

**QUESTION TO BE ASKED OF THE PRESIDENT OF THE FINANCE AND ECONOMICS
COMMITTEE ON TUESDAY 9th SEPTEMBER 2003, BY DEPUTY P.N. TROY OF ST. BRELADE**

Question

In the report accompanying an amendment presented to the States on 24th June 2003, by the Committee regarding user pays charges, reference was made to a proposed surcharge for the late submission of income tax returns.

Would the President inform members –

- (a) whether the Committee intends to introduce a surcharge for late submission of income tax returns and, if so –
 - (i) describe the criteria that will apply to such a charge;
 - (ii) provide an estimate of the amount to be raised by such a charge;
 - (iii) provide an estimate of the costs involved in collecting such a charge?
- (b) whether consultation has taken place with accountants or tax advisors and, provide any conclusions drawn from this process, and give details of any objections raised in this regard by professionals during the consultation exercise?

Answer

- (a) I can confirm that, subject to the approval of this Assembly, the Committee will introduce a penalty for late delivery of completed income tax returns with effect from the year of assessment 2003. I should perhaps mention that sanctions already exist within the Income Tax (Jersey) Law, and are set out within current tax returns, whereby a penalty may already be imposed for failure to submit a tax return.
 - (i) The criteria that is proposed will apply, is as follows –
 - a taxpayer who delivers his completed income tax return after 6.00 p.m. on the last Friday of May following the year of assessment will be subject to a penalty of £200;
 - if the taxpayer is not liable to tax, he will not be liable to the penalty. If the taxpayer has a tax bill of less than £200, the penalty will be the amount of the tax due, and any overpayment will normally be recoverable;
 - an appeal can be made against the imposition of the penalty to an independent tax tribunal, the Commissioners of Appeal, on the grounds that the completed income tax return was delivered late because of death, serious illness or similar exceptional circumstance;
 - those taxpayers who employ a tax agent to act of their behalf will have to submit their completed income tax returns by 6.00 p.m. on the last Friday in July following the year of assessment, this extension being necessary because tax agents would not be able to handle the workload that would be imposed on them if all their clients completed income tax returns had to be submitted by the end of May.
 - (ii) The amount that will be raised by the penalty is dependent on the number of taxpayers who fail to deliver their completed income tax returns by the due date. For example, if 2,500 of the 51,500 personal taxpayers on the Comptroller's current database fail to deliver their completed income tax returns on time, the yield will approach £500,000. On the other hand, if 7,500 fail to deliver on time, the yield will approach £1.5 million. (The yield will drop slightly if some of those taxpayers have liabilities of less

than £200). Currently, some 14,000 personal taxpayers fail to submit their completed income tax returns by the end of May, causing considerable additional work for the staff at the Income Tax Office because of the necessity to raise estimated tax assessments during the assessing cycle and the necessity to subsequently revise these assessments, sometimes on two or three occasions, when the income tax returns and additional information to support the income tax return is actually delivered. Some taxpayers do not submit their completed income tax returns until after the issue of the tax assessment in September, thereby causing even more work at the Income Tax Office because of the filing of an appeal.

(iii) The estimated set up costs for the first year include computer development costs of £60,000 and additional staff costs of £32,000, making a total of £92,000. The costs for the second and subsequent years are estimated to be £32,000 per annum. The staff costs do not relate to additional permanent members of staff at the Income Tax Office. They are extensions to existing contract posts to assist with the anticipated workload arising from the due date being imposed upon taxpayers. It is possible that with tax returns being submitted in a more timely fashion, the number of staff employed could be reduced, with a resulting decrease in costs.

(b) Considerable consultation has taken place with both the Jersey Taxation Society and the Jersey Society for Chartered and Certified Accountants. Correspondence has also been received from individual accountancy firms and other taxpayer agents who have been made aware of these proposals.

As a result of comments from these bodies, which my Committee appreciate, the original proposals have been amended. The proposals which my Committee intend to lodge in November 2003, in time for the 2004 Budget debate in December 2003, have taken on board these concerns and resulted in modifications which are now more acceptable to those professional bodies.

Members will have the opportunity to comment on these proposals when our proposition is debated in December 2003.