



Corporate Services Scrutiny Panel

Quarterly Public Hearing

Witness: Minister for Treasury and Resources

Wednesday, 26th January 2022

Panel:

Senator K.L. Moore (Chair)

Senator T.A. Vallois

Senator S.W. Pallett

Deputy S.M. Ahier of St. Helier

Witnesses:

Deputy S.J. Pinel of St. Clement - The Minister for Treasury and Resources

Deputy L.B. Ash of St. Clement - Assistant Minister for Treasury and Resources (1)

Senator I.J. Gorst - Assistant Minister for Treasury and Resources (2)

Mr. R. Summergill - Comptroller of Revenue

Mr. R. Bell - Treasurer of the States

Mr. A. Hacquoil - Group Director, Strategic Finance

Ms. H. Cunningham, Group Director, Finance Business Partnering and Analytics

Mr. S. Hayward, Director of Treasury and Investment Management.

[14:00]

Senator K.L. Moore (Chair):

Good afternoon and welcome to this quarterly hearing of the Corporate Services Scrutiny Panel.

Today we have the Treasury team before us. We will start in the usual way with the introductions.

Myself, the Chair, Senator Kristina Moore.

Deputy S.M. Ahier of St. Helier:

Deputy Steve, member of the panel.

Senator T.A. Vallois:

Senator Tracey Vallois, member of the panel.

The Minister for Treasury and Resources:

Susie Pinel, Minister for Treasury and Resources.

Assistant Minister for Treasury and Resources (1):

Deputy Lindsay Ash, Assistant Minister for Treasury and Resources.

Assistant Minister for Treasury and Resources (2):

Hello, I am Ian Gorst, Assistant Minister for Treasury and Resources as well.

Treasurer of the States:

Richard Bell, Treasurer.

Comptroller of Revenue:

Richard Summergill, Comptroller of Revenue.

Group Director, Strategic Finance:

Andy Hacquoil, Group Director, Strategic Finance

Group Director, Finance Business Partnering and Analytics:

Hazel Cunningham, Group Director, Finance, Business Partnering and Analytics

Director, Treasury and Investment Management:

Simon Hayward, Director of Treasury and Investment Management.

Senator K.L. Moore:

Okay, so that appears to be your team today. Thank you all and hopefully we will be joined shortly by Senator Steve Pallett, who is also a member of the Corporate Services Panel. We would just like to start today with a series of questions about the co-funded payroll scheme, which is now into phase 7. Minister, have you sought at any point to mitigate any potential conflicts of interest with Minister or officers when taking decisions in relation to the co-funded payroll scheme, please?

The Minister for Treasury and Resources:

It has all been discussed, as you can imagine and understand, around the Council of Ministers table. There has been I would not say conflicts of interests but discussions as to how far we could extend it because it has been extended for December and January, as you will know, and what groups would be incorporated under that extension. The extension is very largely revolving around hospitality and including restaurants and bars, which, to start of with, we were not including but then it became apparent if you were going to include hotels - and some hotels, of course, have their own restaurants and bars - that it would be unfair to discriminate against restaurants and bars that are single entities. It was that sort of thing but it was not a conflict, it was an all-encompassing discussion. It has been largely around that but, of course, a lot of other single undertakings have come into the equation as well who have been badly affected on a one-to-one basis in the form of hairdressers and close contact. Those have been taken into account as well. It will be extended until the end of January with the claims being made until the end of February.

Senator K.L. Moore:

You say that the discussion has broadly been around the Council of Ministers table but has any record of any potential conflicts of interest been taken at any point and recorded?

The Minister for Treasury and Resources:

Not that I am aware of it, it just has to be obviously agreed by the officers on a basis of detriment. That still has to be provided by each business that applies to prove that their detriment is 20 per cent in comparison with last year's takings. There is a panel that look at all of that before any recommendations go to the Council of Ministers.

Senator K.L. Moore:

Thank you, the question is more in relation to the decision-making process and those involved with it. Clearly this has been extended a number of times, as you set out at the outset, but it is your view - I am just seeking final confirmation - that no Minister with any conflict of interest has taken part and no record has been taken of any conflicts being declared?

The Minister for Treasury and Resources:

Well, if there is a conflict then it is announced at the outset of the Council of Ministers meeting so it will be recorded.

Senator K.L. Moore:

Perhaps, Treasurer, would you be aware of any record of a conflict of interest taking place?

Treasurer of the States:

I would have to go back to the minutes. More often than not these discussions took place in C.A.M. (Competent Authority Ministers) meetings rather than C.O.M. (Council of Ministers) meetings. Of course conflicts of interest were more valid potentially last year, only a subset of the economy was included more latterly than was the case originally. I do recall a number of times where Ministers have declared they may potentially have a conflict and therefore have not taken part in the voting.

Senator K.L. Moore:

Right, so that would be of particular interest as we do not still have access to the C.A.M. minutes. Of course the Minister for Treasury and Resources does not attend C.A.M. meetings, if I am correct.

Assistant Minister for Treasury and Resources (2):

Chair, sorry, we have just had a problem here. Could you repeat that question, please?

Senator K.L. Moore:

Thank you, that would be very helpful as the Assistant Minister for Treasury and Resources is, I believe, a member of the Competent Authority. I was just recalling that the Minister for Treasury and Resources does not attend Competent Authority meetings, if I am right?

Assistant Minister for Treasury and Resources (2):

She is not a competent authority under the Emergency Planning legislation but she does attend the meeting that has been referred to as the Competent Authority Ministers' meeting. Just to return to the question of conflict, as the Treasurer said, there have been Ministers who have declared conflicts and therefore not taken part in the voting. I, myself, at the very early stages of the schemes did not take part in the voting because of my family interest. They were not relevant other than in the first 2 quarters of these schemes.

Senator K.L. Moore:

Would it be possible for the panel to receive a copy of the record of those conflicts that have been declared at the various points in the decision-making process, please?

Assistant Minister for Treasury and Resources (2):

They should, Chair, be in the C.A.M. meeting minutes. You cannot see it but there is a smile on my face because I cannot recall whether you have received those minutes yet, Chair, or not?

Senator K.L. Moore:

No, despite ...

Assistant Minister for Treasury and Resources (2):

That is very disappointing because they will be recorded in there. It is certainly something that the Minister and I will take away and see if we can hurry that on for you.

Senator K.L. Moore:

We would be very grateful, Senator, thank you. Just focusing now on the current phase of co-funded payroll, how many applications have been received for the current tranche of the co-funded payroll scheme?

The Minister for Treasury and Resources:

Sorry, was it how many applications have been received?

Senator K.L. Moore:

That is right.

Treasurer of the States:

Perhaps if I could just answer that. The scheme has only just been opened and I do not have the figures to hand. Previously when the co-funded payroll scheme was running on regular month by month basis each scheme was open early in the month but with the late opening of this scheme and the changes that were being made, the opening did not take place until a week ago or the end of last week so we do not have those numbers in at present.

Senator K.L. Moore:

You have previously published a list of the monies that have been allocated through the scheme. Do you now have a consolidated record of the monies that have been granted to each individual organisation under the various phases of the scheme? We are aware that some have received requests for repayment.

Treasurer of the States:

The scheme is administered by the C.L.S. (Customer and Local Services) Department rather than by Treasury because it is the responsibility of the Minister. We know the C.L.S Department does regularly publish - I am not sure when the next publication date is due - which companies receive what but also single person entities that is, of course, grouped together.

