

Minister for
Treasury and Resources



19-21 Broad Street | St Helier
Jersey | JE2 4WE

Senator Kristina Moore
Chair, Corporate Services Scrutiny Panel
Morier House
St Helier
Jersey
JE1 1DD

7^h of October 2020

Dear Senator,

Corporate Service Scrutiny Quarterly Public Hearing
Follow up Questions

Thank you for your letter dated the 23rd of September with the additional questions and points the panel wish to raise following the hearing on the 14th of September 2020.

Tax Returns and Assessments

Concerned members of the public have advised us that queries in relation to their 2019 and 2020 tax returns are not being answered. Could you confirm how many tax queries for 2019 and 2020 are outstanding?

At the end of September, Revenue Jersey estimates that it had around 8,000 enquiry items (post and e-mail) which the Comptroller tells me is around 30% more post-on-hand than he would usually expect to have at this time of year. This will partly be on account of (well-rehearsed) delays on closing the 2018 assessing cycle; reduced productivity during the lockdown period; but also a natural increase in enquiries arising from the operation of our new systems and processes.

On average, over the course of a normal year, Revenue Jersey receives over 1,000 items of post (written or e-mail) weekly; over 1,000 phone calls weekly; and footfall at its helpdesk frequently also averages 1,000 weekly. These are extraordinary levels of contact relative to the size of Jersey's taxpayer base and have historically been driven by a number of factors including, for example, high numbers of seasonal workers and the way in which Jersey's Income Tax Instalment Scheme operates which depends upon timeous reporting of changes of circumstance by employers and their employees.

2020 has seen significant rises in contact (over 20% in some weeks) which Revenue Jersey considers is down largely to questions arising from computer-generated outputs from new systems and processes and from Covid/lockdown-related issues.

In respect of the former, the Comptroller accepts that some of these computer-generated outputs can be difficult to interpret and the team is working to improve them. We also recognise that our new Revenue Management System is more clearly highlighting to taxpayers certain aspects of

their tax account (such as historic debt) which the old ITAX system and its associated business processes did not always make clear.

In respect of the latter, Revenue Jersey has during lockdown encouraged islanders to get in contact ideally via e-mail which has seen greater-than-usual increases in correspondence (which does take longer to handle than telephone calls). As lockdown has eased, islanders are now increasingly reverting to telephone contact and, by appointment, Helpdesk interactions.

This level of work also reflects the greater number of tax assessments which have been issued at the end of September 2020 relative to September 2019 (which inevitably drives further enquiries and correspondence).

We will continue to encourage islanders to take up Online Filing which will considerably help us to recover ground this year and keep improving customer service in future years.

For avoidance of doubt, the Comptroller also tells me that around 15,000 notes/letters are included with tax returns each year and that these are dealt with as the return is processed. At this stage in the process of assessing 2019 tax returns, we estimate that around 7,000 items remain to be addressed as tax returns are processed.

Revenue Jersey's business model continues to provide for recruitment of people on a short-term and seasonal basis to help manage peaks of work and we continue to deploy resources flexibly to meet the varying peaks of work faced in various areas of the tax system. This partly accounts for the number of posts standing vacant or filled at any one time which the Panel may have misinterpreted as an indicator of abnormal turnover/recruitment or dissatisfaction by Revenue Officers.

There is no doubt that Revenue Officers do have challenging roles and that the current programme of reform and modernisation continues to provide additional challenges for them. Managers continue to monitor staff wellbeing actively. The investment in "resilience training" in preparation for the launch of the Revenue Transformation Programme has been an important aspect of our efforts to provide employees with the tools and techniques which enable them to cope with the enormous challenges which they undoubtedly face.

Of the 66,650 2019 Tax returns that were issued, how many have you received back completed?

Just over 61,000 (2019) tax returns have now been received. More than 19,200 returns were filed online: this represents over 31% take-up of online filing by personal taxpayers so far.

How many of the 2019 assessments have been processed?

The Comptroller has confirmed that 40,000 2019 tax assessments have been processed.

a) How many of the 2019 Notice of Assessment have now been sent?

As above, for the week ending the 18th of September, the Comptroller tells me that just under 40,000 (2019) tax assessments have been issued to taxpayers. This puts us some way ahead of the same time last year (around 10k – 33% improvement).

b) Do your officials still plan to complete the 2019 assessing by Christmas?

The Comptroller is expecting to complete the 2019 assessing cycle by Christmas this year (notwithstanding the abnormally high levels of enquiries facing the team).

Data Protection – Spend Local cards

In the public hearing it was confirmed to the panel that a wealth of valuable data is being gathered as islanders make use of their ‘Spend local’ cards. Could you please confirm to the Panel that the data gathered and its use is compliant with the Data Protection (Jersey) Law 2018?

