# Income Forecasting Group

## Report on the revised forecast of States Income for Summer 2025

# 1. Executive Summary

1.1. The Income Forecasting Group (IFG) has revised downwards its income forecast for 2025 to 2026 from the previous Spring 2024 forecast position, with the forecast revised upwards from 2027 onwards. The IFG's forecast has been informed by the May 2025 economic assumptions produced by the independent Fiscal Policy Panel (FPP), alongside the latest available outturn data.

1.2. The forecast for personal income tax has been revised upwards based on better-than-expected outturn tax data, however this is offset by a downward revision to corporate income tax, driven by a revised profits forecast in the financial sectors and further industry intelligence and data on how banks are performing.

1.3. The global macroeconomic outlook has weakened, with uncertainty and volatility in global economies, exacerbated by trade tensions and geopolitical instability, this is likely to have an impact on Jersey's economy and has been reflected in revised economic assumptions.

1.4. Expectations for inflation in Jersey have been revised upwards, with domestically generated inflationary pressures expected to increase and remain elevated until 2027. The Bank of England base rate is expected to reduce more gradually, due to elevated inflation in the UK. Higher prices for goods in the UK will also create higher inflation in Jersey.

1.5. The Summer 2025 forecast (based on the FPP assumptions of May 2025) has been developed as a 'central forecast' to represent the IFG's view of the most likely outcome. In view of the ongoing increased economic uncertainties around the forecast, a forecast range has been considered, which is detailed in section 5.

1.6. The forecast has been updated to include additional receipts from Pillar 2 taxes, now implemented in law. For comparison purposes, the base case forecast produced in the Budget 2025 – 2028[1] has been incorporated into the Spring 2024 forecast.

[1] Budget 2025 to 2028.pdf

# 2. Uncertainties around the Forecast

2.1. All forecasts carry some uncertainty. An escalation of trade tensions and unprecedented levels of policy uncertainty have led to sharp downward revisions of global growth forecasts. In producing their economic assumptions, the FPP emphasised that the deteriorating global economic outlook and increased uncertainty create both upside and downside risks to the forecast for Jersey and highlighted a greater than usual likelihood that outturn may differ materially from forecast. This is set out in the Panel's most recent publication: FPP Economic Outlook May 2025.

2.2. States of Jersey income forecasts are prepared using the FPP economic assumptions and, therefore, represent a central forecast for States income. However, given the higher than usual uncertainty surrounding the assumptions, there is an increased level of risk that changes in the economic outlook will cause actual income to differ from the central forecast.

2.3. Jersey has implemented the Pillar Two 15% minimum tax framework. This forecast includes an estimate of additional tax revenue raised from this. Forecasting this tax revenue is challenging as the tax revenues are dependent on the details of implementation by other jurisdictions, and also by the behaviours of affected entities.

# 3. Economic Assumptions

3.1. The FPP produced a revised set of economic assumptions in May 2025[2]. These reflect latest outturn data, policy developments and forecasts for Jersey, UK and the global economy.

3.2. The main revisions between the Spring 2024 economic assumptions and those used in the IFG forecast for Summer 2025 include:

- A significantly lower assessment of growth in 2024, estimating a real GVA contraction of -1.5%, and further downward revisions to growth in the short-term, 2025 and 2026.

- A higher forecast for inflation, with underlying inflation (RPIX) now expected to remain elevated until 2027 (peaking at 3.7% in the short term), due to a mix of imported and domestic factors. Headline inflation (RPI) is still forecast to fall until 2026 driven by expected cuts to the Bank of England base rate feeding through to lower mortgage interest payments. However, base rate cuts are now expected to be more gradual due to high levels of underlying inflation.

- Lower expectations for financial services profits for 2024 and 2025, based on consultation with industry.

- Higher expectations for earnings growth in all sectors of the economy. The transition to living wage will increase average earnings in the non-finance sector, the public sector pay deal (RPI+1%) will lead to real wage growth in the public sector and the FPP expects real wage catch up in financial services to continue. However, increases in earnings are expected to become partly offset by slower employment growth.

- Slower recovery for the housing market, where house prices are now only expected to increase in 2026 (for the first time since 2023), following a period of market stabilisation in 2025. Transactions are also forecast to increase in 2026, but at a slower rate than previously expected.

3.3. The IFG has considered the economic assumptions from the FPP and have agreed that these assumptions should be used as the basis of the income forecast modelling for Summer 2025 income forecasts.

[2] FPP Economic Outlook May 2025.pdf

| FPP Economic Assumptions May 2025 | | | | | | | |
|---|---|---|---|---|---|---|---|
| **% Change unless otherwise specified** | **2023** | **2024** | **2025** | **2026** | **2027** | **2028** | **2029** |
| Real GVA | 7.3 | -1.5 | 0.4 | 0.7 | 1.0 | 1.1 | 1.1 |
| RPI | 10.2 | 4.1 | 2.7 | 2.6 | 3.0 | 2.7 | 2.7 |
| RPIY | 6.0 | 3.7 | 3.7 | 3.6 | 3.0 | 2.6 | 2.5 |
| Nominal GVA | 12.5 | 1.9 | 4.1 | 4.4 | 4.0 | 3.7 | 3.7 |
| Gross Operating Surplus (including rental) | 15.6 | -3.6 | 4.3 | 4.6 | 4.8 | 4.7 | 4.7 |
| Financial Services Profits | 39.5 | -6.0 | 5.3 | 5.3 | 5.7 | 5.6 | 5.6 |
| Compensation of employees (CoE) | 9.6 | 7.4 | 4.2 | 4.6 | 3.7 | 3.2 | 3.1 |
| Financial services CoE | 6.5 | 6.0 | 4.9 | 4.9 | 4.1 | 3.7 | 3.6 |
| Non-finance CoE | 10.0 | 5.8 | 4.0 | 4.7 | 3.3 | 2.9 | 2.8 |
| Employment | 1.4 | 0.8 | 0.1 | -0.1 | 0.2 | 0.2 | 0.2 |
| Average Earnings | 7.7 | 6.4 | 4.3 | 4.8 | 3.6 | 3.2 | 3.1 |
| Interest rates (%) | 4.7 | 5.1 | 4.1 | 3.7 | 3.8 | 3.8 | 3.8 |
| House prices | -2.6 | -8.0 | 0.0 | 2.0 | 2.0 | 2.0 | 2.0 |
| Housing transactions | -42.9 | -15.5 | 0.0 | 17.1 | 14.6 | 12.8 | 11.3 |
| **Change from previous forecast** | **2023** | **2024** | **2025** | **2026** | **2027** | **2028** | |
| Real GVA | -2.0 | -3.6 | -0.2 | -0.1 | 0.2 | 0.3 | |
| RPI | | 0.6 | 1.0 | 0.9 | 1.0 | 0.5 | |
| RPIY | | 0.5 | 0.8 | 1.1 | 0.6 | 0.2 | |
| Nominal GVA | -3.6 | -3.4 | 0.9 | 1.4 | 1.1 | 0.7 | |
| Gross Operating Surplus (including rental) | -8.0 | -8.3 | 1.2 | 1.6 | 1.9 | 1.7 | |
| Financial Services Profits | -0.5 | -12.0 | 1.3 | 1.3 | 1.7 | 1.6 | |
| Compensation of employees (CoE) | 0.6 | 1.4 | 0.8 | 1.5 | 0.8 | 0.3 | |
| Financial services CoE | -0.8 | 0.6 | 1.5 | 1.5 | 0.7 | 0.3 | |
| Non-finance CoE | 0.9 | 0.7 | 0.7 | 1.8 | 0.5 | 0.1 | |
| Employment | | 0.3 | -0.3 | -0.5 | -0.2 | -0.2 | |
| Average Earnings | | 1.2 | 1.3 | 2.2 | 1.2 | 0.7 | |
| Interest rates (%) | | 0.0 | -0.5 | -0.4 | 0.0 | 0.1 | |
| House prices | | -8.0 | -2.0 | 0.0 | -1.0 | -1.0 | |
| Housing transactions | | -27.5 | -30 | -5.9 | 13.6 | 11.8 | |

# 4. Summary of Forecasts

4.1. The individual forecasts for each revenue stream are included in the appendices as are further details of the assumptions and adjustments made to each component of the forecast.

4.2. A peer review of the tax forecasting methodology was undertaken in 2023 by forecasting experts from the UK Government. This peer review concluded that the methodology was sound, and no changes were recommended.

4.3. Personal income tax (appendix A) forecast for 2025 to 2029 has increased. The primary reason for this is 2024 earnings growth being higher than forecast. This was mostly driven by public sector pay rises and employment growth, as well as wage increases in financial services. The rest of the economy also saw real wage growth for the first time since 2019. The number of successful applicants each year to the High Value Residency scheme (HVRs) is also expected to rise, increasing the personal income tax forecast further.

4.4. Corporate income tax forecasts (appendix B) have been revised down, driven by lower profits for the banking sector in 2024 and lower expected profits growth in 2025 (compared to the previous forecast).

4.5. Goods and Services Tax (appendix C) has been updated to reflect the FPP’s latest economic assumptions and outturn.

4.6. Impôts duty (appendix D) has decreased in each year of the 2025-2029 forecast due to lower than expected outturn.

4.7. Stamp duty (appendix E) has increased in 2025 as a result of high-value property transactions during the first six months. Subsequent years of the forecast have decreased, principally due to the FPP Economic Assumptions forecasting a slower return to pre-2019 housing marketing activity than previously expected. The outturn variation shown in the individual components of the forecast emphasises the uncertainties in these areas.

4.8. Other income (appendix F) has been significantly revised based on the latest outturn data, and inflation assumptions. The forecast has been marginally revised up across the period, principally due to a reprofile of forecast dividends.