Senator K.L. Moore:

We will move on to some of those sole trader and single person entities shortly. Just sticking with my questions at the moment. Have there been any concerns raised about particular cases and corruption or fraud? Have any investigations been carried out?

The Minister for Treasury and Resources:

In the numbers received there were quite a few of the single undertakings or whatever terminology one wishes to use that had not been properly applied basically, for a multitude of reasons and nobody has yet gone down the fraud route but there have been a lot of cases that people just did not understand of they did not meet the detriment. There were a few where the terminology was slightly erroneous claims for the payroll scheme which were not allowed to be given because they did not fulfil the requirements of the scheme.

Senator K.L. Moore:

How many companies or organisations have received requests for repayment of monies that they have received, please?

The Minister for Treasury and Resources:

I do not know the number. Treasurer?

Treasurer of the States:

I do not have the numbers to hand but can provide them to the panel.

Senator K.L. Moore:

Thank you. We are aware that there is no process for appeal under the terms of the co-funded payroll scheme but have any organisations approached yourselves with requests for reconsideration, particularly since repayments have been requested?

The Minister for Treasury and Resources:

Yes, a few have approached me personally. From memory there were some catering organisations, there were some hairdressing organisations, there have been some close contacts like massage or chiropractor organisations. Those are the ones that have made personal and pursued contact but they have to fix the scheme rules which is providing the detriment and in a lot of cases that cannot be provided.

Senator K.L. Moore:

Given the difficulties that some of those organisations have had, despite that the fact that there is no appeals process, have some been submitted to a process of review?

The Minister for Treasury and Resources:

Every time that an application has been made, whether it be formally or either directly to myself or Assistant Ministers or the Treasurer, each one has been looked at very carefully. If they do not meet, as I keep saying, the detriment side of things, if they do not fit the co-funded payroll scheme then it is not applied.

Senator K.L. Moore:

At the moment we are asking about cases where organisations have been requested to repay money that they have received following that review of their application for money under the co-funded payroll scheme. We are aware that some cases have been reviewed and a request for refund to the Treasury or the Government has been revised following that review. Are you aware, Minister, how many companies have been reviewed, that their request for repayment has been reviewed and revised down?

The Minister for Treasury and Resources:

No, I do not have that number. I do not know whether the Treasurer has any more information on that but I do not have it.

Treasurer of the States:

No, we would have to get that as per the previous question so we will make inquiries of C.L.S. as to how that is the case. To shine a light in particular here, most of those repayment requests advise information that the individual themselves have submitted either into income tax or more often than not into social security. That is from where the anomaly arises between the application for support under co-funded payroll and submissions, particularly from social security, for example, in terms of individual amounts claimed for or amounts paid. Those are usually arising more often than not from the details otherwise supplied by the claimants themselves.

[14:15]

Senator K.L. Moore:

Thank you, Treasurer, I am going to pass now to Deputy Ahier who is going to continue with this line of questioning.

Deputy S.M. Ahier:

Thank you, Chair. Minister, the panel notes a request was made from the Treasurer of the States and the Director General of Customer and Local Services to you in December 2021 which suggested that more effective and efficient policy measures could have been adopted to support business. What other measures were considered and why were they rejected?

The Minister for Treasury and Resources:

Steve, that is a very detailed question of numbers. Can I pass you over the Treasurer to answer that, please?

Treasurer of the States:

In this particular instance there was more to it than that in that there was insufficient time between those changes made in terms of, in particular, masks, working from home order, which is only due for January, but also health restrictions that were very quickly withdrawn relating to isolation requirements under Omicron and that was, in particular, for events and for large Christmas parties and such like. We very quickly saw a number of cancellations that gave rise to requests for support. The remark about more effective measures relates to the fact that largely still the economy was open and the co-funded payroll scheme was a system designed for more what you might call the crisis stage of the pandemic when health and trade restrictions were in place which meant that most businesses in particular sectors had to close. In the time available it was not possible to look further at other measures that could be used but you could look to the U.K. (United Kingdom) for measures that had been introduced to support hospitality, for example, rather than the U.K. turning on their own scheme, which is very different to ours but is most closely allied to the co-funded payroll scheme. In addition, of course, there are other fixed costs schemes administered through the Economy Department, which were also being paid to those sectors in particular that were mostly affected.

Deputy S.M. Ahier:

Minister, the Treasurer's letter further notes that a business case could not be developed due to the lack of sufficient evidence and that a reintroduction of the scheme was the most effective way to increase support. Was a business case eventually developed or does the decision rest on the letter of instruction?

The Minister for Treasury and Resources:

From my understanding it is the letter of instruction. As I say, this is only a short extension to the scheme and we will ... it is very difficult to ask people to produce business cases. We recognised this from the word go and there was support to do that to start with but it is very difficult for a short space of time, for 2 months really, to expect business cases so it is applications that are then carefully reviewed.

Deputy S.M. Ahier:

Thank you. In your letter of instruction to the Treasurer it says that ultimately the economic and social risks of not providing further support outweigh the potential risks regarding financial

efficiency. How did you reach this conclusion and on what evidence did you make the decision to reintroduce the co-funded payroll scheme?

The Minister for Treasury and Resources:

Again, I will ask the Treasurer to provide some figures but we have to estimate or forecast what the cost will be in this case, for the extension, and in the end it is going to be the taxpayer that has to repay all COVID's debt in some way or another that has been accumulated. So we have to be very careful as to what we extend and ensure that every application for assistance on this front is justified. I do not know whether the Treasurer wants to add some further figures?

Treasurer of the States:

Not particularly. I think it comes down to the fact that Ministers could see that potentially the measures that were introduced and the impacts of the isolation period which was proposed and briefly introduced for Omicron could very well have impacts upon the economy but that we could not at this point generate the data to prove that to be the case in the time available.

Deputy S.M. Ahier:

Thank you. Minister, how have you sought to implement recommendations made by the Comptroller and Auditor General to improve the function of this part of the scheme?

The Minister for Treasury and Resources:

Her recent reports, we have made every effort obviously to examine her recommendations and it all goes back, as I think the Assistant Minister would say, to the great gift of Harry Hindsight. I think it does across every jurisdiction as to how they have reacted to the pandemic. Of course there are lessons to be learned but I think from the point of view of Jersey we have reacted very quickly at quite an expense but it was forecast to be a lot more than it turned out to be initially, which is a good thing, and you can never tell what is around the corner. There has to be contingency plans and forecasts that are not black and white records.

Deputy S.M. Ahier:

What policies do you intend to announce following the closure of the scheme to restore consumer confidence and encourage increased economic activity in collaboration with the Minister for Economic Development?

The Minister for Treasury and Resources:

I think that has already started, certainly through the press, that the economic recovery is well ahead of its game. Hoteliers are saying they are fully booked. The Chief Executive of Ports was saying that the transport to and from the U.K. and from France is all gearing up and, again, not

fully booked but certainly increased bookings. So I think on a positive note, but then I am positive so one has to be realistic, it is seeing the light at the end of the tunnel and I think we have done as much as we can to see people through the difficult winter months, which are always difficult anyway when you are in an island that is fairly reliant on hospitality and incoming and outgoing transport. But I think we have seen as much as we can through those difficult months and hopefully by end of March, April we will be ... I will not say back to normal but certainly a big improvement.

