

20.11.02

**5 Deputy S.M. Ahier of St. Helier of the Minister for Treasury and Resources regarding the proposal to move prior-year basis taxpayers to pay on a current-year basis (OQ.314/2020)**

Taking into account the latest refinement to the options in respect of prior-year basis taxpayers, will the Minister explain how it will be ensured that the process for, and level of, payment of the 2019 tax liability will meet the stated expectations?

**Deputy S.J. Pinel of St. Clement (The Minister for Treasury and Resources):**

The principal short-term and longer-term benefits of moving to the current year basis of paying taxes remain as set out in my report accompanying proposition P.118 which we will debate this week. The refinements now proposed, having listened to feedback from the public and this Assembly, do not change the chief benefits described, which are about helping people currently in financial distress, facilitating the introduction of independent taxation in 2022 and simplifying our tax system in the longer run. The refinements do stretch out the potential cash flow benefits for the Treasury but these were never the prime motivating factor. If most people opt to pay from 2022 over 20 years then we can expect to retrieve the forecast 2019 frozen tax liability of around £330 million in equal annual instalments over that 20-year period, which equates to about £16.5 million annually.

**4.5.1 Deputy S.M. Ahier:**

On 23rd October the Minister sent a letter to the Corporate Services Scrutiny Panel and stated: "Bespoke arrangements with individual taxpayers would inevitably slow down the operation of the tax system." Does the Minister believe that this is no longer the case?

**Deputy S.J. Pinel:**

I have understood that question which the Scrutiny Panel have asked as to whether Revenue Jersey could cope. The measure, if passed, will prevent potentially thousands of taxpayers having to approach Revenue Jersey on an individual basis. This measure helps everyone and in the longer term simplifies the personal tax system.

[15:00]

**4.5.2 Senator K.L. Moore:**

In an earlier press conference the Chief Minister suggested that if the move to prior year tax was not effected that an increase in G.S.T. (Goods and Services Tax) could be imposed of 6 per cent or per cent. Given that the extended or the refined proposals brought by the Minister in her report will struggle to maintain the levels of revenue that was initially anticipated by the Minister, what will the Minister's preferred option be to increase revenue? Will it be an increase in G.S.T. or, if not, what?

**Deputy S.J. Pinel:**

We are obviously hoping that the principles - it is not a debate in principle - of the move in the debate upcoming this week from P.Y.B. (prior year basis) to C.Y.B. (current year basis) will be approved by the Assembly, then as we have said on numerous occasions, the actual regulations of how to manage the repayment will be brought forward to the Assembly and published before the debate. Those will now include the extended payment. It is not a U-turn, as some people are saying, it is just an extension of the payment period to accommodate what several people have brought forward about people who are on P.Y.B. in the areas of 35 years old to 55 years old who

have mortgages and younger children to whom this might affect considerably. So that is why we have extended the timeframe.

#### **4.5.3 Senator K.L. Moore:**

When will the Minister be confirming the regulations and what certainty can she provide Members before this debate is had as to her proposed method to implementing this measure and achieving the amount of revenue that she anticipates?

#### **Deputy S.J. Pinel:**

The revenue is a tax liability which we have estimated, bearing in mind we are not at the end of 2020 yet, but estimated 2019's liability to be £330 million. Now that is due whatever and so we are hoping that to assist people because of being, well, not helped financially, might one say, about the COVID pandemic, so disadvantaged, then they can postpone their repayment of this liability for 5 years if they wish to or for 15 years in addition to that, 20 years in total. So that helps people who have been financially disadvantaged due to COVID and it does not make any difference to the actual amount that the Treasury receive, it is just a matter of over what period.

#### **4.5.4 Deputy G.P. Southern of St. Helier:**

Does the Minister not accept that leaving the system as it is at the moment produces a steady between £8 and 10 million per year that is keeping the payments of the prior year and meeting that obligation on retirement or, if necessary, from the estate of the person?

#### **Deputy S.J. Pinel:**

I am sorry, I missed the last bit of that. Does it not help the estate ... can the Deputy repeat that, please?

#### **Deputy G.P. Southern:**

If the Minister leaves the system as it is, she talked about bringing in £16.5 million, leaves the system as it is and it already brings in steadily between £8 and 10 million per year, why is she not leaving well enough alone?

#### **Deputy S.J. Pinel:**

Thank you, Deputy, for that clarification. The system as it stands is totally unique from what we can ascertain. It has been the only jurisdiction to have a double-based tax system. It is confusing for everybody, it is extraordinarily difficult to administer and the whole tax system would be far better placed on a one-tax-system basis, hence the desire to move it on to that. Apart from facilitating the administration, it is much clearer to everybody that they pay as they earn, they do not have this tax liability hanging over them. For a lot of people when they retire, they will have to make a pension payment plan in order to cover the previous year tax liability on what may well be a much lower income after retirement. It will also help, which I have long been determined to bring into the States Assembly, the independent taxation system. For all those reasons, it is quite right to go ahead with this.

#### **4.5.5 Deputy G.P. Southern:**

Given that we are in the middle of major reform of our income tax system, as the Minister has just mentioned, surely adding this further complication is much more administratively awkward and difficult to handle and will cause, undoubtedly, delays.

#### **Deputy S.J. Pinel:**

I think that the Tax Department, Revenue Jersey, we have discussed this, as the Deputy will be aware, at great length and although changing the system, of course, as the Deputy says, is going to be a challenge, they are very aware of this and can cope with it and it will be so much easier to administer in the long run when everybody is on the same system as opposed to this double system and trying to chase up, in some cases, liabilities from previous years.

**4.5.6 Connétable K. Shenton-Stone of St. Martin:**

Does the Minister not accept that if the payment period is extended, the revenue received will not be sufficient to repay the COVID debt as she previously proposed and she will have to raise revenue through another method?

**Deputy S.J. Pinel:**

The ring-fencing of this liability payment was done to make it clear to people who have a tax liability on P.Y.B. that it will be going towards paying off the COVID debt just so that people understand. Otherwise, like any other tax, it will just go straight into the coffers and people would not know where it was going; it may not pay off the whole of the debt at all. We do not know because it depends how quickly people repay their previous year's liability. If they pay it quickly then it will help. If it takes over 20 years then it will take 20 years but that is the way we felt that it was fairest to taxpayers across a very broad band of age ranges, including pensioners. We felt that was the fair way to do it but it will help to pay off the debt that is being incurred through COVID.

**4.5.7 Deputy S.M. Ahier:**

Now that repayments will take up to 20 years to collect, will interest payments on loans therefore exceed initial estimates?

**Deputy S.J. Pinel:**

Interest payments on which loans, may I ask the Deputy?

**Deputy S.M. Ahier:**

On the loans that are required to cover the COVID pandemic.

**Deputy S.J. Pinel:**

The loan that we have set up is the revolving credit facility which allows us to borrow up to £500 million over a period of 2 years with an additional year if required and on top of that an additional year, so over 4 years. So that will help sustain the COVID perceived debt as it stands at the moment.