4.9. Social security and long-term care contributions (appendix G) are forecast to increase for each year of the forecast. The increase in social security contributions is predominantly driven by the increase in average earnings projected in the economic assumptions, whilst the long-term care forecast is a direct function of changes in personal income tax.

| IFG Income Forecast - Summer 2025 | | | | | |
|---|---|---|---|---|---|
| **(GBP 000's)** | **2025 Forecast** | **2026 Forecast** | **2027 Forecast** | **2028 Forecast** | **2029 Forecast** |
| **Income Taxes** | | | | | |
| - Personal Income Tax | 722,000 | 758,000 | 797,000 | 833,000 | 875,000 |
| - Corporate Income Tax | 184,000 | 185,000 | 187,000 | 196,000 | 205,000 |
| - Additional Pillar 2 Taxes | - | 49,000 | 48,000 | 52,000 | 55,000 |
| - Provision for Bad Debt | (15,000) | (5,000) | (5,000) | (5,000) | (5,000) |
| | **891,000** | **987,000** | **1,027,000** | **1,076,000** | **1,130,000** |
| *Spring 2024* | *906,000* | *983,000* | *1,012,000* | *1,049,000* | - |
| **Goods and Services Tax (GST)** | | | | | |
| - Goods and Services Tax | 114,500 | 118,500 | 121,500 | 124,500 | 127,500 |
| - International Service Entities Fees | 13,500 | 13,500 | 13,500 | 13,500 | 13,500 |
| | **128,000** | **132,000** | **135,000** | **138,000** | **141,000** |
| *Spring 2024* | *129,000* | *132,000* | *135,000* | *138,000* | - |
| **Impôt Duties** | | | | | |
| - Spirits | 6,903 | 7,111 | 7,325 | 7,575 | 7,811 |
| - Wine | 8,562 | 8,723 | 8,887 | 9,090 | 9,271 |
| - Cider | 951 | 956 | 962 | 970 | 977 |
| - Beer | 6,345 | 6,444 | 6,546 | 6,675 | 6,786 |
| - Tobacco | 16,193 | 16,033 | 15,874 | 15,777 | 15,632 |
| - Fuel | 24,282 | 24,425 | 24,570 | 24,811 | 24,983 |
| - Goods (Customs) | 550 | 550 | 550 | 550 | 550 |
| - Vehicle Emissions Duty (VED) | 3,325 | 3,325 | 3,220 | 3,205 | 3,205 |
| | **67,111** | **67,567** | **67,934** | **68,653** | **69,215** |
| *Spring 2024* | *70,681* | *71,200* | *71,808* | *72,674* | - |
| **Stamp Duty and Land Transfer Tax** | | | | | |
| - Stamp Duty | 39,997 | 32,904 | 35,976 | 38,954 | 41,993 |
| - Land Transfer Tax | 1,989 | 2,276 | 2,703 | 3,038 | 3,358 |
| - Probate | 4,900 | 4,900 | 4,900 | 4,900 | 4,900 |
| - Enveloped Property Transaction Tax | 1,500 | 1,000 | 1,000 | 1,000 | 1,000 |
| - Buy-to-let | 2,000 | 2,000 | 2,500 | 2,600 | 2,600 |
| | **50,386** | **43,080** | **47,079** | **50,492** | **53,851** |
| *Spring 2024* | *44,543* | *51,200* | *52,523* | *53,795* | - |
| **Other Income** | | | | | |
| - Parish Rates | 17,762 | 18,224 | 18,771 | 19,277 | 19,798 |
| - Dividend Income | 25,572 | 10,718 | 10,888 | 11,047 | 11,212 |
| - Other Non-dividend Income | 19,858 | 19,912 | 19,802 | 19,893 | 20,117 |
| - Andium Return | 27,053 | 28,773 | 29,266 | 29,689 | 30,292 |
| **Other Income** | **90,245** | **77,627** | **78,727** | **79,906** | **81,419** |
| *Spring 2024* | *88,552* | *79,901* | *77,579* | *78,414* | - |
| **Total Revenue** | **1,226,742** | **1,307,274** | **1,355,740** | **1,413,051** | **1,475,485** |
| *Spring 2024* | *1,238,776* | *1,317,301* | *1,348,910* | *1,391,883* | - |
| *Variance* | (12,034) | (10,027) | 6,830 | 21,168 | - |

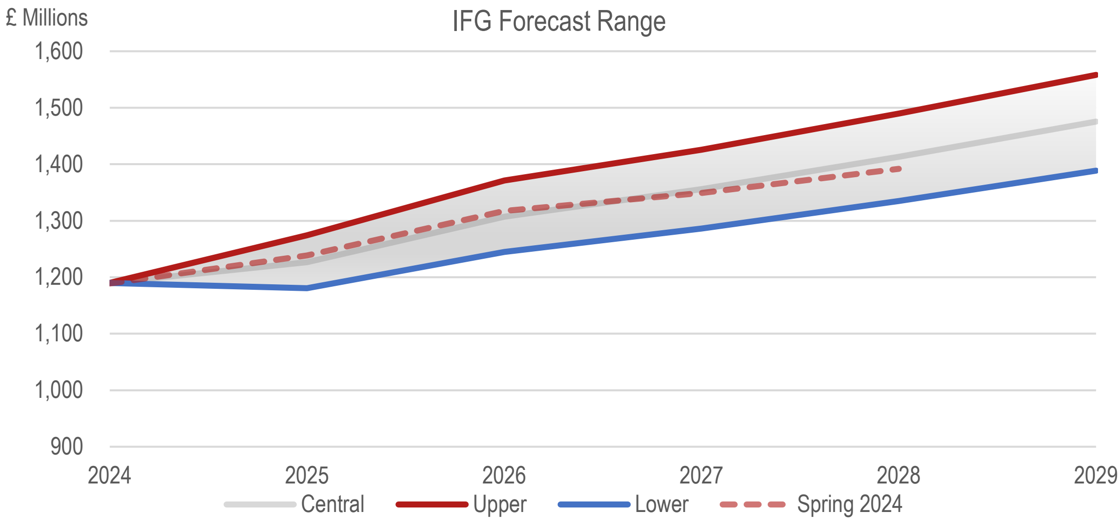
# 5. Range of Estimates

5.1. The central forecast has been prepared using the FPP economic assumptions and has been discussed with the IFG.

5.2. The IFG has prepared an income forecast range based on the sensitivity of individual forecasts to variability in the FPP assumptions. An 'upper' range has been produced based on economic assumptions for a high growth, low inflation scenario and a 'lower' range has been based on economic assumptions for a low growth, high inflation scenario.

5.3. For larger individual income forecasts (Personal and Corporate Income Tax) the IFG has also considered historic forecasting error in producing the upper and lower range.

5.4. The IFG advise that the central forecast should be considered within an illustrative range, as shown below.



# Appendix A – Personal Income Tax

## Personal Income Tax Summary

The Personal Income Tax (PIT) forecast was updated in Summer 2025 to include latest tax outturn data and the FPP's Spring 2025 economic assumptions.

The updated personal income tax forecast is summarised below in Figure A1.

**Figure A1: Personal Income Tax Summer 2025**

| £m | 2023 Outturn | 2024 Forecast | 2025 Forecast | 2026 Forecast | 2027 Forecast | 2028 Forecast | 2029 Forecast |
|---|---|---|---|---|---|---|---|
| **Spring 2024 Forecast** | **624** | **660** | **688** | **714** | **743** | **772** | **-** |
| Tax outturn | +12 | +13 | +13 | +14 | +14 | +14 | - |
| Economic data/assumptions | - | +17 | +21 | +26 | +32 | +36 | - |
| Updated HVR forecast | - | -1 | - | +4 | +7 | +10 | - |
| **Summer 2025 Forecast** | **635** | **689** | **722** | **758** | **797** | **833** | **875** |
| Variance | +12 | +29 | +34 | +44 | +54 | +61 | - |

## Personal Income Tax Outturn, ITIS and HVR

The most recent outturn data shows 2023 year-of-assessment personal income tax payable was in line with the previous Spring 2024 forecast. Outturn was marginally higher (2%) and has added £12 million to the forecast base. The breakdown of taxable income outturn is shown in Figure A2. There was also a small increase in percentage tax yield for 2023, meaning a higher than forecast total effective tax rate applied to total 2023 personal income.

**Figure A2: Taxable income**

| £m | 2023 Outturn | 2023 Forecast | Variance | % of Outturn |
|---|---|---|---|---|
| Business profits | 247 | 247 | - | - |
| Earned income | 2,867 | 2,872 | -5 | 0% |
| Bank, dividend and other | 207 | 208 | -1 | 0% |
| Pension income | 408 | 413 | -5 | -1% |
| Property income | 133 | 135 | -2 | -2% |
| Shareholder income | 260 | 246 | +14 | 5% |
| **Total Personal Income** | **4,122** | **4,121** | **+1** | **0%** |

The most significant increases in the Personal Income Tax forecast are driven by economic data and assumptions, specifically higher than expected earnings growth experienced in 2024. Income Tax Instalment System (ITIS) data for 2024, shows a 7.7% increase in total earnings, compared to the FPP Spring 2024 assumptions which forecast average earnings growth of 5.2%. Similarly, The FPP forecast employment growth of 0.5%; actual growth was 0.8%. The strong growth in total ITIS earnings is consistent with outturn data produced by Statistics Jersey and will increase tax payable for 2024 by an estimated £20 million, compared to the previous forecast.

A data cleansing exercise led to a small downward revision to the income tax forecast for High Value Residents (HVR) in 2024. The data cleansing exercise revealed a small number of HVR's had left the scheme and so the income tax forecast to be received has been removed from the income forecast in 2024 year-of-assessment. However, this downward revision has been offset by increased expectations for the number of successful HVR applicants from 2025 onwards. The increase in expected HVRs is based on pipeline forecasts and remains within the agreed annual range for successful applications – 15 to 30.

# New Statistical Relationships

The statistical relationships used to forecast individual types of taxable income have been updated. The equations used to forecast pensions and investment income (bank, dividend, and other unearned income) have been re-estimated with the latest tax outturn. The three equations currently used are:

1. Growth in earnings is forecast in line with aggregate earnings in the finance and non-finance sectors, and profits in the finance sector.
2. Growth in pensions is forecast in line with average earnings and growth in the over-65 population.
3. Growth in investment income is forecast in line with changes to the Bank of England Bank Rate.

The equations currently used for earnings and pensions were developed by Oxera in 2017. Changes were made to each of the three equations in Spring 2021 to make the estimated relationships more robust. A full description of these changes and the current methodology is available in the IFG Spring Report 2021, R.151/2021.

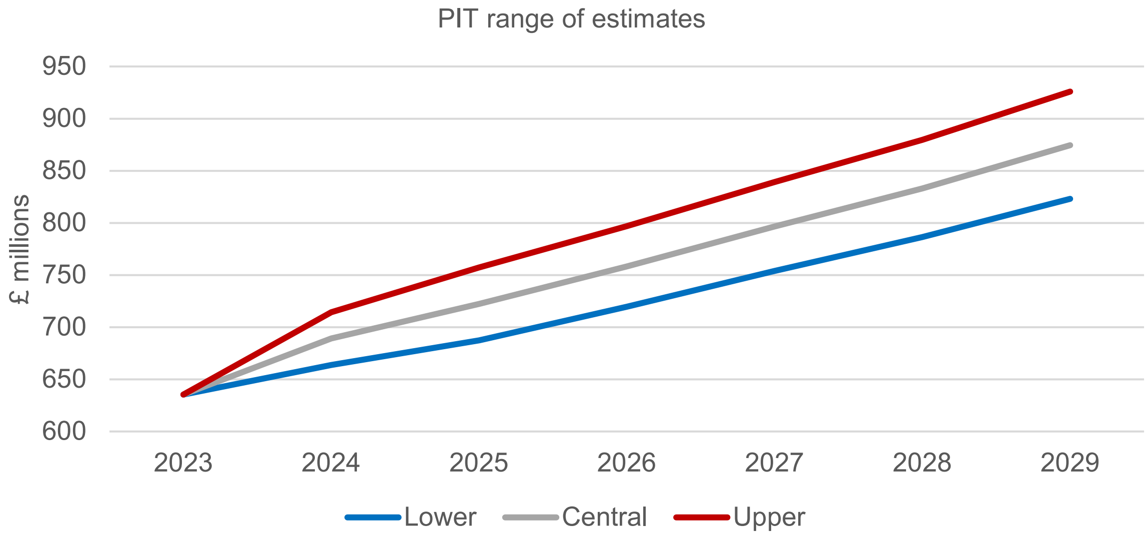
# Personal Income Tax Range of Estimates

The IFG have produced an upper and lower estimate of the Personal Income Tax forecast using sensitivity analysis of the estimates to key variables included the FPP economic assumptions as well as an assessment of historic forecast accuracy.