Deputy S.M. Ahier:

Thank you, Minister. I will now pass over to Senator Vallois who is going to ask some questions on the Fiscal Stimulus Fund.

Senator T.A. Vallois:

Thank you, Deputy Ahier. Good afternoon, Minister and Treasury team. Would you be able to provide us with an update on the implementation of the Fiscal Stimulus Fund's projects, please?

The Minister for Treasury and Resources:

Thank you, Senator. All the applications that were made to the fund you will have the interim update on. The most recent update has just been agreed and will be sent to you ... I think the officer who runs the Fiscal Stimulus Fund is on leave this week so it will be early next week that that report will go to you, as to exactly how many of the projects have been completed, which projects are having an extension until the end of March and those are largely due to suppliers and contractors and the import of the goods. All down to the COVID scenario basically so quite a few have been given an extension which was, I can say, contrary to the timely process which was part of the criteria in the first place. A lot of these projects were started and then because of the Omicron seizure were delayed because of lack of employees to work on them. About 3 or 4, I think, have been extended to the end of June and, again, that is due to a lack of supplies and contractors. A lot of them have been completed on time and on budget and there will not be, as I think we have said before, an extension of the fund. It has cost to date, or will have cost by the time it is finished, £29.6 million and there will not be an extension. That £29.6 million has been borrowed from the revolving credit facility of which there was a potential of £50 million available but only that £29.6 has been used, but there will not be an extension to that. So the other £20 million, rounding it off, is not being borrowed therefore it is not being paid for on interest.

Senator T.A. Vallois:

Thank you, Minister. In terms of that report that is coming forward to us as a panel, will it include how you have monitored the implementation of the projects that have been awarded the funding?

The Minister for Treasury and Resources:

It does briefly, I would not say in great detail because obviously it is quite a considerable report in its own right, because I think there are 28 projects that are ongoing. If you did a detailed report on each one it would be insurmountable. But it does say where each project is, at what stage, what they are waiting for and it explains in the cases where there has been a delay why there has been a delay and the expected conclusion of the project.

Senator T.A. Vallois:

In terms of those particular projects that you have just stated, for example ones that have had to be extended, whether that is to the end of March or end of June, is that through monitoring of the implementation of the project or is it because they have come to yourselves to identify an issue with regards to meeting the timeline?

The Minister for Treasury and Resources:

It is a combination of the 2 because obviously we had to produce the report. We had to go to each project to find out exactly which stage they had reached and also when people running a project knew that there was absolutely no way they could get it done they came to us. So the Fiscal Stimulus Oversight Group have been very much involved in this, bearing in mind they were only set up to be there until the end of 2021 but they have very kindly offered to be retained to do exactly what you are saying, to be given oversight to where all these projects are so that we can report back.

Senator T.A. Vallois:

Thank you. Do you think maybe, considering the issues that you have raised - and I know it is not all the projects but some of them - the Fiscal Stimulus was introduced too early considering the variant that came through and the issues that we have seen with regards to further restrictions or requirements to keep people safe and businesses safe?

The Minister for Treasury and Resources:

No, I do not think it was introduced too early at all. We introduced it as quickly as we possibly could without obviously knowing, nobody did, about the advent of the Omicron virus and that, of course, is what has put the timely and target part of it out of sync because we did not know when we introduced it in September 2020 to take effect in January 2021 for a year. It was a very, very quick introduction and quick uptake, bearing in mind we had to get an independent panel involved or independent people on the panel so it has been difficult timewise and initially we had so many more applications for the first £25 million, so many more than we had anticipated that that took quite a long time to process because obviously every application had to fit the criteria. So it is a combination of being taken a bit by surprise by the number of applications, which was wonderful

but equally that delayed the administering of them and also the advent of the Omicron which knocked a lot of the supplies and contractors or delayed a lot of them, which has increased the number of requests for extension.

Senator T.A. Vallois:

You mentioned the report being published. Are you still expecting it to be published by the end of February?

The Minister for Treasury and Resources:

I think the report ... the updates, do you mean?

Senator T.A. Vallois:

Yes, to publish a report by the end of February to update the Assembly?

The Minister for Treasury and Resources:

Yes, it is nearly ready to go. So it will be before the end of February.

Senator T.A. Vallois:

Okay, that is great. Just finally on the fund, in terms of measuring impact, it was a Fiscal Stimulus Fund, so identifying and measuring the impact that those projects have had on the economy, how is Treasury going about that and what quantitative assessments are being used to ensure the delivery has had the right impact and has not possibly created further inflation or any other negative impacts that we might see on the Jersey economy in particular?

[14:30]

The Minister for Treasury and Resources:

That will be dealt with in the final reports, which will obviously be at the end of the completion of the projects. There will be a final report looking back as to how that can be assessed. The report that is going to be shortly released is an interim report, so people can be satisfied as to which have been completed and which are on-going until the end of June. After that there will be a full assessment, as much as one can. It is very difficult to know during the months that we have had, especially over winter, how to quantify the effect on air transport, sea transport, hospitality, very difficult to quantify, as it would be in any winter, but certainly a full report will be forthcoming after we have finished the last projects.

Senator T.A. Vallois:

That is great. Thank you, Minister. I am going to pass you on to Senator Pallett on G.S.T. (Goods and Services Tax). Thank you.

The Minister for Treasury and Resources:

Thank you, Senator.

Senator S.W. Pallett:

Good afternoon, Minister. I am just picking up on fiscal stimulus. Of the £29.6 million that has been allocated, I know you have a report coming out, are you expecting any of that £29.6 million not to be used on projects that, for example, have not had timely planning permission?

The Minister for Treasury and Resources:

Quite a few of the extensions, in answer to that question, are because of a planning situation. Quite a few in the first place were refused because they would never have got the planning done in the allocated time. Quite a few of them were started on the basis that it was a construction with planning in a holding position, if you like waiting for it. A delay in that has caused some of the delays in the completion target. The money will not be withheld, because it has already been granted. The full money will only be contributed to the project once the project is fully completed.

Senator S.W. Pallett:

If the project is not going to be completed by June and the project has not started yet, will that money still be granted?

The Minister for Treasury and Resources:

There have been 3 occasions where that is exactly the point, the Opera House being one of them, because there was a huge delay in getting a project manager there. There are serious construction issues with the Opera House, which are not anything to do with the plan that they had for the fiscal stimulus money. In the cases where they run out of time for completion of the project then we are working very hard with the team to find alternative funding measures for them, departmental funding measures.

Senator S.W. Pallett:

Thank you. I will move on to the G.S.T. Importation Report. Again, I thank you for your response to that. Why do you state in your ministerial response that oath of office limits the scope to share information confidentially with the panel? I wonder if you could provide examples of previous cases where that has happened.

The Minister for Treasury and Resources:

I cannot personally, because I do not have access to tax situations, but I could ask the Comptroller to come in, who may be able to provide examples for you.

Senator S.W. Pallett:

That would be useful.

Comptroller of Revenue:

Yes, generally speaking wherever possible we share any general information that is gathered during the course of a tax policy review. The Minister did offer in a letter in September my assistance in reaching out to some of the businesses we had had specific discussions with. That is still on the table. Where correspondence relates to a business' individual tax affairs and how they are conducting their business in Jersey, that is strictly confidential and my oath of office and the oath of office of the Agent of the Impôts does prevent us sharing that with anyone, except as allowed by statute.

