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Senator Kristina Moore
Chair, Corporate Services Scrutiny Panel

Via email

12 October 2020

Dear Senator Moore

**Corporate Services Scrutiny Panel
Prior Year Basis Tax Reform Review – Information Request**

Following the lodging of the Draft Income Tax (Amendment No. 46) (Jersey) Law 202-[P.118/2020] proposition on the 22nd September 2020, I am able to provide the following information requested by the Panel to assist in its review of the reform:

1. A copy of any reports or documents detailing the results of the public consultation which closed on the 2nd September 2020;

See attached – Appendix 1 - PYB Tax Reform Survey Findings Report (previously provided to the panel on the 02/10/2020)

2. Further feedback given by the public, via email, letter or on social media to Government of Jersey in relation to the proposed reform;

The Comptroller and I between us have received around thirty letters and e-mails about this proposal (and around a dozen more complaining about the informality of the letters sent to all taxpayers or, in a few cases, the letters sent to the estates of deceased persons).

Several letters complained about aspects of the format of the Online Survey; several asked questions of detail about future payment options; several opposed the proposal outright, often suggesting the timing was not right; and some expressed strong views against the petition to write off the 2019 that the Survey. The letters were sent to the team collating the Survey results but will not have been reflected in the report.

The Government does not perform structured observation or routine analysis of social media. Strong views have been expressed on both sides of the argument for change, notably by Mr Ben Shenton and Mr Kevin Keen in both social media and the press.

3. All advice given in relation to the Prior Year Basis Tax reform from advisory bodies or third parties including but not limited to tax advisors and mortgage lenders;

We have not sought paid external advice on this measure which is the proposal of the Council of Ministers set out in the last Government Plan. The changes were – had all other things remain equal – simply one of the next steps in the reform of Jersey’s antiquated tax system. All other things did not, of course, remain equal.

Advice has come mainly from our officers including our Tax Policy Unit and the Chief Economic Adviser. I have discussed the proposal with JFL’s Fiscal Strategy Group as part of our package of Fiscal Stimulus Measures. We have shared the proposal with JSCCA and CIOT but have so far received no formal response.

It is the Chief Economic Adviser’s view that it is a worthwhile structural reform in itself – though challenging to deliver. The current cyclical position means it is attractive to most taxpayers at the moment and the reduction in tax paid supports household incomes and the economy more generally.

Discussions with lending institutions have necessarily been conducted bilaterally and confidentially. Lenders have essentially confirmed – as expected - that income and expenditure are both considered in reaching lending decisions: those canvassed do not see insuperable difficulties with respect to mortgage lending etc, arising from this proposal nor indeed with affordability of rents. The proposed Affordability Test will support those whose necessary expenditure is close to matching total income.

4. A breakdown of the cost implications of the reform to Revenue Jersey and, information gathered through the previous consultation which is sited as a lead factor to the reform being proposed.

Revenue Jersey has set aside up to £200,000 to implement the necessary systems changes to give effect to this Proposition, if it is passed. These relate largely to systems changes and communications and engagement with the public. There will be administration and system software costs for either Revenue Jersey or T&E Shared Services team. Some future system requirements would need to be scoped once we have identified the optimal way of managing the payment scheme decided upon. Focus groups, currently being run, ask questions of participants about payment terms and service delivery expectations. The outputs of the focus group work will help shape the specification for Customer Journey, support needed and functionality requirements. It is not yet decided whether payment schemes will run alongside the Income Tax Instalment

System or operate separately. It is anticipated much of the service delivery would be automated by the collection software in line with Government's 'digital by default' strategy.

5. Information gathered through the previous consultation which is cited as a lead factor to the reform being proposed

There has been no previous consultation, and no consultation has been cited as a reason for proposing the reform. I did decide to accelerate this work (originally expected to be done alongside implementation of Independent Taxation in 2022) when officers – considering an earlier Petition calling for universal implementation of CYB – brought to my attention the potential financial benefits for PYB taxpayers of making the change in this Pandemic year and the scope thereby to provide fiscal stimulus to the economy.

The earlier Petition – from February 2020 – called on the Assembly to "Freeze personal tax until 2021 and move all onto 'pay as you earn'." It gained 1,673 signatures:

https://petitions.gov.je/petitions/200354?reveal_response=yes#response-threshold

This potential benefit was referred to within the wording of the petition:

"There has been talk of moving all taxpayers onto current year / 'pay as you earn' for some time now. Use Coronavirus as a change to help taxpayers by freezing tax immediately, and also migrate all taxpayers from 2021 to current year assessments."

6. The panel understands that you will be carrying out focus groups, in October 2020, to inform the payment terms if the proposition is successful. The Panel requests that you forward any discussion guides or aid documents for this further consultation.

After discussion with the research provider, we believe it right to respect their wishes not to disclose their discussion guide. We understand that Scrutiny has previously requested discussion guides from the provider and they had previously declined to share them due to their professional guidelines of conduct and practice.

I have shared our brief to the provider which they used to design the discussion guide. We would ask Panel Members to be mindful that the provider will have developed neutral questions to explore the areas listed. Their specialised expertise in neutral and impartial analysis will ensure issues such as bias and leading or closed questioning is avoided.

See attached Appendix 2 – Focus Groups Discussion Topics

7. It is also anticipated that any reporting of the findings gathered will be shared with the Panel prior to them being presented to the States Assembly.

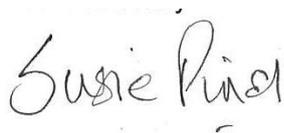
The focus groups run until the end of October and will inform the drafting of Regulations on payment of the suspended 2019 PYB liability. They will not, per se, be presented to the Assembly as a separate Report but we are happy to share with CSSP and summarise in the Report accompanying the draft Regulations, when lodged.

We are receiving an initial 'Topline' presentation on emerging themes on 22nd October which may be in time to inform the first draft of the Regulations before they are published ahead of the November debate. The draft Regulations will set out my core payment proposition which is that the frozen liability should be repaid in most cases over the period 2025 to 2035 but with an affordability test for those who would really struggle to meet those terms.

The Regulations are likely to be further refined before being formally lodged (and probably debated early in 2021) as we process the findings of the Focus Groups over the coming weeks.

Once we have a definite timeline for receipt of the final report we will update the Panel and offer the opportunity to discuss the findings.

Yours sincerely



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