Figure 11 below shows the upper and lower estimates of this forecast.

**Figure A3: Personal Tax Range of Estimates**

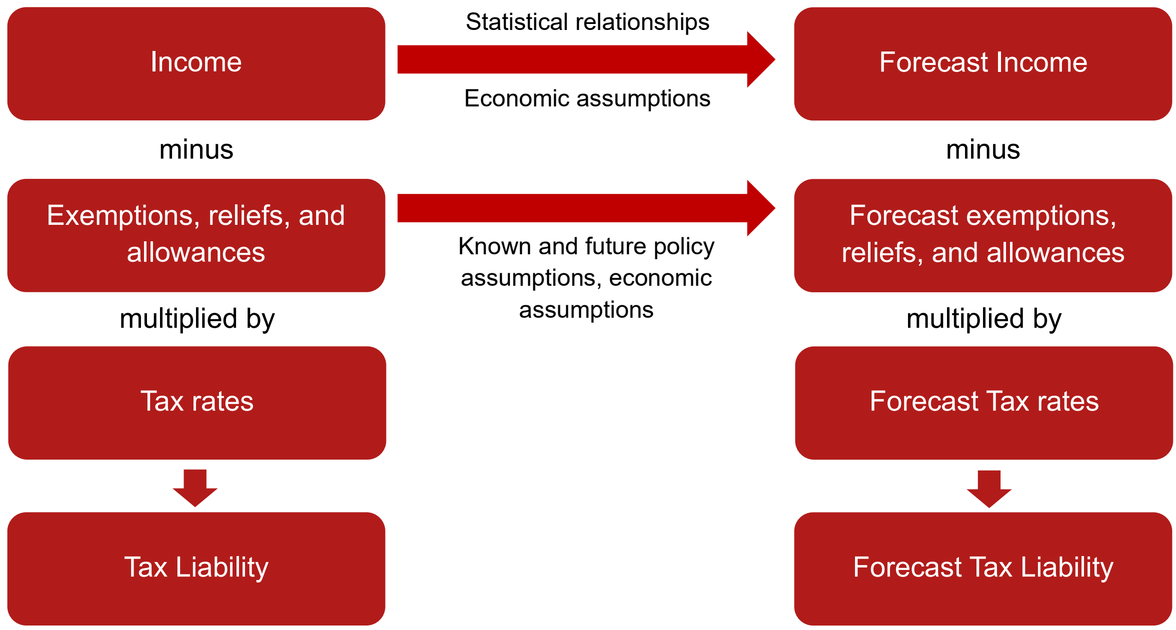
| | 2023 Outturn | 2024 Forecast | 2025 Forecast | 2026 Forecast | 2027 Forecast | 2028 Forecast | 2029 Forecast |
|---|---|---|---|---|---|---|---|
| Upper | 635 | 714 | 757 | 797 | 839 | 880 | 926 |
| Central | 635 | 689 | 722 | 758 | 797 | 833 | 875 |
| Lower | 635 | 664 | 687 | 720 | 754 | 786 | 823 |


PIT range of estimates
£ millions
950
900
850
800
750
700
650
600
2023
2024
2025
2026
2027
2028
2029
Lower
Central
Upper

# Personal Income Tax Forecast Methodology

An overview of the personal income tax forecasting model is shown in the diagram below. There are two main elements - forecasting taxable income and forecasting the average effective tax rate (i.e. tax liability per £1 of taxable income). The latter is based on forecasts of the value of deductions (including exemption thresholds for marginal rate taxpayers, and reliefs, credits and allowances claimed by taxpayers). The forecast of tax collectable is, therefore, the product of the forecasts for taxable income and the average effective tax rate.

Taxable personal income is estimated by applying economic assumptions provided by the FPP to latest outturn data. The economic assumptions include the forecast year on year change in compensation of employees (CoE), company profits, employment, average earnings, inflation and interest rates. Outturn data is provided by Revenue Jersey. The average effective tax rate is forecast by taking baseline data for the value of deductions. Changes are forecast, in line with assumptions about future taxpayer numbers, inflation, interest rates and policy changes announced in previous Budgets and Government Plans. So, for example, the aggregate value of the basic exemption thresholds might be assumed to rise in line with the lower of RPI inflation and earnings (to represent the anticipated annual increase in the threshold), and employment growth (to represent the increase in taxpayer numbers meeting this threshold).



# Appendix B – Corporate Income Tax

Jersey has implemented the Pillar Two framework. This will apply to Jersey entities of multinational enterprise (MNE) groups with more than €750 million annual global revenues. The majority of Jersey businesses will not be in scope of the Income Inclusion Rule (IIR) and/or the 15% Multinational Corporate Income Tax (MCIT) and will remain within the existing corporate tax regime (referred to as 0/10).

Forecasting the future revenue impact of these tax changes is a difficult exercise for every jurisdiction in the OECD Inclusive Framework. For now (and until we have tax revenue data) Corporate Income Tax revenues will continue to be forecast on the 0/10 basis and supplemented by a forecast of the additional corporate income tax revenues from Pillar Two.

## Corporate Income Tax Summary

The Corporate Income Tax (CIT) forecast was updated in Summer 2025 to include new tax outturn data, the FPP's Spring 2024 economic assumptions and new financial information provided by industry. The forecast is summarised below in Figure B1.

**Figure B1: Corporate Income Tax Summer 2025**

| £m | 2023 Outturn | 2024 Outturn | 2025 Forecast | 2026 Forecast | 2027 Forecast | 2028 Forecast | 2029 Forecast |
|---|---|---|---|---|---|---|---|
| Spring 2024 forecast | 110 | 209 | 221 | 220 | 220 | 226 | - |
| Tax outturn | - | -14 | - | - | - | - | - |
| Financial information from industry | - | - | -34 | -32 | -30 | -27 | - |
| Spring 2025 FPP assumptions | - | - | -1 | -1 | -1 | -1 | - |
| **Summer 2025 forecast** | **110** | **195** | **184** | **185** | **187** | **196** | **205** |
| Variance | - | -14 | -37 | -35 | -33 | -30 | - |

## Corporate Income Tax Outturn

Corporate Income Tax received in 2024 grew by £85 million (77%), driven by strong growth in bank profits. The increase in Bank of England base rates since 2021 has enabled more profitable net interest rate margins, and has increased the attractiveness of bank deposits, enabling strong growth in bank profits.

Outturn for Corporate Income Tax in 2024 (tax paid on 2023 year-of-assessment profits) was 7% lower than the IFG's Spring 2024 forecast. The difference in outturn compared to forecast was due to lower than forecast bank profits.

## Downward Revision to Corporate Income Tax Forecast

The Summer 2025 IFG forecast for Corporate Income Tax has again been informed by information provided by the banking sector to the FPP. For this forecast, industry responses account for over 80% of the tax base and the economics team has been able to check the information provided by industry against that supplied to Revenue Jersey for tax purposes. In turn this provides the IFG with a greater degree of confidence in the information being used for the forecast for tax revenue from Jersey's banking sector. This 'bottom-up' approach to forecasting (using financial information provided by Banks) coupled with 'top-down' forecasts using FPP assumptions for other financial service and non-finance sectors has been used for the Summer 2025 IFG forecast. This is the approach used by the majority of OECD member countries.

More detailed Revenue Jersey data and a greater coverage of industry forecasts compared to the tax base, has allowed the IFG to extend this improved methodology over all income forecast years – previously this approach was only limited to the first year of the forecast.

Using this methodology, the IFG has revised down its assessment of profit growth in year-of-assessment 2024, leading to a downward revision in the Corporate Income Tax forecast of £34 million in 2025. This decrease is also consistent with data published by the Jersey Financial Services Commission, which showed bank profits falling 8% in 2024.

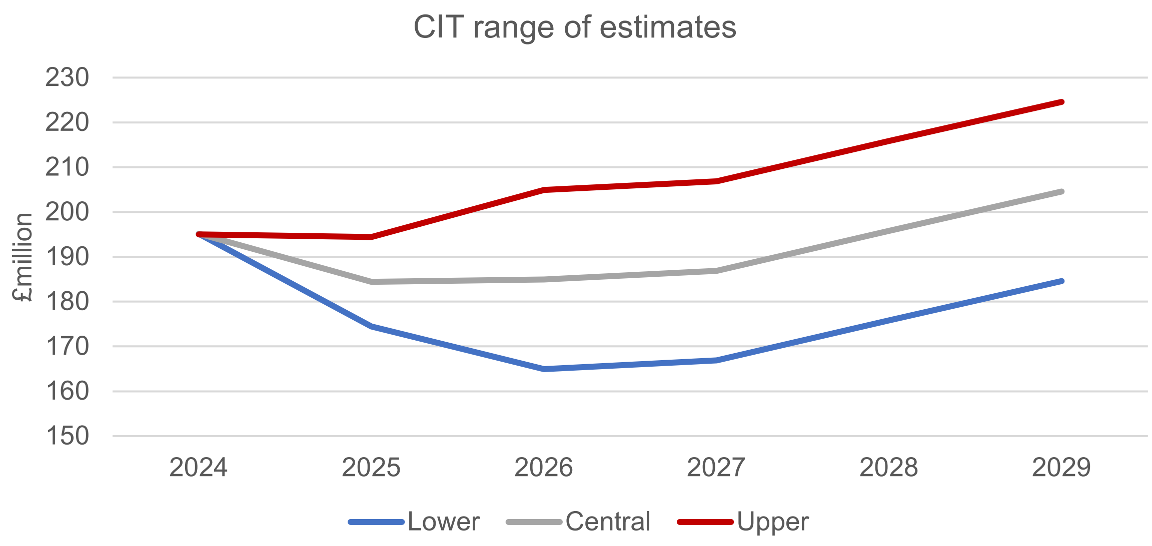
The Corporate Income Tax forecast for other financial services and non-finance sectors has remained largely unchanged, with lower FPP assumptions for financial services growth causing a marginal downward revision of £1 million to the Spring 2024 forecast.