Senator S.W. Pallett:

Would some of that information, for example, around decision-making and how tax would be collected, come under confidentiality, not so much how much tax we are going to be collecting, but how the process would work?

Comptroller of Revenue:

If it is particularly related to the processes in place for a particular business, but as far as I can recall most of our discussions have been of quite a general nature. The Minister said in her response that in reality there is not an awful lot of correspondence. One of the things I have tended to do, really at the behest of individual States Members or the Jersey Consumer Council, for example, is I will occasionally write to a business challenging it as to whether it is wrongly charging U.K. V.A.T. (Value Added Tax). More recently I have written general letters, both to the C.B.I. (Chartered Banker Institute) and the British Retail Consortium, first of all flagging the changes which States Members passed in December and also reminding them that Jersey is not in the U.K. V.A.T. zone and that they ought not to be charging V.A.T. In practice, there is very little evidence that many people are. So, it does very much depend on the circumstances. In terms of general correspondence about the G.S.T. Review, we have not yet really got to the stage where we have been discussing with businesses how the process will happen. We are starting to do that now and when I say "we" that is largely being led by the Agent of the Impôts, the head of Customs. We are starting to form working groups and have discussions with offshore retailers about how the processes will change for 1st January 2023. It is worth saying, of course, that quite a lot of these businesses already have processes, because they do have to bring goods in now. There are processes for identifying high value goods above the de minimis level and so on. That continues to develop.

Senator S.W. Pallett:

Minister, why did you reject the recommendation - I think it was recommendation 4 - in regards to it being vital that the Assembly understands how G.S.T. data will be used to develop longer-term policies?

Comptroller of Revenue:

Shall I ...?

Senator S.W. Pallett:

Yes, I am happy if you want to respond, Comptroller, yes.

Comptroller of Revenue:

... respond about what data is available? The reality is that there is very little data available on the goods coming into Jersey that are below the de minimis level. My customs colleagues shared the data that they do have in a private session with you in the autumn of last year. The Minister rejected that on the basis that there is not anything more to be had until we start levying G.S.T. on more things. Then by 2024, we will have more data on how much is coming into Jersey and at what value.

Senator S.W. Pallett:

You have answered my next question, because I was going to ask how you were going to consider understanding that further. I will move on to the next question. As much as your conclusion to your ministerial response stated the review panel clearly supported the abolition of de minimis level, that support came with clear caveats around reviewing exemptions and the impact such a reduction might have on low income families, for example. Do you believe that it is reasonable, Minister, to introduce changes to G.S.T. without an impact assessment on low income families?

The Minister for Treasury and Resources:

There has been an assessment, not necessarily published. We are doing assessments all the way through. Obviously we had to do it to potentially reduce it from £135 to £65. To remove it altogether, to be in line with the E.U. (European Union) and U.K., is the end game, which I do understand that the current Scrutiny Panel were agreeing with. Certainly the Chamber of Commerce agreed with that. Of course, the impact is bigger than just us. You mentioned low income families, but the assessment or assumption, whichever, is based on the fact that most of the shopping will be done in Jersey and the lower income families also get the benefit of what was the Cold Weather Bonus, now called the G.S.T. Compensation Bonus or something like that, I cannot remember what the current terminology is, and the Food Cost Bonus. Those are currently available and going up with inflation. Lower income families are being looked after as well.

Senator S.W. Pallett:

In terms of on-going impact, if it is lowered to zero, you mentioned in your response that it might not necessarily be your responsibility but that of the Minister for Social Security. Do you accept that it is important that such an impact assessment is done, to ensure that we are not making income inequality any worse than it is currently?

The Minister for Treasury and Resources:

Yes, of course, it will, but as the Comptroller has just said, we have to wait to see what the reduction is and how much that involves the customs and excise officers, how much more time or personnel or resources that will take, in order that there could be more packages of a smaller de minimis level. When we have assessed that in line with customs and excise and, of course, social security, we will then have a better platform on which to establish an assessment for the removal altogether.

Senator S.W. Pallett:

So you will carry out that work at some point?

The Minister for Treasury and Resources:

Absolutely, yes.

Senator S.W. Pallett:

The panel notes that consumer issues are not the responsibility of the Minister for Treasury and Resources, as you have stated. We accept that. Why would a Minister for Treasury and Resources though not monitor the impact their proposals may have on consumer choice or alternatively ensure that it is monitored and any issues are fed back to the department for review?

The Minister for Treasury and Resources:

They would be monitored. I thought I answered that in the previous answer. They would be monitored. However, until we can establish what is happening with the ... if I have got your question right.

Senator S.W. Pallett:

Well, no, this is around consumer choice and making sure that consumers, by changes, are not having their choice limited.

Comptroller of Revenue:

It may be worth adding that the cost of G.S.T. at de minimis level is not a tax allowance. It purely exists legally as an administrative easement on value for money grounds, so that we are not

spending more money collecting tax than the amount of tax collected. In a sense it is not proper for the Minister for Treasury and Resources to take those issues into account in her Bailiwick. As the Minister for Treasury and Resources said in her response, it is quite likely discriminatory and unlawful to adjust tax rates to ensure a broad range of choice of goods. That probably sounds odd but the entire proposition of the Goods and Services Tax is that it is broadly applied and you cannot discriminate between goods which are imported by personal individuals and goods which are available in the High Street. I am afraid that is a rather technical, tax techy answer but that is why consumer choice, in a sense, is not a proper consideration for the Minister in the context of tax decisions.

Senator S.W. Pallett:

Whether you agree with that or not, is it not reasonable to expect the Minister for Treasury and Resources to consider the impact of the policies they enact, such as the sourcing goods? I know you say it is not her responsibility, but do you not think it something that should be considered?

[14:45]

Comptroller of Revenue:

As the report demonstrated and as the terms of reference demonstrated, one of the primary reasons that we did this review this year was exactly because of that concern that had this been done many years ago some of the big off-shore retailers might have stopped supplying Jersey. That was the whole rationale for this Government and the previous Government saying it was better to be a fast follower than an earlier adopter. We were reasonably certain that once the United Kingdom and the European Union had brought in similar arrangements the marginal costs of the big off-shore retailers supplying Jersey would be tiny and that they were less likely to close off supplies to Jersey. All of our discussions with off-shore retailers do continue to lead us to believe that is the case. That is what officers have advised the Minister. That is why the Minister was content to proceed.

Senator S.W. Pallett:

To finish on this, have any further considerations been done to lowering the de minimis further or is that something we have to look forward to in the future?

The Minister for Treasury and Resources:

Was that to lowering the de minimis levels? The idea is to remove it completely.

Senator S.W. Pallett:

What are you doing in regards to considerations for that? Is anything being done at the current time?

The Minister for Treasury and Resources:

What we are doing is monitoring what the reduction will be from £135 to £60 and see what effects that incurs on customs and excise and, as the Comptroller has said, we have to be very careful not to exclude internet suppliers to Jersey, which is what happened with Australia. They were just cut off from their supplies. We have to be, as the Comptroller said, a fast follower and watch what happens elsewhere. That is being monitored continually. Bearing in mind the U.K. dropped their level to zero in June last year and the E.U. started last year with a nil de minimis level. We are following what they are doing.