I can confirm the data gathered and its use is compliant with the Data Protection (Jersey) Law 2018.

Forecasted States Revenue Report

Also the Panel were advised in the public hearing that a copy of the most up to date Forecasted States Revenue Report would be forwarded for their attention. Could you please clarify when this report will be received by the Panel?

I can confirm that the Income Forecasting Group Report on Revised forecasts of States Income for Autumn 2020 should be available on the 12th of October 2020. Should this report become available any earlier I will make sure the panel have a copy.

Overpaid Income Tax Instalment Scheme payments 2020

Furthermore, the Panel were advised that consideration would be given by treasury as to whether overpaid Income Tax Instalment Scheme monies for 2020 could be returned to islander’s pockets in 2021. The Panel would like to receive confirmation on the total of monies overpaid in 2020 and follow up which has been completed by treasury following the public hearing in this regard.

Proposition P.118/2020, which I lodged on 22 September, does effectively put overpayments of Income Tax Instalments for 2020 back into most PYB taxpayers’ pockets. The effect of the law amendment would be to put them in an overpayment position for 2020 and to take them out of an underpayment position. (CYB taxpayers ought generally to be unaffected provided changes in income and other circumstances have been advised to Revenue Jersey).

You will have seen that we have estimated that this could put around £18 million of overpayments into people’s pockets- provided we apply 2020 payments made in respect of 2019 tax bills to 2020 tax bills instead.

If the Assembly rejects my Proposition, then it is more likely than not than most PYB taxpayers (who have faced reduced income levels during 2020) will have underpaid their 2019 tax bill - unless they have taken active steps to increase their ITIS Effective Rate during 2020. In fact, I understand that over 1,700 taxpayers have actually sought reductions in their ITIS effective rates which will, of course, for PYB taxpayers, reduce further the amount of their 2019 tax bill which they have actually paid off.

Borrowing – Fiscal Policy Panel (FPP) advice

In addition at the public hearing it was stated that the Fiscal Policy panel viewed borrowing as a means of deferring the Prior Year Basis Tax Further into the future, could the relevant advice please be forwarded to the panel? This can of course be done so in a confidential manner.

Some of the reduction in revenues is due to the Government of Jersey deferring the collection of some taxes and contributions that would have otherwise been due this year. This includes the deferral of businesses' GST and Social Security contributions due for the first half of the year, and the personal tax liabilities of those on the 'prior-year-basis' (PYB) of paying taxes. It could be appropriate for Government to borrow to fund these cashflow measures as they will result in additional revenues in the future when these liabilities are repaid."

<https://www.gov.je/SiteCollectionDocuments/Government%20and%20administration/ID%20Fiscal%20Policy%20Panel%20economic%20assumptions%20August%202020%2020200805%20CB.pdf>

Finally, the Panel would like to take this opportunity to enquire when it can expect lodging of the Revenue Administration Law amendments, and if any changes to the drafted amendments have taken place or are envisaged? The Panel would further query if there has been progress in Personal Tax Reform and if you still plan to deliver independent taxation for the 2022 year of assessment? Also, would you supply the Panel with the updated Social Security Fund Investment valuation for its COVID-19 Response and Recovery review.

The remaining revenue administration measures deferred from the last draft Finance Law will be brought forward in Amendment Laws to the Revenue Administration Law and the Income Tax Law early in 2021, once we have debated my current Proposition P.118/220 and the Government Plan and associated Budget measures. These remain unchanged from the last draft laws you have seen and we have discussed previously. I trust you will be able to support these having accommodated the various points raised by CSSP and, in particular, building in the additional appeals processes into the proposed civil power to secure information from taxpayers in circumstances where they do not co-operate voluntarily.

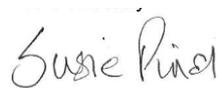
I should say that one revenue administration measure (from those previously considered by CSSP) will be included in the draft Finance Law (Budget 2021). That measure clarifies the Comptroller's role in the collection and administration of social security contributions, as agent of the Minister for Social Security, now that the contributions team has been integrated into Revenue Jersey.

In respect of the Personal Tax Reform, clearly the next most significant element of reform is the potential removal of the Prior Year Basis of paying taxes.

In respect of Independent Taxation, officers remain on track to draft law which will ensure that all people who marry (or re-marry) after 1 January 2022 continue to be taxed as single people. I expect at the same time to introduce further reforms to married people's taxation and – subject to further consultation with islanders – identify the best transitional arrangements to put in force for people married before 1 January 2022 who wish to move towards independent taxation.

The Social Security Reserve Fund Investment Valuation as of the end of August was £1,907,188,988.

Yours sincerely



Deputy Susie Pinel
Minister - Treasury and Resources

D +44 (0)1534 440215

E s.pinel@gov.je