# Corporate Income Tax Range of Estimates

The IFG has provided a forecast range with an 'Upper' and 'Lower' scenario based on reasonable expectations for bank profits,

**Figure B2: Corporate Income Tax Range of Estimates**

| | 2023 Outturn | 2024 Outturn | 2025 Forecast | 2026 Forecast | 2027 Forecast | 2028 Forecast | 2029 Forecast |
|---|---|---|---|---|---|---|---|
| Lower | 139 | 195 | 174 | 165 | 167 | 176 | 185 |
| Central | 139 | 195 | 184 | 185 | 187 | 196 | 205 |
| Upper | 139 | 195 | 194 | 205 | 207 | 216 | 225 |




# Pillar Two Taxes Forecast Methodology

Forecasting the revenues from the implementation of Pillar Two is challenging. Pillar Two tax revenues are contingent on how Pillar Two is implemented by other jurisdictions and also on the behavioural responses of multinational groups affected by Pillar Two. A further complication arises from the interaction of Pillar Two with the US GILTI international tax regime which adds uncertainty to forecasting profits booked to Jersey by US-based firms. This complexity is further compounded by heightened geopolitical uncertainty following the US Executive Orders of January 2025.

In light of this complexity and uncertainty, our approach has been to forecast a "base case Pillar Two forecast". This includes the additional corporate income tax expected to be received form taxpayers in Jersey following implementation of Pillar Two. Whilst we consider this to be a prudent and reasonable approach to an area of tax forecasting that is new and untested globally, the forecast has both upside and downside risks.

The base case forecast includes:

- An assessment of the additional Pillar Two Multinational Corporate Income Tax (MCIT) revenue that it is reasonable to assume will be raised from the largest financial services groups currently paying 10% CIT; and
- A prudent assessment of other tax revenue that may be raised from the implementation of the Pillar Two Income Inclusion Rule

The base case forecast assumes no tax revenue is raised from current 0% CIT groups in scope of Pillar Two, as it is difficult to determine with any degree of accuracy the level of profits that will be in scope of Pillar Two in Jersey.

**Figure B3: Pillar 2 forecast**

| £m | 2026 Forecast | 2027 Forecast | 2028 Forecast | 2029 Forecast |
|---|---|---|---|---|
| Spring 2024 forecast | 52 | 52 | 54 | - |
| Summer 2025 forecast | 49 | 48 | 52 | 55 |
| **Variance** | **-3** | **-4** | **-2** | **-** |

# Appendix C – Goods and Services (GST) Tax

## GST Summary

The IFG's Summer 2025 forecast for Goods and Services Tax (GST) re-estimates the forecast model with the FPP's Spring 2025 economic assumptions and outturn data. The updated GST forecast is summarised in Figure C1.

**Figure C1: Goods and Services Tax**

| £m | 2023 Outturn | 2024 Outturn | 2025 Forecast | 2026 Forecast | 2027 Forecast | 2028 Forecast | 2029 Forecast |
|---|---|---|---|---|---|---|---|
| Spring 2024 forecast | 119 | 126 | 129 | 132 | 135 | 138 | - |
| GSTx outturn | - | -2 | -2 | -2 | -2 | -2 | - |
| ISE outturn | - | +1 | +1 | +1 | +1 | +1 | - |
| Economic data/assumptions | - | - | +1 | +1 | +1 | +1 | - |
| **GST Summer 2025** | **119** | **125** | **128** | **132** | **135** | **138** | **141** |
| **Variance** | **-** | **-1** | **-1** | **-** | **-** | **-** | **-** |

## GST De Minimis and Registration of Large Corporate Retailers (LCR)

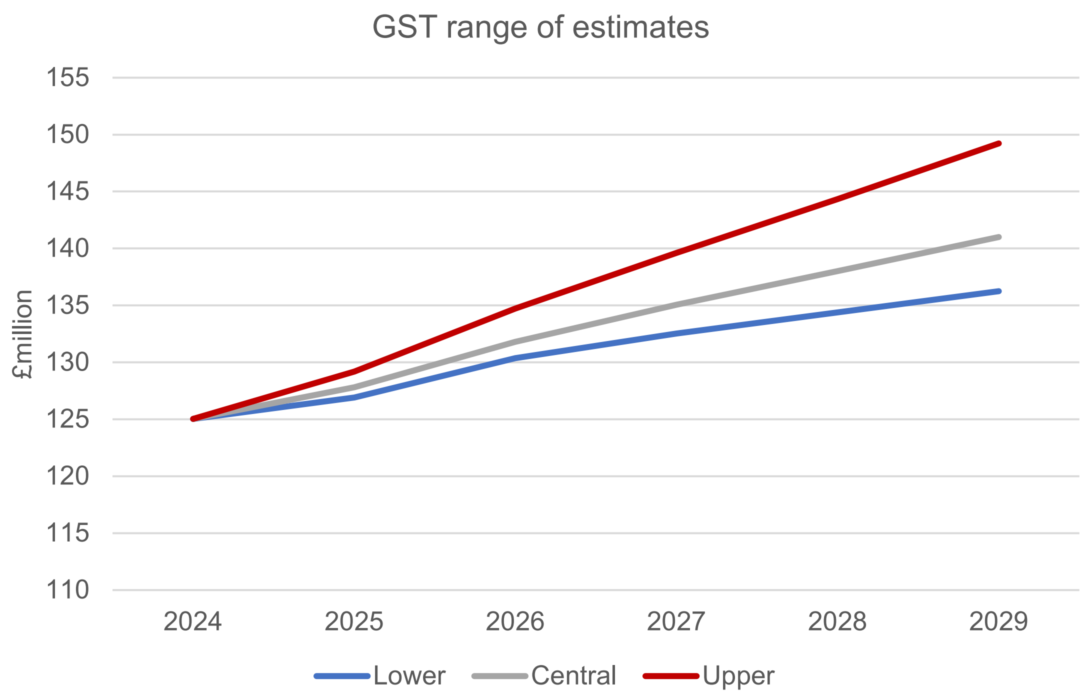
The introduction of a new £60 "de minimis" level for paying GST on unaccompanied imported goods as well as the online registration of large corporate retailers have been operational since July 2023. The impacts of this was estimated to introduce a further £2.8 million to the GST forecast and still holds in the forecast.

## GST Range of Estimates

The IFG have produced a range around the GST forecast using a variation around FPP economic assumptions. As a starting point, this is a range of +/- 3.0 percentage points for their estimate of the growth of CoE. This was then updated to accommodate the revision to the central forecast. The table below shows the upper and lower estimates of this forecast.

**Figure C2: GST Range of Estimates**

| | 2024 Outturn | 2025 Forecast | 2026 Forecast | 2027 Forecast | 2028 Forecast | 2029 Forecast |
|---|---|---|---|---|---|---|
| Lower | 125 | 127 | 130 | 133 | 134 | 136 |
| Central | 125 | 128 | 132 | 135 | 138 | 141 |
| Upper | 125 | 129 | 135 | 140 | 144 | 149 |




# GST Forecast Methodology

The GST forecast models the relationship between GST excluding International Service Entity Fees (ISE Fees), denoted as GSTx, compensation of employees (CoE) and the tax rate. The forecast for GSTx is then added to the forecast for ISE fees. No changes to the model have been made for this version of the forecast.

# Appendix D – Impôts Duties

## Impôts Duties Summary

**Figure D1: Impôts Duties**

| £m | 2024 Outturn | 2025 Forecast | 2026 Forecast | 2027 Forecast | 2028 Forecast | 2029 Forecast |
|---|---|---|---|---|---|---|
| Alcohol | 22,696 | 22,761 | 23,234 | 23,720 | 24,310 | 24,845 |
| Fuel | 24,530 | 24,282 | 24,425 | 24,570 | 24,811 | 24,983 |
| Tobacco | 17,159 | 16,193 | 16,033 | 15,874 | 15,777 | 15,632 |
| Customs Duty | 500 | 550 | 550 | 550 | 550 | 550 |
| Vehicle Emissions Duty | 3,169 | 3,325 | 3,325 | 3,220 | 3,205 | 3,205 |
| **Total Impôts** | **68,054** | **67,111** | **67,567** | **67,934** | **68,653** | **69,215** |
| *Spring 24* | *70,433* | *70,681* | *71,200* | *71,808* | *72,674* | - |
| Variance | -3% | -5% | -5% | -5% | -6% | - |

The July 2025 forecast for Impôts duties has been updated to incorporate:

- the FPP's June 2025 economic assumptions;
- Q1 and Q2 2025 outturn data;
- measures agreed by the States Assembly in Budget 2025-2028; and
- intelligence from the trade.

For each of commodities the main changes are as follows:

- Alcohol and Fuel – Spring 2024 forecast included a 3.6% RPI increase in duty – no duty increase was applied in 2025

- Tobacco – 2024 outturn was 1% below Spring 2024 forecast, however the underlying consumption trend continues to decrease significantly. 2024 was 21% below 2023 and the underlying trend indicates an 8% to 10% annual decrease in quantity consumed locally.

- Vehicle Emissions Duty – forecast has been revised to take account of average growth in registrations in the period 2011 to 2024 and reflects increase in electric vehicle and hybrid vehicle registrations

RPI increases have been applied to this forecast for alcohol and fuel for the period 2025-2029 to provide a baseline from which the costs or any subsequent amendments can be made. The tobacco forecast incorporates an escalator of RPI + 5% for cigarettes and hand rolling tobacco, and RPI +8% for cigars.

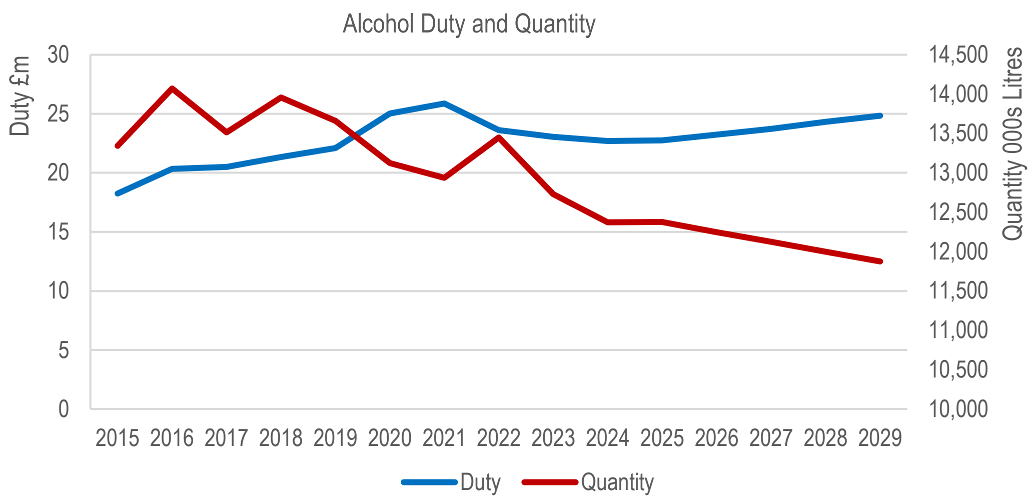
# Alcohol

The 2024 IFG forecast applied a baseline 3.6% RPI increase for all alcohol products for the period 2025-2028 whereas in fact no duty increases were ultimately applied.

