. This measure will give some relief to about 9,000 taxpayers.

4. The proposal at 2(b) is intended to relieve married persons who because of the aggregation of their incomes, bear a disproportionate burden of income tax and surtax. It will be recalled that in 1963, individuals with total joint incomes not exceeding £1,500 were allowed to reduce their tax liability by electing to be taxed separately. Since that time the other groups of joint income taxpayers who were not allowed this concession have borne a relatively greater burden of the tax payable by married persons. It is considered that this obvious inequity should be mitigated, consequently this decision to increase the wife's earned income relief from £200 to £400.

This measure will provide some encouragement to skilled married women to utilise their skills for the benefit of themselves and the country. It is estimated that about 6,000 married couples will benefit.

The surtax limit will be raised to £3,500 but in order that the revenue loss will not be excessive, the commencing rate will be 2/6d in the £ on the first £1,000 statutory income. The new exemption limit will provide benefits for about 4,000 persons.

EDWARD SEAGA
Minister of Finance & Planning
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