Senator S.W. Pallett:

Yes, but not particularly fast.

The Minister for Treasury and Resources:

That is the intention, not to be particularly fast, yes; even though the terminology is “fast follower”, yes.

Senator S.W. Pallett:

I will hand over to Senator Vallois.

The Minister for Treasury and Resources:

Thank you.

Senator T.A. Vallois:

Thank you, Minister. This area of questioning is around the coin hoard. I would just like to understand the decision-making around the position we found ourselves in. Can you explain why you rejected the original valuation report and instead agreed to allocate up to £4.25 million to purchase the coin hoard?

The Minister for Treasury and Resources:

I will try and be as brief as I can. It has been going on, as you well know, Senator, for a very long time. Nobody in their right minds, not the Minister for Treasury and Resources certainly, would only accept one valuation. Another valuation was called for by the finders of the hoard. Another valuation was also called for by the Crown, because the way the Treasure Trove Law stands at the moment it is all submitted to the Crown. This hoard then is a big tap on the shoulder that we, as an Island jurisdiction, need to look at that law. A lot of the hold-up was caused by the finders, by that I incorporate the land owners and the actual finders of the coins, also the Crown. So it was not necessarily in Jersey's hands to cause this length of delay. Of the 3 valuations that we had, one

was called in by the Crown, one by the finders and one was a standard valuation. To cut a very long and elaborated story short, we went with the middle one on the basis that the Crown would not accept the lower one. There was not a huge amount of choice in it but we felt that as it had been going on for now over 10 years the finders were due their recompense, even though they had delayed quite a bit of it. I still do not think there is a specific allocation determined for them from the receipt of the monies, so it drags on again. Hopefully to be finally dealt with by the end of this year, I would have thought.

Senator T.A. Vallois:

To clarify then, Minister, the purpose for going for the £4.25 million was based on the Crown not agreeing to go with the original valuation of almost £2 million? Is that correct?

The Minister for Treasury and Resources:

They did not agree on just one single valuation, they wanted another one. The whole Council of Ministers agreed on the middle valuation, if you like, as opposed to the higher one, being close to £8 million. The fact that we were not responsible for this, because it is the Crown, however, it was not doing Jersey's reputation any good by delaying this for so long, even though it was not the Government delaying it. We had to move with it. It was not with the agreement of some of the accounting officers. Jersey Heritage thought that we should go with the lower valuation and some of the media comeback from that has been that by setting this standard, which was not ours, it was the Crown's, we might have jeopardised future collection sales. However, the higher value one would only have been achieved had the collection been split up and sold in separate pieces rather than held together. This was the one way we could keep the collection for the Island and keep it in one piece.

Senator T.A. Vallois:

Can I just understand ... there is quite a discrepancy in the valuations that have been provided, I understand having extra valuations to try and get some point. Is there a standard in which valuations are expected to happen with regard to treasure, a bit like with buildings, surveying buildings? We have seen some of these issues in the past with Lime Grove as an example, having lots of different valuations. I wonder if there is a standard that needs to be met for valuations of treasure.

The Minister for Treasury and Resources:

That is something that could be introduced. Of course, that would depend on the treasure trove being under a Jersey law, which it is not. As I say, it is under the Crown. There is no standard because there is no equivalent. It has not been found before. On the basis of this enormous find, then that should be something that is looked at. Obviously these things do not happen very often.

Senator T.A. Vallois:

In terms of the appointment of the second valuation, was that brought on board by the Crown themselves or was it done through the Jersey Government?

The Minister for Treasury and Resources:

It was brought on by the Crown. Out of that valuation, we have, of course, spent £750,000 on the work that has already been done on the hoard, which has been available for public viewing at the museum, on trying to separate what was quite a large lump of very aged earth, which is where they found the gold torques. It was amazing the revelation that came from that. That was money spent on separating it out so that we knew what we had. That has already been spent. It is another £3.5 million that will make it up to the £4.2 that will come from the general reserve initially, but then is going to be refunded from another fund.

Senator T.A. Vallois:

Will there be any further payments required in order to ensure securing the coin hoard overall?

The Minister for Treasury and Resources:

Not that I am aware of, no.

Senator T.A. Vallois:

We talked about standards before, having a form of treasure legislation and codes of practice that sit around that. Is it the intention of the Government to establish principles or bring forward a proposition to the Assembly to have something in place in order to make sure we are prepared in future?

The Minister for Treasury and Resources:

That is the idea, yes, because it is quite clear that we realise that this was completely out of our hands, but it is a one-off. On the basis of what we have learned from this situation we will go ahead, but it is not something that is going to happen immediately, by any sense. We have to go back on all the legislation, the Crown intervention, the different valuations, the fact that the finders have been waiting for a considerable length of time for any recompense. Yes, there is a huge amount of information there in order to go forward and hopefully bring some legislation forward.

Senator T.A. Vallois:

Finally from me, in the meantime while we are waiting for any form of legislation, would you, as Minister, consider either amending the Public Finances Manual that sits under the Public Finances Law in maybe some form of agreement or co-ordination with the Crown, in terms of guidance about having a level of evaluation for anything like the treasure, so that we have something that we can

have that guides any future Governments in order to make it clear instead of maybe getting into a valuation war with lots of different parties?

The Minister for Treasury and Resources:

Yes. It was not a valuation war. It was 3 different valuations. Anyone with any sense would get 3 valuations on anything they did. As I say, it was out of our hands. It was the Crown that wanted another valuation. Yes, as you quite rightly say, it must be on the balance of this experience we can bring forward some advice, instruction to the Finance Law or legislation that stands on its own on treasure trove.

Senator T.A. Vallois:

Completely finally from me, Minister, before I move on to Deputy Ahier is, there was a 5 month delay in terms of the letter of instruction. Do we know why that was the case, why it took 5 months for that to take place?

The Minister for Treasury and Resources:

Yes, it is quite simple, there are a lot of parties involved with the Law Department, the Crown, Treasury and Exchequer, the landowners and discoverers. There was a huge amount of people involved. A letter of instruction does not happen overnight and it had to be agreed.

Senator T.A. Vallois:

Thank you very much. I will pass you to Deputy Ahier.

The Minister for Treasury and Resources:

Thank you.

Deputy S.M. Ahier:

Thank you, Senator. We move on to borrowing. Minister, could you please update the panel on current borrowing figures?

The Minister for Treasury and Resources:

I can do a very brief one and then if you want any further detail perhaps I could hand over to the Treasurer. On a figures basis, we have £756 million for the hospital. The £804 million that is quoted is optimism, bias and contingency, but the borrowing £756 million. There is another £480 million for pensions to repay the 1987 P.E.C.R.S. (Public Employees Contributory Retirement Scheme) as it used to be called, pension debt. One of the teachers' funds, the Jersey Teachers' Superannuation Fund, is not being done this time. There is up to £240 million roughly speaking for the COVID-19 Fund, but we have the revolving credit facility in place to help with that. That is £1.2 billion borrowing

to be issued this year and the beginning of next year; 6 banks were approached for this, we have chosen 4. There is that aligned and it would be sterling bonds that we would be using, roughly speaking, to do this. I will hand you over to the Treasurer, who will be able to give you more detail. Thank you.