In 2024 outturn for spirits fell 12% below forecast, a decrease which is now reflected in the 2025-2029 forecast and, overall, the long-term consumption trend for all categories of alcohol combined continues to decline by approximately 1% per annum.

Figure D2 below illustrates longer-term trends in the dutiable quantity of all alcohol products combined with 2025-2029 forecasts based upon annual RPI increases.

Figure D2. Alcohol duty forecast

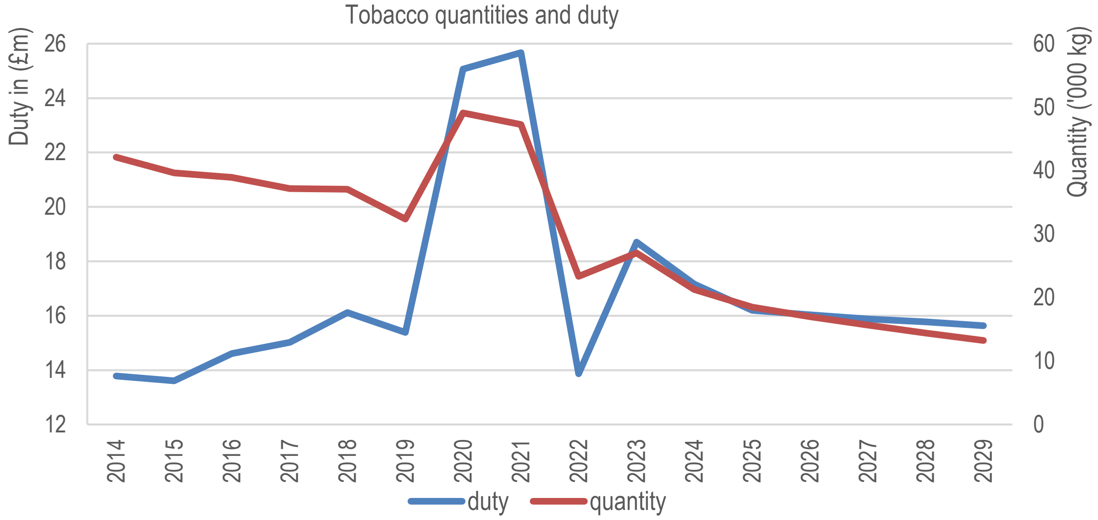



# Tobacco

Previous forecasts have been able to take account of both Q1 and Q2 outturn data whereas, as in 2024, this forecast only has the benefit of Q1 2025 outturn data which shows a significant downturn, albeit that fluctuations of this kind are not unusual in the early part of the year.

2024 outturn was 1% below forecast, however, consumption is decreasing significantly, and the trade anticipate an approximate 10% overall fall in sales this year. Previous assumptions were based upon a 6% annual decrease, so a 10% decrease in anticipated consumption has been applied to the 2025 forecast and an 8% annual decrease has been applied for the period 2026-2029. This may, however, need to be readjusted in subsequent forecasts.

Figure D3. Tobacco duty and quantity forecast

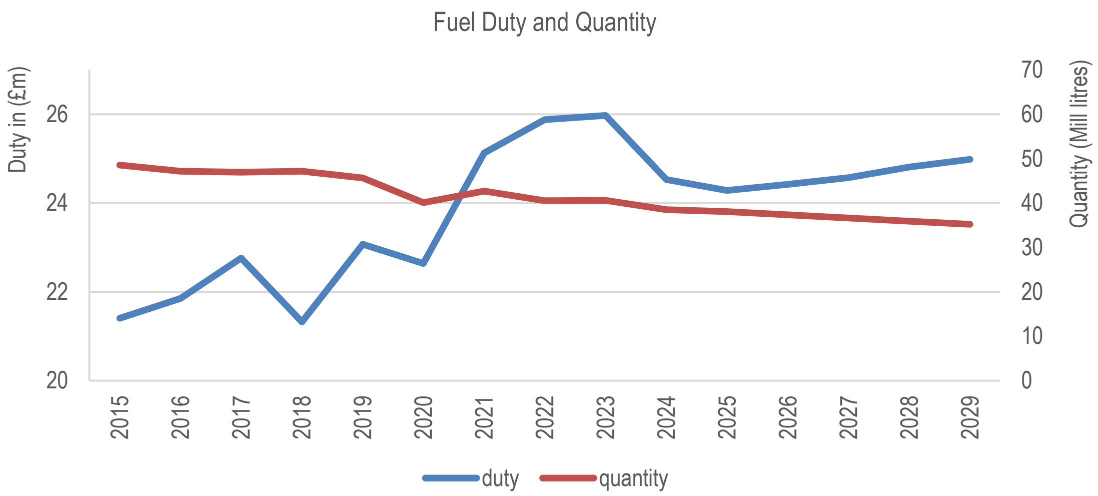



# Fuel

Long-term volumes of duty paid road fuel have been in decline since the mid-1990s and this is expected to continue. The average 10-year decline is approximately 2% per annum which has been incorporated into the forecast and this decline tallies with information from the trade.

2024 outturn was 3% below forecast. The Spring 2024 forecast included a proposed increase in the excise duty rates for fuel products of 3.6% for 2025 whereas the duty rate for 2025 was in fact frozen.

Figure D4. Fuel duty and quantity forecast



# Vehicle Emissions Duty (VED)

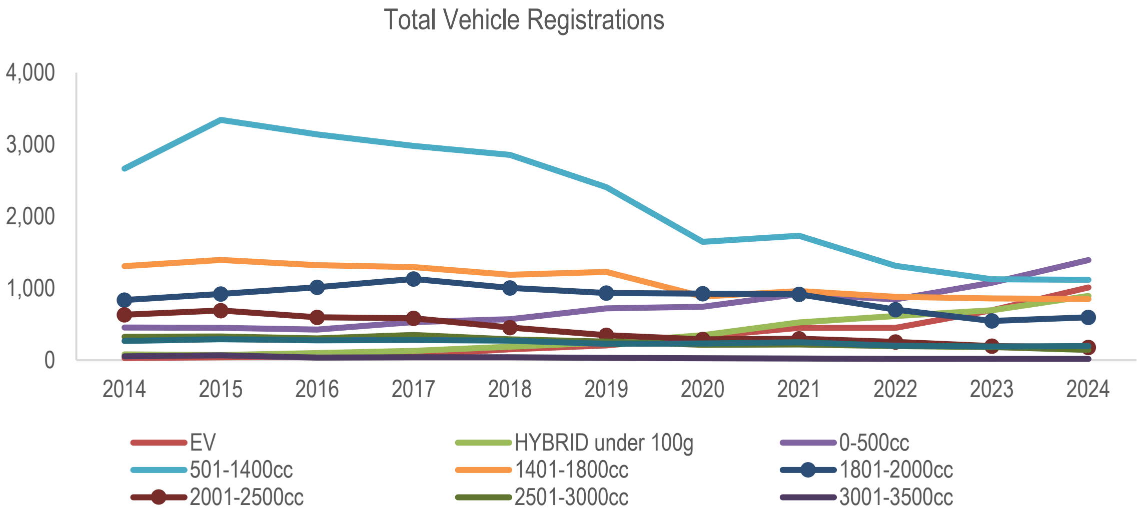
Policy TR4 of the Carbon Neutral Roadmap, approved by the States Assembly on 29 April 2022, introduced a Vehicle Emissions Duty (VED) optimisation whereby no level of VED would be introduced on zero carbon vehicles, but duty would be increased on all domestic petrol and diesel vehicles each year until at least 2030. The expectation in policy TR5 would be to bring into force legislation that prohibits the importation and exportation of petrol and diesel cars and small vans that are new to the Island by 2030 at the latest.

The 2025-2028 Budget increased the three highest emission bands for non-commercial vehicles by 5%, 15%, and 25% with no increases for most vehicles in the less polluting bands.

The current forecast has therefore been revised to take account of vehicle registrations in the period 2014 to 2024 and reflects increase in electric vehicle and hybrid vehicle registrations.

Ministers have yet to agree the proposed levels of increases for VED for 2026-2029 therefore no factors or escalators have been applied.

Figure D4. Historic vehicle registration data



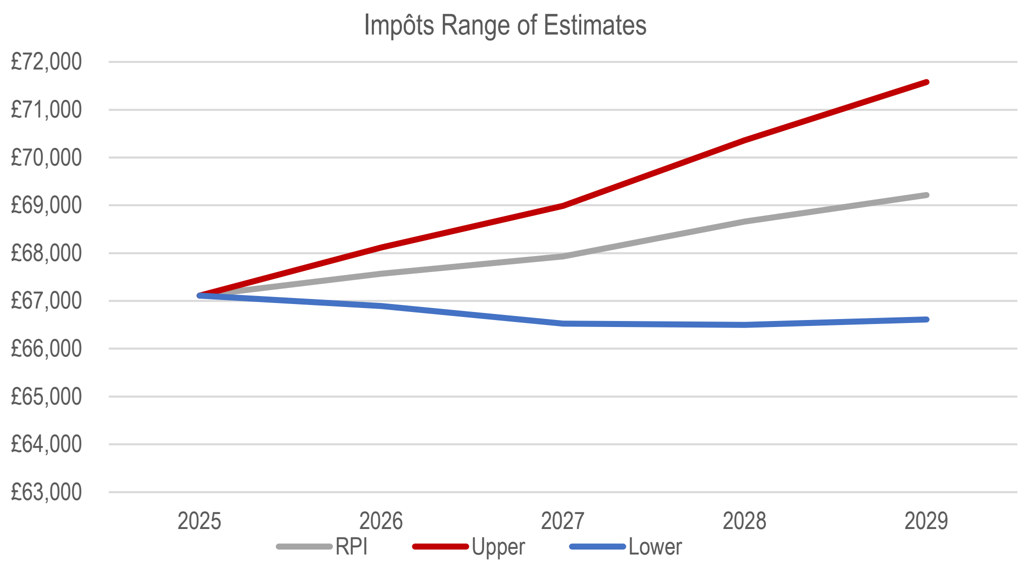

# Impôts Duties Range of Estimates

A range of estimates Based upon FPP June 2025 RPI predictions are shown below for the forecast period:

**Figure D5 – Impôts range of estimates**

| £'000 | 2025 Forecast | 2026 Forecast | 2027 Forecast | 2028 Forecast | 2029 Forecast |
|---|---|---|---|---|---|
| **Lower** | 67,111 | 66,892 | 66,526 | 66,499 | 66,613 |
| **Central** | 67,111 | 67,567 | 67,934 | 68,653 | 69,215 |
| **Upper** | 67,111 | 68,119 | 68,989 | 70,359 | 71,579 |

