
STATES OF JERSEY



PROPOSALS FOR THE PAYMENT OF THE 2019 TAX LIABILITY OF PRIOR- YEAR BASIS TAXPAYERS

Presented to the States on 30th October 2020
by the Minister for Treasury and Resources

STATES GREFFE

REPORT

The Minister for Treasury and Resources' proposals for draft Regulations setting the terms for paying the 2019 tax liability of prior year basis (PYB) taxpayers (if P.118/2020 is adopted)

1. If [P.118/2020](#) is adopted, all taxpayers who make payments on account – essentially self-employed people and pensioners – would not have to make a tax payment on or by 30 November 2020. In addition, many Prior Year Basis (PYB) employees would find that their ITIS effective rate (the monthly tax deduction) would be lower than it otherwise would – once they have filed their 2020 tax return and it has been processed. Behind-the-scenes adjustments in Revenue Jersey would see that taxes were paid by all taxpayers on 2020 income (with some provisions made for people who have actually earned more in 2020 than they had in 2019).
2. In the short-term, PYB taxpayers would benefit from paying less tax – estimated in aggregate at least £18 million. The Minister has made it clear that the frozen 2019 liability will still be payable and has set out below the options for payment.
3. This is an important modernisation of Jersey's tax system, which will complement the move to independent taxation in 2022 and deliver other longer-term benefits identified in the Report accompanying Proposition [P.118/2020](#). In the shorter term it helps those PYB taxpayers who have suffered financially during lockdown (see the [Report](#) on the findings of the survey conducted in August 2020).

Payment Options – Public Engagement

4. The Minister originally proposed – for the purposes of engaging Islanders in debate – that this frozen liability ought to be paid down over a period of 5 to 10 years, from 2023, with an Affordability Test to protect those whose marginal surplus income could not bear that. A Survey sought the views of the Public.
5. From the Survey; the early findings from Focus Groups held in October; and discussions with CSSP, States Members and the recent In-Committee debate, the Minister has further developed her proposals, recognising the key issues and concerns arising from this process of engagement.
6. Recognising that PYB households at different stages of life have very different financial situations, the Minister has asked officers to draft Regulations in line with the payment options below. Given the timeframe for law drafting, the detailed Regulations may not now be available in draft form for the 3 November debate on [P.118/2020](#), but they will reflect the payment options proposed below.
7. A key piece of feedback from the focus groups held during October is that people wanted more control over how they paid the 2019 tax bill and that many had put in place arrangements that would see the debt paid down at the point of retirement, when their incomes would reduce.
8. It is important to make the payment system as easy as possible to understand and also to administer. The Minister has proposed to introduce the following further features into the payment options which she believes will meet the needs of the vast majority of Islanders. In particular, she expects that the proposed Option 2 will help

those in the broad age band of 35 to 55 potentially paying mortgages, still bringing up children, and, possibly, putting them through higher education. She will, additionally, ask the Comptroller of Revenue to exercise the discretions already available to him in the tax laws to manage any outlying or unusual cases.

The Proposed Payment Options

9. The Minister proposes that PYB taxpayers make an election to adopt one of two payment options.

10. For both options:

- the selection should be made by 30 September 2024;
- there would be no discounts for early payment and no interest charged until the payment term of the selected option expires;
- the normal rules would apply where taxpayers can evidence an absolute inability to pay. Bespoke ‘time to pay’ arrangements could therefore be made at the margins and in exceptional circumstances, as already happens. However, tax law assumes that people must make arrangements to pay taxes on income earned; and
- the Regulations would ensure the 2019 liability is not treated as a debt (for credit search purposes) until it falls due under the options below. Measures will also be included to cover circumstances when payments due under either of the two options are not made

Option 1: a structured payment plan of (up to) 20 years to 2042 (from 2022) with no obligation to start payments until 2025

- a) Regular payments would be expected on at least an annual basis and is intended that provision will be made for this to be monthly, either through ITIS or a Direct Debit scheme.
- b) No requirement to commence making payments until 2025, but payments from 2022 would be possible (allowing time to establish payment-administration mechanisms).
- c) A minimum amount of the (outstanding) liability would be required to be paid every year.
- d) People would be free to overpay more than the minimum amount if they wish and clear the liability more quickly.
- e) Taxpayers would be able to apply for a ‘payment holiday’ of up to a year to deal with short term changes of financial circumstances – without the need for an affordability test. Subsequent periods would be adjusted to ensure full payment by 2042.

Option 2: a deferred payment plan to settle the whole 2019 tax bill (e.g. via a pension plan or other financial product) by the applicable States Pension Age

- a) Islanders could use their own existing arrangements – or put new arrangements in place via a financial product – to pay the liability when they reach States Pension Age.
- b) In making the election for this option, taxpayers would be asked to stipulate and evidence the arrangements in place. This may occasionally be verified by examination of tax returns, etc.
- c) Payment would fall due within 12 months of reaching States Pension Age.

Taxpayers who have earned more in 2020 than 2019

- 11. The Minister has received a number of representations from (or on behalf of) people who have earned more in 2020 than in 2019 about the possibility of offering an option to freeze the 2020 tax liability instead of the 2019 tax liability.
- 12. In the light of this, the Minister has asked officers to consider drafting legislation which would give Revenue Jersey greater freedom to “smooth out” ITIS effective rates for these people – so that their monthly tax deductions remain manageable. This is a process that Revenue Jersey already undertakes in numerous circumstances (using the Comptroller’s existing powers and discretion) and for periods of about one year: but new legislation may be needed to give the Comptroller of Revenue sufficient legal authority to extend the periods over which rates are smoothed.