[15:00]

Treasurer of the States:

The only thing I would ask ... given that I am sure you are going to ask me more questions, would be the year-end position at the end of the year, the draw-down on the R.C.F. (Revolving Credit Facility) was £86 million across a number of areas related to COVID-19 in particular. That was less than we forecast in the Government Plan, due to a number of timing differences on receipts, on underspends, on projects for example, and indeed variations in revenue expenditure including accruals at the year-end.

Deputy S.M. Ahier:

Thank you, Treasurer. Has the £480 million borrowings for financing pension liabilities been secured yet?

Treasurer of the States:

No, the timetable going out for the first longer term debt issuance is April this year, once the audit has been completed, in order to be able to supply the market and perspective lenders, in particular, with the most up-to-date audited financial data.

Deputy S.M. Ahier:

How are you working to respond to changes in interest rates to ensure that borrowing remains low risk?

Treasurer of the States:

The Treasury Advisory Panel and other advisers on board now in respect of the borrowing proposed are regularly reviewing the situation. Once we get closer to issuance, we will be likely to use hedging instruments, once we are more certain as to the duration and amount that we will borrow in this first issuance.

Deputy S.M. Ahier:

As regards the Our Hospital Project, the £756 million, are you also delaying in that borrowing until April or will it be delayed further until after the planning permission is granted?

Treasurer of the States:

We are very much approaching this as an issuance programme that looks at the overall debt approved by the States, as opposed to necessarily different projects. It is highly likely that the first issuance will be in the £500 million, potentially higher figure, which of course may well be applied to the pension debt in the first instance, given that it is highly likely that that expenditure can be settled sooner than the hospital expenditure. We are looking at that in the round. There may be some contribution from that issuance to the hospital, but the likelihood is most of that will be related to the pension debt refinancing.

Deputy S.M. Ahier:

Thank you. Minister, what are you doing to mitigate any negative consequences that rising interest rates may have on borrowing and States spending?

The Minister for Treasury and Resources:

That was just explained by the Treasurer, inasmuch as we have gone into all of this with the involvement of 4 banks who are going to be securing the loan. It is more or less on its way, but as the Treasurer said, will be sorted out by April. The expectation with the backing of the F.P.P. (Fiscal Policy Panel) is that the interest rates are not going to leap out of the woodwork in that space of time.

Deputy S.M. Ahier:

What work is being undertaken to consider and mitigate future inflation?

The Minister for Treasury and Resources:

From my understanding, again the Treasurer might want to add more, it will be a very long-term bond issuance for the borrowing which will be at a fixed rate.

Deputy S.M. Ahier:

Thank you, Minister. I will pass over now to Senator Moore.

The Minister for Treasury and Resources:

Thank you.

Senator K.L. Moore:

We are now going to look briefly at the credit rating. This was issued last week, Minister. The latest credit rating shows that it remains unchanged, AA-. However, the report issued by Standard & Poor's notes that rating pressures could build if Jersey policymakers are unable to mitigate economic

fallout from external risk, particularly to financial services. How do you intend to respond to these concerns, Minister, and what actions are you taking?

The Minister for Treasury and Resources:

I am absolutely delighted that Standard and Poor's have chosen to maintain our credit rating, although I know that a lot of people, including the panel, were quite concerned that the level of borrowing might change the rating. However, we are in a very enviable and steady situation of having a massive collateral in the form of the reserve funds, which is what reassures the rating, Standard and Poor's, and also reassures the loaning banks as to what they can do for the debt that we wish to take on. Andy, if you ...

Senator K.L. Moore:

Sorry, my question, Minister, is to you and it relates to mitigation that you have in place, given Standard & Poor's concerns regarding potential for economic change in the future. So far in terms of looking forward to the future, the only grain that we have received from you has been a suggestion that future governments are going to have to raise taxes. Would you like to elaborate on what your forecasted position is to ensure our economy remains strong going forward?

The Minister for Treasury and Resources:

I will bring Ian Gorst in, if I may, but I do not think that I have ever said that future governments will have to raise taxes. The raising of ...

Senator K.L. Moore:

You did, at your last public hearing with us.

The Minister for Treasury and Resources:

It has always been in the equation. It was not necessarily that they will have to, but obviously every government has to look at the taxes they are having to raise in order to deal with the situation that we have got and in order to repay these debts. That is down to every single government that is in control, if you like, or not. Can I pass you over to Ian who has an answer for the future international side of it?

Senator K.L. Moore:

It would be helpful if we could receive an answer from you as the Minister for Treasury and Resources.

Assistant Minister for Treasury and Resources (2):

One of the areas that are highlighted are the headwinds from international agendas. The tax raising headwind, of course, comes from what the Fiscal Policy Panel said as well about potentially needing to gather extra taxes. The Minister and I are more of a view that you cut your cloth rather than raising extra taxes but that of course will, as has been said, be for other incoming government to do. The credit rating agency have, over the years, recognised that our economic success is aligned with the success of financial services here in Jersey. They have also recognised that we need to navigate those international issues carefully but successfully. You will recall in a number of previous documents they have raised the spectre of Brexit and they were concerned about how we would navigate that from a financial services perspective and now they are focusing on the international tax agenda coming out of the O.E.C.D. (Organisation for Economic Co-operation and Development). Both this panel and the Economic Affairs Panel have been very closely briefed on the work that we are doing there. As it currently stands, of course, that initiative is supported by 137 jurisdictions. All are required to implement the minimum standard. Progress, of course, is being made quicker on pillar 2 than it is on pillar 1. Pillar 2 includes a common approach. We are seeing across Europe and across the U.S. (United States) differing speeds of implementation, differing approaches and differing points of view. We and the officials from Taxes Department and the External Relations Department are very much involved in those conversations about the inclusive framework. These particular issues were the complete focus of our visit at the end of last year to the U.S.A. (United States of America). Of course, even since that visit things have, rather than speeded up, slowed down. We are expecting that in due course and prior to the election we will be publishing almost a position paper, raising the issues and asking questions. We believe that if we respond to this well, and I believe that we will respond to it well, because of the level playing field nature, this can have great benefits to Jersey going forward and we can navigate it well. S&P (Standard and Poor's) are right to raise it as an issue. We spoke to them about what we were doing, but it remains something there on the horizon that we will have to navigate well.

Senator K.L. Moore:

Thank you. Is it your understanding or has any work been done to consider whether the O.E.C.D. measures will see a rise in revenue for the Government of Jersey?

Assistant Minister for Treasury and Resources (2):

Chair, that is a very good question. What we are very mindful of is that we should navigate and make decisions in the best interests of the whole Island. If falling out of that, in having made those positive decisions there is in some potential scenarios a potential increase in revenue then that can be a positive thing. We certainly should not just be making decisions based on their revenue raising potential, but rather based on the long-term economic sustainability of our Island. The short answer is it may, but we should be making decisions based on our best long-term economic sustainability.

Senator K.L. Moore:

That really takes us back to the original question to the Minister, which was: what policies are in place to ensure that long-term sustainability of the Island's economy?