Figure D6 - Impôts Range of Estimates



# Impôts Duties 2025-2029

**Figure D6: Impôts Duties 2025-2029**

| £'000 (unless stated) | 2024 Outturn | 2025 Forecast | 2026 Forecast | 2027 Forecast | 2028 Forecast | 2029 Forecast |
|---|---|---|---|---|---|---|
| **Spirits** | | | | | | |
| GBP (000's) | 6,713 | 6,903 | 7,111 | 7,325 | 7,575 | 7,811 |
| Quantity (Litres of alcohol) | 148,227 | 152,372 | 152,982 | 153,593 | 154,208 | 154,825 |
| *Spring 2024 (GBP 000's)* | *7,497* | *7,845* | *8,050* | *8,269* | *8,518* | - |
| Variance | *(784)* | *(942)* | *(939)* | *(944)* | *(943)* | - |
| % | *-12%* | *-14%* | *-13%* | *-13%* | *-12%* | - |
| **Wine** | | | | | | |
| GBP (000's) | 8,774 | 8,562 | 8,723 | 8,887 | 9,090 | 9,271 |
| Quantity Hectollitres | 37,374 | 36,454 | 36,199 | 35,946 | 35,694 | 35,444 |
| *Spring 2024 (GBP 000's)* | *9,058* | *9,385* | *9,535* | *9,696* | *9,890* | - |
| Variance | *(284)* | (823) | (812) | (809) | (800) | - |
| % | *-3%* | -10% | -9% | -9% | -9% | - |
| **Cider** | | | | | | |
| GBP (000's) | 927 | 951 | 956 | 962 | 970 | 977 |
| Quantity (Hectollitres) | 11,845 | 12,135 | 11,892 | 11,655 | 11,421 | 11,193 |
| *Spring 2024 (GBP 000's)* | *930* | *953* | *959* | *966* | *976* | - |
| Variance | *(3)* | *(2)* | *(3)* | *(4)* | *(6)* | - |
| % | *0%* | 0% | 0% | 0% | -1% | - |
| **Beer** | | | | | | |
| GBP (000's) | 6,282 | 6,345 | 6,444 | 6,546 | 6,675 | 6,786 |
| Quantity (Hectollitres) | 75,999 | 76,682 | 75,916 | 75,157 | 74,405 | 73,661 |
| *Spring 2024 (GBP 000's))* | *6,514* | *6,750* | *6,857* | *6,975* | *7,113* | - |
| Variance | *(232)* | (405) | (413) | (429) | (438) | - |
| % | *-4%* | -6% | -6% | -7% | -7% | - |
| **Tobacco** | | | | | | |
| GBP (000's) | 17,159 | 16,193 | 16,033 | 15,874 | 15,777 | 15,632 |
| Quantity (KG) | 21,278 | 18,482 | 17,003 | 15,643 | 14,392 | 13,240 |
| *Spring 2024 (GBP 000's)* | *17,397* | *17,764* | *17,804* | *17,861* | *17,995* | - |
| Variance | *(238)* | (1,571) | (1,771) | (1,987) | (2,218) | - |
| % | *-1%* | -10% | -11% | -13% | -14% | - |
| **Fuel** | | | | | | |
| GBP (000's) | 24,530 | 24,282 | 24,425 | 24,570 | 24,811 | 24,983 |
| Quantity (Hectolitres) | 385,040 | 381,069 | 373,717 | 366,421 | 359,271 | 352,265 |
| *Spring 2024 (GBP 000's)* | *25,387* | *26,042* | *26,198* | *26,383* | *26,647* | - |
| Variance | *(857)* | *(1,760)* | *(1,773)* | *(1,813)* | *(1,836)* | - |
| % | *-3%* | -7% | -7% | -7% | -7% | - |
| **Customs Duty** | | | | | | |
| GBP (000's) | 500 | 550 | 550 | 550 | 550 | 550 |
| *Spring 2024 (GBP 000's)* | *700* | 700 | 700 | 700 | 700 | - |
| Variance | *(200)* | (150) | (150) | (150) | (150) | - |

| | | | | | | |
|---|---|---|---|---|---|---|
| % | *-40%* | -27% | -27% | -27% | -27% | - |
| **Vehicle Emissions Duty** | | | | | | |
| GBP (000's) | 3,169 | 3,325 | 3,325 | 3,220 | 3,205 | 3,205 |
| *Spring 2024 (GBP 000's)* | *2950* | *2,888* | *2,743* | *2,604* | *2,481* | - |
| Variance | *219* | 437 | 582 | 616 | 724 | - |
| % | *7%* | *13%* | *18%* | *19%* | *23%* | - |
| **Total Impots** | **68,054** | **67,111** | **67,567** | **67,934** | **68,653** | **69,215** |
| *Spring 2024* | *70,433* | *72,327* | *72,846* | *73,454* | *74,320* | - |
| Variance | (2,379) | (5,216) | (5,279) | (5,520) | (5,667) | - |
| % | -3% | -8% | -8% | -8% | -8% | - |

# Appendix E – Stamp Duty

## Stamp Duty Summary

The stamp duty forecast has been updated to reflect the revised economic assumptions from the FPP, and to incorporate outturn data from 2024 which was c.£3.0m (7.8%) higher than the Spring 2024 forecast.

With a slower recovery of the housing market forecast than previously anticipated by the FPP, there is a decrease of between 4% to 21% in each year of the forecast. However, due to the variable nature of the components in the forecast, it may be expected to fluctuate and should therefore be considered within a range.

**Figure E1: Stamp Duty Forecast**

| £m | 2024 Outturn | 2025 Forecast | 2026 Forecast | 2027 Forecast | 2028 Forecast | 2029 Forecast |
|---|---|---|---|---|---|---|
| Stamp Duty | 30,686 | 41,796 | 34,703 | 37,776 | 40,755 | 43,792 |
| Probate | 3,452 | 3,100 | 3,100 | 3,100 | 3,100 | 3,100 |
| Land Transaction Tax | 1,698 | 1,989 | 2,276 | 2,703 | 3,038 | 3,358 |
| Enveloped Property Transaction | 3,525 | 1,500 | 1,000 | 1,000 | 1,000 | 1,000 |
| Buy-to-let | 1,869 | 2,000 | 2,000 | 2,500 | 2,600 | 2,600 |
| **Total Stamp Duty** | **41,230** | **50,386** | **43,080** | **47,079** | **50,492** | **53,851** |
| *Spring 2024* | 38,097 | 44,543 | 51,200 | 52,523 | 53,795 | - |
| *Variance* | 3,133 | 5,843 | (8,120) | (5,443) | (3,302) | - |

## Stamp Duty Outturn Data 2024

**Figure E2: Stamp Duty Outturn 2024**

| £'000s | 2024 Forecast | 2024 Outturn | Variance | Variance % |
|---|---|---|---|---|
| Transactions <£2m | 15,512 | 12,664 | -2,848 | -18.4% |
| Transactions >£2m | 13,054 | 14,501 | 1,447 | 11.1% |
| Wills | 1,706 | 1,652 | -54 | -3.2% |
| Probate | 2,600 | 3,452 | 852 | 32.8% |
| LTT | 2,725 | 1,698 | -1,027 | -37.7% |
| EPTT | 1,000 | 3,525 | 2,525 | 252.5% |
| Buy-to-let | 1,500 | 1,869 | 369 | 24.6% |
| **Total** | **38,097** | **41,230** | **3,133** | **8.2%** |

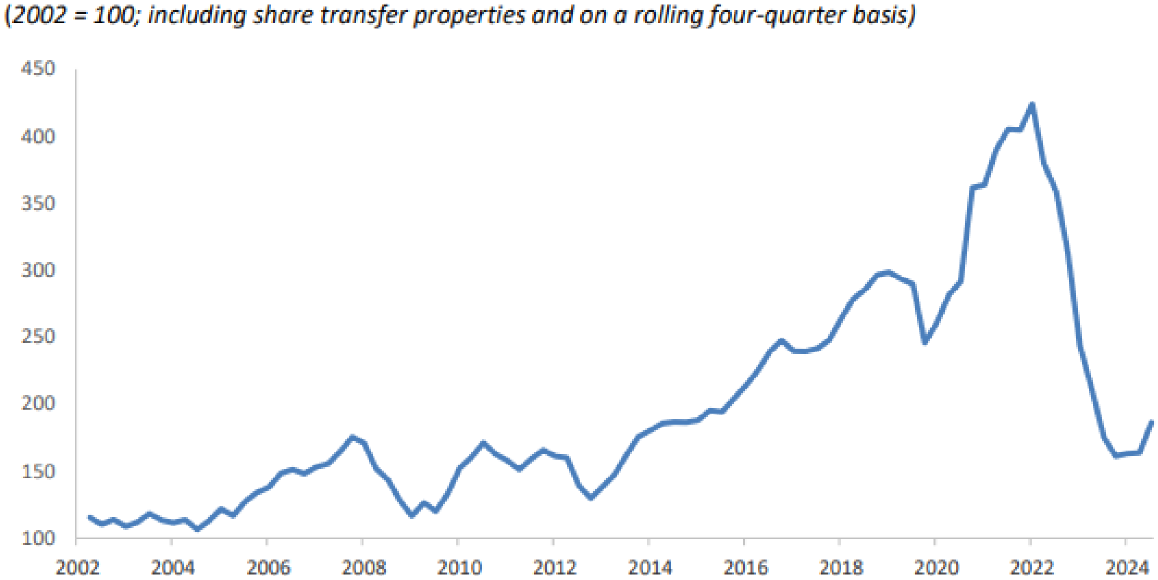
The outturn for 2024 was £3.1m (8.2%) higher than the Summer 2024 forecast, with notable variance in the outturn of the individual components.

The revenue received from Enveloped Property Transaction Tax (EPTT) exceeded the forecast, however this increase is attributable to a single large transaction.

Transactions under £2m and those subject to Land Transaction Tax (LTT) were both below forecast. This is a combination of reduced prices and a lower number of transactions taking place.

The following graphs from the first quarter 2025 House Price Index report[3] published by Statistics Jersey shows the reduction in housing market activity and continued decrease in mean property prices in 2024.

**Jersey Housing Market Activity Index**




*Source: Statistics Jersey*

**Mean property prices**


*Source: Statistics Jersey*

[3] House Price Index report – First Quarter 2025 – Statistics Jersey - https://www.gov.je/SiteCollectionDocuments/Government%20and%20administration/R%20House%20Price%20Index%20Q1%202025%20SJ20250501.pdf

# Housing Transactions under £2m

The value of property transactions under £2m in 2024 was c.£2m lower than that forecast in Spring 2024. The forecast has been adjusted to reflect the reduced base, and the slower housing market recovery shown in the updated assumptions from the FPP. The compounding effect of this has reduced the forecast between £4.3m to £8.2m per year.

# Housing Transactions over £2m

The tapering of stamp duty means that property transactions over £2m are difficult to forecast, with transfers of property potentially producing material amounts of duty from single transactions. The 2024 outturn from this component was £2.3m above the Spring 2024 forecast, with a single transaction raising £1.6m. In year data shows transactions of significantly high-value properties, which has increased the forecast for 2025.

The methodology for transactions of property by High Value Residents (HVRs) for subsequent years has been revised to reflect the expectation of an increase in successful applicants.