Assistant Minister for Treasury and Resources (2):

In regard to financial services, we have just released a new Financial Services Strategy, which is recognising again that continuing to work on the core issues are what will continue to ensure that the financial services sector of our economy remains strong. We are preparing for a Moneyval assessment. It might sound slightly strange, but again ensuring that we navigate that and get a good result from that means that we will continue to be a go to jurisdiction and win business because we are a quality jurisdiction. We see other centres, some of them E.U. member states, where they have not done so well in navigating those compliance processes seeing businesses falling away and leaving them. We see others as well in the Caribbean where the situation is the same. That is why we have put extra resource to work in a co-ordinated fashion right across Government and other relevant agencies, hand in glove with industry as well to make sure that we navigate that well. At the same time, all of the work that happens in a co-ordinated fashion with Digital Jersey ensures that the financial services industry is using technology where it can replace bureaucracy with technology. Also continuing to think about and put in place programmes around training and skills for the financial services industry into the future. I am sure Senator Farnham will tell us a similar story around other sectors of the economy for which he is responsible.

[15:15]

Senator K.L. Moore:

Thank you, Minister. Could I ask a very brief question: what other tax raising measures are Revenue Jersey currently investigating, given the report from S&P notes that there are limited tax raising measures available?

Assistant Minister for Treasury and Resources (2):

Thank you, Chair. As I said at the start, the Minister and I are of the view that we should rather be cutting our cloth than raising taxes. We might be about to hear something from the Comptroller that he is looking at tax raising measures, but he certainly does not have a political instruction to do so. Rather they are, as you have raised on a number of occasions, focusing on customer service and implementing their new systems. It is absolutely right that that is what they should be focusing on and that is what they are focusing on. Those in themselves, if we get those right and we continue to improve that service that we are offering is part of what makes Jersey a successful place to do business.

Senator K.L. Moore:

We are about to come on to the issue of customer service, but if the Comptroller could briefly answer this question that would be helpful.

Comptroller of Revenue:

We are seeing the various reviews which are set out in the Government Plan. The obvious big ticket items include the next phases of independent taxation. There is a major stamp duty review to get underway. Before that we have to obviously give priority to the amendment from the Finance Law debate, which was the C.S.P. (Common Strategic Policy) amendment on stamp duty. There is still a lot of work going on on environmental related taxes and charges for the future. There are issues described in the Government Plan around health funding and so on. There are a lot of reviews still going on. A lot of them are really focused on equity and fairness in the tax system, such as independent taxation and the enveloped property tax, rather than raising additional monies, as Senator Gorst set out.

Senator K.L. Moore:

Thank you. I will pass now to Senator Vallois.

Senator T.A. Vallois:

Thank you, Senator. This is about independent taxation, Minister. We understand the first group of Islanders were to move to independent taxation on the 1st of this month. An update as to whether it was successful; we are now nearing the end of January. How many Islanders were signed up in this first group?

The Minister for Treasury and Resources:

The Islanders who were given the opportunity to go into the pilot scheme, which is for the first year, were the ones who were already being independently taxed. The Comptroller will correct me, there are about 700 people, so not a huge amount. It was not mandatory. They were asked if they wanted to take part in this pilot scheme. The mandatory side was anybody who came to Jersey at the beginning of January this year would automatically be independently taxed. Those who got married this year would automatically be independently taxed. There is no information yet as to quite how many (a) have signed up for it and (b) who will come under the equation of independent taxation. This is why we gave it a year and why we also left the mandatory side - that sounds awful, but what else do you say - until 2024 probably so people have time to adjusting to it without it being mandatory, if you like. Hopefully people will willingly go forward for independent taxation and, of course, we have the compensation scheme, which will be introduced next year to make sure that nobody on lower incomes suffers from the independent taxation. I do not know if the Comptroller wants to add any more.

Comptroller of Revenue:

Yes, there are about 350 Jersey married couples and civil partnerships that were separately assessed. It was they who had the opportunity to be in a pilot scheme. About 260 of those couples have chosen to be independently taxed. We are getting feedback from them during the course of this year on how the experience is for them. They are looking at the various communications and processes we are developing and giving us feedback on those. As the Minister says, any married people who come to Jersey this year, anyone who gets married this year, anyone who gets divorced this year, will move into independent taxation. One of the early decisions for the new Assembly in the autumn will be the exact terms and conditions of the Compensatory Allowance, which will ensure that people are not materially at detriment by moving into independent taxation. Then we will be giving Ministers advice on whether independent taxation can be brought in either from 2024 or 2025. That is largely about making sure we have our internal systems programmed to cope with it. It is all on track. We have issued some good communications and we have had some very good engagement with the public thus far.

Senator T.A Vallois:

Thank you both. You mention about until 2024 for the voluntary on-boarding in terms of independent taxation, how will you be communicating for those who will be looking to move for 2023? Will it be in a similar vein to the letter and information that was sent out last year and those seminars that were provided?

Comptroller of Revenue:

Yes. I believe we are issuing further information to people. At the moment some has gone out in tax returns and electronically for those who file online. People who wish to elect for independent taxation for 2023 now have about 6 months to reach a decision on that. As you know from our previous discussions, there will be people who will be financially better off in independent taxation. Those are the people we would expect to opt for the voluntary phase next year. We have put out a tax calculator to help people look at decisions like that, but we are strongly urging people that if they are not sure they ought to be taking financial advice and certainly looking at the materials we are putting out. It will not suit everyone and there will be some couples who would be best waiting for the mandatory phase when the Compensatory Allowance is available.

Senator T.A. Vallois:

Thank you. Is there any intention in terms of any of the potential benefits that may be obtained for those on higher incomes to have some form of mitigation for that during the phase 2 implementation?

Comptroller of Revenue:

Sorry, to be clear, do you mean that where a couple are financially better off from independent taxation that should there be some form of claw-back mechanism?

Senator T.A. Vallois:

I mentioned the word “mitigation” but if you prefer to refer to “claw-back” then is there any intention for that?

Comptroller of Revenue:

I think not. Ministers did discuss that early on and dismissed that. Independent taxation is in principle the right thing and the fair thing to do. If people are better off because of it it is ultimately a matter for the Assembly. It would be quite difficult to pitch a claw-back mechanism. The Minister’s real focus has been on looking after the people who would be in financial detriment by the introduction of independent taxation.

Senator T.A. Vallois:

Thank you. I will pass the remainder of the independent taxation questions to Deputy Ahier if that is okay.

The Minister for Treasury and Resources:

Before you leave, Senator, just very quickly, there is the online tax calculator that anybody could access to find out whether they would be better off or worse off with a move to independent taxation. Thank you.

Senator T.A. Vallois:

Thank you.

Deputy S.M. Ahier:

Thank you, Senator. Minister, the Panel has received a number of complaints from members of the public regarding the administration of I.T.I.S. (Income Tax Instalment System) rates and the provision of incorrect tax returns. Are you aware of this?

The Minister for Treasury and Resources:

Yes, Deputy, we are. The I.T.I.S. situation is not ideal. It was a bit of a follow-on from P.A.Y.E. (Pay As You Earn), but slightly differently constructed. It is not as accurate as it could be, put it that way. An effective rate has to be determined and obviously quite a few people would like their effective rate issued from Revenue Jersey to be less than it is. Yes, we are very aware that there has been quite a lot of controversy over it. Of course, the COVID-19 situation has not helped. Online tax filing has helped and more and more people are moving to that as the Comptroller would say. It is about

47 per cent now of people who are filing online, which is helping to a great degree. Equally the COVID-19 situation has not helped with people coming in on a face-to-face questioning of their I.T.I.S. rates and payments. Yes, we are very aware that there has been a bit of a question of the whole situation. If the Comptroller wants to explain more.

Comptroller of Revenue:

The main point I would make is that this is not unusual. We get a lot of people asking us to review their I.T.I.S. rate. As the Minister said, the system is a blunt instrument. It is certainly not as surgical as the U.K.'s Pay As You Earn system, for example. It was only ever intended roughly to collect the right amount of tax to satisfy an annual tax bill. It works best for single people with one employer and one source of income. At the moment if you are applying I.T.I.S. rates to a married couple, if they have multiple sources of income it becomes more difficult. We do try to continue to refine it. You will know that in the last Finance Law, the Minister made a change to the statutory calculation. As she also says, a lot of people just would like their I.T.I.S. rate to be lower every year. What people need to understand is if they negotiate their I.T.I.S. rate down, which we try to avoid, they may end up paying less money than will settle their tax bill, so they are continually building up debt in the system. It is something that I would certainly say in the future Ministers might want to consider reviewing. As you know from previous discussions, there are quite a few issues that might need to be talked about first. One of which is the presence of child related tax allowances in the tax system, which complicates the I.T.I.S. system. Also the marginal relief system makes I.T.I.S. more difficult to administer. It is a very complicated set of issues. The system has only been in place since 2007. It is not perfect. It causes a lot of work for Revenue Jersey every year. At the moment our phone lines are crowded out with people asking us about their I.T.I.S. effective rate. As I have said at earlier hearings, one of the things that is now happening in the new revenue management system is that we are giving more information to taxpayers about historic debt, which builds up their I.T.I.S. effective rate. People are getting a greater awareness and understanding of how their I.T.I.S. effective rate is calculated and the fact that there is debt within there. On the issue of tax assessments, the story continues to improve. All of the 2020 tax returns were assessed in good time last year and that helps enormously. The other big point to make is that online filing of tax returns really helps I.T.I.S. rates. If you are employed, if you file online there is a greater chance that you will get an I.T.I.S. rate early in the year and that it will be more accurate and is more likely to accumulate the amount of money needed to pay your tax bill. I am sorry that is rather a long answer, but it is a rather complicated subject.

[15:30]

Deputy S.M. Ahier:

Will corrected I.T.I.S. rates be provided to those who have had incorrect ones?

Comptroller of Revenue:

Again, sorry to be tax technical, but there is not really any such thing as an incorrect I.T.I.S. rate. At the end of the day an I.T.I.S. rate is calculated according to law. The legal formula is agreed by the Assembly and indeed it was amended in December. Based on the information we have about people's income and about their tax debts, the I.T.I.S. rate will be what it is and at the end of the day it should broadly collect what is due. The other key point here is that there are 3 important pillars to an I.T.I.S. rate being broadly right. The first is that taxpayers have to notify changes of circumstances timeously or in good time. That includes changes to the number of children in a household, marital status, changes to sources of income and levels of income. Then there is a great onus on Revenue Jersey to process that change of circumstance. At the moment we aim to process them within 2 working days. Then there is an onus on the employer to put that I.T.I.S. rate into the payroll system. One of the problems there is at the moment the law obliges me to send the I.T.I.S. rate notice to the employee and it is then the obligation on the employee to present that to the employer. Sometimes that does not happen quickly. Sometimes it does not happen at all. That again can cause debts to build up in the system and for people to get even bigger I.T.I.S. rates. It is a mixed bag of tricks. We make it work as best we can. I would always say that an I.T.I.S. rate is going to be as accurate as it can be if all 3 parties in that process report changes of circumstance and process changes of circumstances as quickly as possible.

Deputy S.M. Ahier:

How many tax queries are currently outstanding with Revenue Jersey?

Comptroller of Revenue:

I suppose there are 2 big metrics we look at. One is telephone inquiries. We always advise taxpayers to call us by telephone if they can. We are currently answering all telephone inquiries within about 8 minutes on average, which is about the same as H.M.R.C. (Her Majesty's Revenue and Customs) in the U.K. is doing. When people get through, we are answering their inquiry within 6 or 7 minutes. We always aim for once and done. That is to say that when somebody phones us and they get through they get their inquiry sorted there and then. That is a considerable improvement on the previous year. In terms of written inquiries and a huge number tend to come in now by email, in free-form format, I cannot give you the exact number on hand, but I think we are answering most of them within one month at the present time. We still have large quantities, large volumes, of inquiries. We are still clearing backlogs arising from the COVID-19 lockdown periods, when a great many more people were approaching us, far more regularly, for help and assistance.

Deputy S.M. Ahier:

Thank you very much. Considering the time, I will pass back to the Chair. Thank you.

Senator K.L. Moore:

Thank you, Deputy. I will thank all those who have attended for their answers. There remains a few outstanding, which we will communicate to you in written form as usual. Just before I do close the hearing though, Minister, having listened to the very lengthy responses given to us by the Comptroller just then, and balancing them against some of the complaints that I can see on my screen, which are not just in relation to I.T.I.S. rates but also about the high level of incorrect requests for money that Revenue Jersey are sending out to members of the public, what is your view, Minister, of the customer service? You did allude earlier in the hearing to the fact that you recognised there was some trouble with customer service. How would you grade it at the moment and where exactly do your concerns lie, please?

The Minister for Treasury and Resources:

I did not say I had a problem with customer service. I said the COVID-19 situation has not helped it at all on a face-to-face basis, as is exactly the same with C.L.S. (Customer and Local Services) and Social Security in La Motte Street. The difficulty with not being able to access a face-to-face conversation with your tax official or your social security official has been very difficult for everybody, which has increased the demand on phone calls and emails, as the Comptroller has said. My concern was the possible under-resourcing of Revenue Jersey. In 2 ways, inasmuch as tax experts are extraordinarily difficult to locate and to get them to apply for jobs here and our international tax situation is increasing. Therefore we need international tax experts. That is one side of it, which is very difficult, on the recruiting side. The other one is the fact that the phone calls and emails, the administration side of inquiries, has increased. More resources have been given to Revenue Jersey, as they should have, and I have asked them to produce a business case to cover more resources, should they be required. Yes, I am very concerned about the level put on them. The amount has been increased by the introduction of P.Y.B. (prior year basis) to C.Y.B. (current year basis) and independent taxation. So a huge amount for Revenue Jersey to be doing and I am very, very aware of that. We are working together to make sure we can make it happen.

Senator K.L. Moore:

Indeed, this very panel has advised you and urged you to be more cautious in your approach to policies and the impact that it would have on the ability of Revenue Jersey to meet those changes that you have made. It perhaps might have been helpful had you entertained the panel a little and listened to our messages to you at an earlier stage.

The Minister for Treasury and Resources:

We have, Chair. We have entertained the panel a huge amount. Also when you are looking at a tax law that dates back to 1928, something has to be done about it.

Senator K.L. Moore:

We have urged you to be more cautious, Minister, and our advice has been clear in the past. There is no point going over spilt milk. It is clear that you have no intentions or current options to improve the situation. Perhaps we will collate some anonymised records of the many people who have got in touch with us recently to express their concerns about the level of service they are receiving from Revenue Jersey and in particular the level of inaccuracy in the statements of account that are being sent out. We will look forward to your response in writing. With that, I thank you all for your time and your answers and I close the hearing. Good afternoon.

The Minister for Treasury and Resources:

Thank you. Good afternoon.

[15:39]