# Land Transaction Tax (LTT)

As with the transactions under £2m, the outturn for LTT saw a similar decrease in volume of transactions. The forecast has been updated to incorporate the lower base and to reflect the FPP economic assumptions, which has resulted in a reduction ranging from £1.6m in 2025 to £2.3m in 2026.

# Wills and Probate

The forecasts for the stamp duty on Wills and Probate are both based upon a five-year average. Outturn data has confirmed the variable nature of these components and therefore supports the current forecast methodology. This results in a total movement of £600k for the forecasts of stamp duty on Wills and Probate.

# Enveloped Property Transaction Tax (EPTT)

The introduction of Enveloped Property Transaction Tax (EPTT), following the States Assembly debate on proposition P.119/2021[4] in February 2022, provided an estimated £1m in each year of the forecast. Removing a single transaction of £2.6m, the total EPTT outturn was as forecast and therefore the £1m estimate remains reasonable for the period of the forecast, with a single transaction in 2025 suggesting an additional £0.5m in that year.

# Buy-to-Let (BTL)

Government Plan 2023 to 2026 introduced a stamp duty increase of 3pp for properties purchased for buy to let investments, second homes and holiday homes.

[4] Proposition P.119/2021 – States Assembly - https://statesassembly.gov.je/Pages/Propositions.aspx?ref=P.119/2021&refurl=%2fPages%2fPropositions.aspx%3fdocumentref%3dp.119%2f2021

The outturn from this component was in line with the forecast, and therefore the onwards trend has been assumed to continue with the FPP assumptions. This will be reviewed in future forecasts as more data become available.

## Stamp Duty Range of Estimates

To present the forecast within a range, the FPP assumptions for house prices have been adjusted to provide assumptions for upper and lower scenarios, as shown in the following tables.

**Figure E3: House Prices**

| | 2025 | 2026 | 2027 | 2028 | 2029 |
|---|---|---|---|---|---|
| Upper | 2.0 | 3.0 | 3.0 | 3.0 | 3.0 |
| **Central** | 0.0 | 2.0 | 2.0 | 2.0 | 2.0 |
| Lower | -2.0 | 1.0 | 1.0 | 1.0 | 1.0 |

**Figure E4: Housing Transactions**

| | 2025 | 2026 | 2027 | 2028 | 2029 |
|---|---|---|---|---|---|
| Upper | 17.1 | 14.6 | 12.8 | 11.3 | 5.0 |
| **Central** | 0.0 | 17.1 | 14.6 | 12.8 | 11.3 |
| Lower | 0.0 | 12.1 | 9.6 | 7.8 | 6.3 |

The range of assumptions results in an upside variation of £1.4m (2.8%) in 2025, reducing to £0.0m (0.0%) in the final year of the forecast. The downside variation ranges from -£0.1m (-0.3%) in 2025 to -£5.8m (-10.7%) in 2029.

**Figure E5: Stamp Duty Range of Estimates**

| | **2024 Outturn** | **2025 Forecast** | **2026 Forecast** | **2027 Forecast** | **2028 Forecast** | **2029 Forecast** |
|---|---|---|---|---|---|---|
| Upper | 41,080 | 51,815 | 44,549 | 48,643 | 52,208 | 54,369 |
| Central | 41,080 | 50,386 | 43,080 | 47,079 | 50,492 | 53,851 |
| Lower | 41,080 | 50,239 | 41,953 | 44,689 | 46,560 | 48,100 |

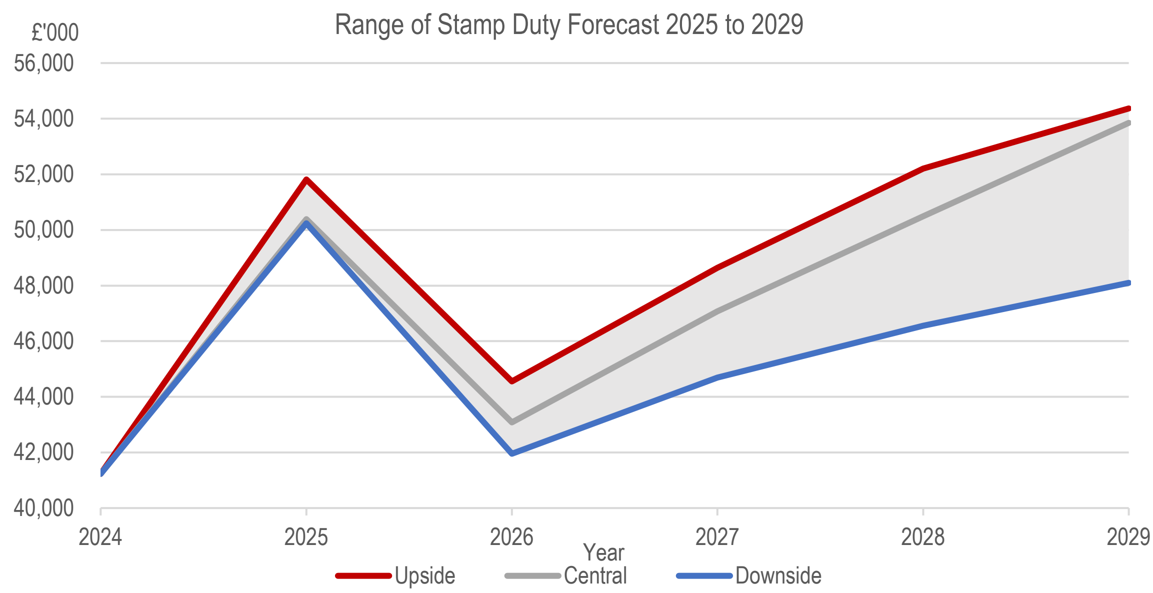


**Figure E6: Stamp Duty Forecast**

| £'000s | 2024 Outturn | 2025 Forecast | 2026 Forecast | 2027 Forecast | 2028 Forecast | 2029 Forecast |
|---|---|---|---|---|---|---|
| Stamp Duty | | | | | | |
| - Transactions <£2m | 13,654 | 14,837 | 17,557 | 20,598 | 23,570 | 26,608 |
| - Transactions >£2m | 15,380 | 25,159 | 15,347 | 15,378 | 15,384 | 15,384 |
| - Wills | 1,652 | 1,800 | 1,800 | 1,800 | 1,800 | 1,800 |
| | **30,686** | **41,796** | **34,703** | **37,776** | **40,755** | **43,792** |
| *Spring 2024* | *30,272* | *35,329* | *40,566* | *41,606* | *42,688* | - |
| Variance | 415 | 6,467 | (5,863) | (3,830) | (1,933) | - |
| Probate | 3,452 | 3,100 | 3,100 | 3,100 | 3,100 | 3,100 |
| *Spring 2024* | *2,600* | *2,600* | *2,600* | *2,600* | *2,600* | - |
| Variance | 852 | 500 | 500 | 500 | 500 | - |
| Land Transaction Tax | 1,698 | 1,989 | 2,276 | 2,703 | 3,038 | 3,358 |
| *Spring 2024* | *2,725* | *3,614* | *4,534* | *4,717* | *4,907* | - |
| Variance | (1,028) | (1,625) | (2,258) | (2,014) | (1,869) | - |
| Enveloped Property Transaction Tax | 3,525 | 1,500 | 1,000 | 1,000 | 1,000 | 1,000 |
| *Spring 2024* | *1,000* | *1,000* | *1,000* | *1,000* | *1,000* | - |
| Variance | 2,525 | 500 | - | - | - | - |
| Buy-to-let | 1,869 | 2,000 | 2,000 | 2,500 | 2,600 | 2,600 |
| *Spring 2024* | *1,500* | *2,000* | *2,500* | *2,600* | *2,600* | - |
| Variance | 369 | - | (500) | (100) | - | - |
| **Total Stamp Duty** | **41,230** | **50,386** | **43,080** | **47,079** | **50,492** | **53,851** |
| ***Spring 2024*** | ***38,097*** | ***44,543*** | ***51,200*** | ***52,523*** | ***53,795*** | **-** |
| **Variance** | **3,133** | **5,843** | **(8,120)** | **(5,443)** | **(3,302)** | **-** |
| **Variance %** | **8.2%** | **13.1%** | **-15.9%** | **-10.4%** | **-6.1%** | **-** |

# Appendix F – Other Income

## Other Income Summary

Other Income combines several income lines for the Government of Jersey which do not relate to taxation and charges. At a high level, these are:

- Island-wide rates (part of the rates system and collected by parishes)
- Income from dividends and returns (from States-owned entities)
- Non dividends (crown revenues, miscellaneous interest, fees and fines)
- Returns from Andium Homes

The Spring 2024 forecast other income was £88.4 million in 2024, compared with outturn of £86.4 million. The unfavourable variance to forecast is attributed to lower-than-expected dividend returns, with a £5 million shortfall in the JT dividend reprofiled into 2025. The other income forecast for 2025 of £90.2 million, has been updated to reflect the current FPP economic assumptions and outturn data.

**Figure F1: Other Income Summary**

| £'000s | 2024 Outturn | 2025 Forecast | 2026 Forecast | 2027 Forecast | 2028 Forecast | 2029 Forecast |
|---|---|---|---|---|---|---|
| Island Rate | 17,365 | 17,762 | 18,224 | 18,771 | 19,277 | 19,798 |
| Dividends | 16,370 | 25,572 | 10,718 | 10,888 | 11,047 | 11,212 |
| Non-Dividends | 23,561 | 19,858 | 19,912 | 19,802 | 19,893 | 20,117 |
| Andium Return | 29,124 | 27,053 | 28,773 | 29,266 | 29,689 | 30,292 |
| **Total Other Income** | **86,420** | **90,245** | **77,627** | **78,727** | **79,906** | **81,419** |
| Previous Forecast | 88,390 | 88,552 | 79,901 | 77,579 | 78,414 | - |
| Variance £ | (1,970) | 1,693 | (2,274) | 1,148 | 1,492 | - |
| Variance % | -2.2% | 1.9% | -2.8% | 1.5% | 1.9% | - |

## Island-wide Rates

The projection for Island-wide rates takes the Retail Price Index for the given year and applied it to the previous year to reflect the forecast.

**Figure F2: Island-wide rates**

| £'000s | 2024 Outturn | 2025 Forecast | 2026 Forecast | 2027 Forecast | 2028 Forecast | 2029 Forecast |
|---|---|---|---|---|---|---|
| Island Rate | 17,365 | 17,762 | 18,224 | 18,771 | 19,277 | 19,798 |
| Previous Forecast | 17,365 | 17,660 | 17,960 | 18,319 | 18,722 | - |
| Variance £ | - | 102 | 264 | 452 | 555 | - |
| Variance % | 0% | 0.6% | 1.5% | 2.5% | 3.0% | - |

# Dividends

The forecasts for dividends from both wholly or majority States owned entities are based on the following assumptions:

- Jersey Electricity Company – an inflationary increase in forecast dividends.
- Jersey Water – an inflationary increase in forecast dividends.
- JT Group – forecast dividend for 2025 is £20 million, to include the £5m dividend shortfall from 2024, with £5 million dividend per annum forecast from 2026 onwards.
- Jersey Post – no forecast dividends for the period due to the projected investment into Jersey Post operations.
- Ports of Jersey – continuing no forecast dividends for the period due to the projected investment in the Harbour and Airport.
- States of Jersey Development Company – continuing no forecast dividends for the period as all profits are being reinvested into future projects at South Hill and the Waterfront.

The dividends are paid according to the defined dividend policies and forecasts are prepared in line with the company's latest business model. In most cases the dividends are directly related to trading performance but can be affected by projects being undertaken.

Forecasts are based on detailed conversations with the board of the companies and the reviews of their Strategic Business Plans.

**Figure F3: Other income – Dividends**

**Figure F3: Dividend income**

| £'000s | 2024 Outturn | 2025 Forecast | 2026 Forecast | 2027 Forecast | 2028 Forecast | 2029 Forecast |
|---|---|---|---|---|---|---|
| Jersey Electricity | 4,702 | 3,857 | 3,958 | 4,076 | 4,186 | 4,300 |
| Jersey Water | 1,668 | 1,715 | 1,760 | 1,812 | 1,861 | 1,912 |
| SoJDC | - | - | - | - | - | - |
| Jersey Post | - | - | - | - | - | - |
| JT Group | 10,000 | 20,000 | 5,000 | 5,000 | 5,000 | 5,000 |
| Ports of Jersey | - | - | - | - | - | - |
| **Total Dividends** | **16,370** | **25,572** | **10,718** | **10,888** | **11,047** | **11,212** |
| Previous Forecast | 21,121 | 21,226 | 12,331 | 9,457 | 9,600 | - |
| Variance £ | (4,751) | 4,346 | (1,613) | 1,431 | 1,447 | - |
| Variance % | -22.5% | 20.5% | -13.1% | 15.1% | 15.1% | - |

# Non-Dividends

Non dividends include other types of income, including investment returns on the Consolidated Fund and Jersey Currency Fund. It also includes tax penalties, miscellaneous fines, returns from the Jersey Financial Services Commission and Crown Revenue.

The forecasts for returns on the Consolidated Fund and Jersey Currency Fund are based on the following:

- In projecting returns we have applied a conservative assumption of a stable core value of currency in circulation value at c. £80m. Given both relatively high inflation and the value of historic notes included in circulation, we believe this is an appropriately prudent assumption, though the position will be monitored carefully.
- The Currency Fund is invested, in line with its published Investment Strategy.
- The previous forecast for the Currency Notes Fund was calculated during a period of economic turmoil with significant inflation, higher interest rates have provided improved returns, however these are offset by conservative assumptions about core currency in circulation.
- The Consolidated Fund is expected to hold only frictional cash balances, based on timing differences between receipts and payments.

The forecast for tax penalties has improved due to higher outturn data and better than expected collections from incremental late filing penalties.

**Figure F4: Non-Dividends**

| £'000s | 2024 Outturn | 2025 Forecast | 2026 Forecast | 2027 Forecast | 2028 Forecast | 2029 Forecast |
|---|---|---|---|---|---|---|
| Currency Notes Return | 6,300 | 4,000 | 4,000 | 4,000 | 4,200 | 4,500 |
| Tax Penalties | 9,631 | 8,000 | 8,000 | 8,000 | 8,000 | 8,000 |
| Miscellaneous Loans | 592 | 592 | 649 | 549 | 447 | 377 |
| Miscellaneous Fines | 317 | 337 | 334 | 330 | 327 | 323 |
| JFSC | 5,941 | 6,191 | 6,191 | 6,191 | 6,191 | 6,191 |
| OFCOM income | 487 | 437 | 423 | 409 | 395 | 381 |
| Crown Revenue | 293 | 301 | 315 | 323 | 333 | 345 |
| **Total non-dividends** | **23,561** | **19,858** | **19,912** | **19,802** | **19,893** | **20,117** |
| Previous Forecast | 20,443 | 20,021 | 19,982 | 19,983 | 20,068 | - |
| Variance £ | 3,118 | (163) | (70) | (181) | (175) | - |
| Variance % | 15.3% | -0.8% | -0.4% | -0.9% | -0.9% | - |

# Return from Andium Homes

The returns from Andium Homes arise from the incorporation of the housing function in July 2014. Andium is obliged to make a return based on the transfer agreement and an agreed rental and return policy.

The Andium return forecast has been adjusted to reflect agreements with Andium in respect of the Gas Place site, Willows Day care centre and landlord licensing, expected to be formalised through an adjustment to the Andium return.**Figure F: Andium Return**

| £'000s | 2024 Outturn | 2025 Forecast | 2026 Forecast | 2027 Forecast | 2028 Forecast | 2029 Forecast |
|---|---|---|---|---|---|---|

| | | | | | | |
|---|---|---|---|---|---|---|
| Return from Andium Homes | 29,124 | 27,053 | 28,773 | 29,266 | 29,689 | 30,292 |
| Previous Forecast | 29,461 | 29,645 | 29,628 | 29,820 | 30,024 | - |
| Variance £ | (337) | (2,592) | (855) | (554) | (335) | - |
| Variance % | -1.1% | -8.7% | -2.9% | -1.9% | -1.1% | - |

# Other Income Range of Estimates

The other income forecast has been prepared based upon the FPP economic assumptions with additional consideration by IFG.

Due to the uncertainties that may be expected around the forecast, a central forecast of other income has been considered within an illustrative range. For other income the main economic driver is RPI, this has been considered within an estimate upper and lower range on the FPP economic assumptions. The range is shown below:

**Figure F6: Range of Forecast**

**Figure F6: Range of Other Income Forecast**

| £'000 | 2024 Outturn | 2025 Forecast | 2026 Forecast | 2027 Forecast | 2028 Forecast | 2029 Forecast |
|---|---|---|---|---|---|---|
| Upper Scenario | 86,420 | 90,245 | 77,852 | 79,111 | 80,452 | 82,206 |
| Central Forecast | 86,420 | 90,245 | 77,627 | 78,727 | 79,906 | 81,419 |
| Lower Scenario | 86,420 | 90,245 | 77,012 | 77,725 | 78,644 | 79,924 |

# Appendix G – Social Security and Long-Term Care Contributions

Contributions paid into the Social Security Fund are used for the purpose of providing the funds required for paying social benefits payments, such as the old age pension and incapacity benefit. Contributions paid into the HIF for the purpose of paying medical and pharmaceutical benefits. LTC contributions are collected for the purpose of paying out benefits and expenditure relating to the provision of long-term care.

Forecasts have been prepared based on the FPP economic assumptions.

## Social Security Contributions

Social security contributions are received under the following 3 classes of contributions.

a. Class 1 contributions, which include;
   i. employed persons' primary class 1 contributions, and;
   ii. employers' secondary class 1 contributions.
b. Class 2 contributions which are either full rate or reduced rate contributions.

The contributions model is updated based on outturn data, economic assumptions provided by the FPP are then applied to the outturn data to adjust for earnings and employment. An adjustment is made for the annual uplift in earning limits and a further adjustment for assumptions of unemployment levels.

An element of total social security contributions shown below is also paid into the Health Insurance Fund.

**Figure G1: Social Security Contributions**

| £m | 2024 Outturn | 2025 Forecast | 2026 Forecast | 2027 Forecast | 2028 Forecast | 2029 Forecast |
|---|---|---|---|---|---|---|
| Spring 2024 | 305 | 316 | 325 | 334 | 344 | - |
| Summer 2025 | 310 | 323 | 339 | 352 | 364 | 376 |
| *Variance* | *+5* | *+7* | *+14* | *+18* | *+20* | - |

## Long-Term Care Contributions

Every insured person who pays income tax, pays into the long-term care fund with a long-term care contribution. The long-term care contribution is based on personal income tax and is therefore a function of changes to personal income tax forecasts.

The long-term care forecast is based on outturn data for the 2023 year-of-assessment and then adjusted in line with the year-on-year change in the personal income tax forecast.

The methodology of the forecast in personal income tax is described in appendix A.

**Figure G2: Long-Term Care Contributions**

| **£m** | **2023 Outturn** | **2024 Forecast** | **2025 Forecast** | **2026 Forecast** | **2027 Forecast** | **2028 Forecast** | **2029 Forecast** |
|---|---|---|---|---|---|---|---|
| Spring 2024 | 43 | 46 | 48 | 50 | 52 | 54 | - |
| Summer 2025 | 41 | 45 | 47 | 49 | 51 | 53 | 56 |
| *Variance* | *-2* | *-1* | *-1* | *-1* | - | - | - |

# Appendix H – Terms of Reference

## Purpose

The group is established as an advisory function on the forecasts of all States income from taxation and social security contributions which will be informed by economic assumptions produced by the FPP with additional forecasts for other States income prepared by Treasury officers.

## Objectives

To produce an absolute minimum of one forecast each year. A full review of states tax, social security contributions and duty revenue forecasts will take place following the provisional outturn and no later than May of each year.

A further forecast (if needed) to inform the Government Plan debate, including any revised economic assumptions and experience from the current year actual revenues.

To produce reports on the forecasts of states income from taxation and social security contributions, including:

- Forecasts for income tax revenues
- Forecasts for goods and services tax and ISE Fees Forecasts for impots duties
- Forecasts for stamp duties
- Forecasts for social security contributions Forecasts for long-term care contributions Forecasts for other States income Economic assumptions used; and
- Factors and risks that should be considered

The forecasts will cover a period of at least four years and include a range within which a central forecast can be applied.

## Reporting

The reports will be presented to the Treasury and Resources Minister in advance of the Council of Ministers consideration. Once a report is approved by the Treasury and Resources Minister it will be published alongside the Government Plan. Other reports can be prepared on the request of the Treasury and Resources Minister.

## Administration

All meetings will be minuted with agreed actions.
Quorum – at least six members be present for the meetings to be considered quorate. In exceptional circumstances a delegate may be appointed by an official, however external members cannot delegate. Quarterly internal review meetings will also be held.

Any variations to the group membership once established are to be agreed by the Treasury and Resources Minister or Chief Minister.

It will be the responsibility of the Chief Executive and Treasurer of the States to ensure that the group has sufficient resources to fulfil its responsibilities.

# Group Membership

The members of the group are:
Treasurer of the States (Chair)
Chief Officer of Employment, Social Security and Housing
Chief Officer of the Department for the Economy
Comptroller of Revenue
Deputy Comptroller of Revenue
Group Director Strategic Finance
Chief Economic Adviser
GoJ Economist

At least two external members appointed by the Treasury and Resources Minister.

The meetings of the group may be attended by the following officers in a supporting role:
Head of Financial Planning (secretary)
Revenue Accountant
Tax Policy Unit Officer

The group will invite other officers and external advisers to attend as appropriate which will be documented.

The group will operate independent of any political influence.