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Senator K Moore

Chairman

Corporate Services Scrutiny Panel

8th of June 2020

Follow Up to Quarterly Hearing

Dear Senator Moore,

Thank you for the additional questions provided by the panel following the quarterly hearing on the 18th of May 2020. Please find my answers as per below.

Recovery

- 1. By what percentage has the value of the States' investment portfolio decreased and what is the target regarding a return to its pre-COVID value?**

The table below shows the market values for the Common Investment Fund ("CIF") and cash held outside the CIF at the end of March and April 2020, compared to the end of 2019. The CIF is the main States investment portfolio which includes the majority of special funds and the Jersey Teacher's Superannuation Fund.

31/12/2019		31/03/2020			30/04/2020		
		Value (£m)	% change vs 31/12		Value (£m)	% change vs 31/12	%change vs 31/3
3,478.7		3,048.2	-12.38%		3,130.8	-10.00%	2.71%

The holdings of the CIF reflect the combined asset allocations of the underlying participating Funds. Each of these Funds is invested in accordance with its own strategy, as published in the States of Jersey Investment Strategies, and is designed to meet each Fund's long-term objective. Investment decisions are made over a long-term time horizon and I remain confident that the States Funds' Investment Strategy remain well placed to meet their objectives.

I would caution against assessing investment performance over time periods as short as 3 to 6 months. Over the long-term the portfolio has performed well having generated 6.7% per annum over 3 years and 7.6% over 5 years (as at the end of 2019). There is no specific target for a return to the portfolio's pre-COVID value.

2. Who sits on the Recovery Working Group?

There isn't a Recovery Working Group as such, Officials have lead immediate economic response work and tabled a series of recommendations to Ministers for approval.

- **What activity has this RWC so far undertaken, or is currently undertaking?**

As above.

- **What role will this RWC play in defining the Recovery Plan and the plans for the Island's economy?**

As above

3. Who sits on the Economic Recovery Political Oversight Group?

The Economic Recovery POG comprises: Political (Chief Minister, MEDTSC, Treasury and Resources Minister , Minister of External Relations and Education Minister) and External (Andrew McLaughlin, Wendy Martin, John Riva and Gerald Voisin). Relevant officers will also be 'in attendance'

- **What activity has this POG so far undertaken, or is currently undertaking?**

The POG has met twice so far. Work will become more substantial as the Economic Council gets underway and as more ideas are generated to supplement current thinking these will be evaluated and prioritised by the POG.

- **What role will this POG play in defining the Recovery Plan and the plans for the Island's economy?**

The POG is in the early days of its formation and the terms of reference are yet to be confirmed. However, the intention of the Panel and its associated structures (such as the Economic Council) is to assist with the current economic picture and the need to build a new economy, as set out in the MD which established the POG. This is by bringing together Ministers, senior officers and external experts from a diverse background of experiences and knowledge, to assist Government in developing a economic recovery strategy.

- **According to Written Question 161/2020, the POG sits above a senior officials group and a newly-formed economic recovery council. Please provide details on both, including their membership.**

The membership of the Economic Recovery Council is still being finalised, but these names will be shared with Members once finalised. As stated in the response to Written Question 209, the Chief Minister has committed that "all minutes and papers from meetings of the Political Oversight Group and the working group will be available for scrutiny, and any report produced by the POG will be published.

4. Polling conducted by YouGov in the UK found that around 80% of those surveyed wanted the government to prioritise health and wellbeing over the economy during the COVID-19 recovery stage. How do you intend to balance these three priorities for the Recovery Plan?

Lives, Livelihood and Well-being has been the key theme of Government of Jersey response to COVID-19 thus far; that will remain integral to whole of Government thinking, including how we pursue an inclusive and sustainable economic recovery

5. Which non COVID-19 policy issues do you intend to continue with through 2020?

I want to keep momentum between the changes proposed for 2021 with regard to married-people's taxation which are not dependent upon further consultation and Independent Taxation. I am considering the case for delaying the introduction of interest charges on tax debts, from January 2021 to January 2022.

Personal Tax Reform.

I have asked tax-policy officials to continue to prioritise the Personal Tax Reform with a view to meeting my commitment to introduce independent taxation for the 2022 year of assessment – with transitional provisions to protect those who may be disadvantaged by an overnight change. As part of the review, I have asked the team to accelerate thinking on the work we proposed in the Government Plan to review the case for bringing Prior Year Basis taxpayers onto the Current Year Basis of payment.

Revenue Administration Reforms.

You have the latest draft of the two amendment laws and I will lodge them when it is appropriate to do so (as the States Assembly's work programme begins to return towards "normal").

- **Which do you expect to be delayed?**

It may be necessary to defer some of the proposed changes to married-person's taxation planned for 2021 and bring those in as part of the transitional arrangements in 2022 for implementing Independent Taxation. This would free up time needed to work for Covid-related fiscal-stimulus measures. As I have indicated separately, I will consider carefully the right timing to introduce interest charges on unpaid taxes which was due to commence in January 2021. In the light of current circumstances, it may be appropriate to defer this further.

Future Taxation options

6. Will you be looking to adopt current year based taxation instead of previous year taxation moving forward for all Islanders currently on previous year basis? What are the likely payment terms for islanders?

This review was announced in the last Government Plan. The Prior-Year Basis of paying taxes creates a number of problems for islanders when their circumstances change and Covid-19 has

and will cause issues for many people. I have told the Assembly that I will accelerate the work to determine whether immediate adoption of the current-year basis of paying taxes is feasible. I would need the Assembly's support to make this happen quickly to form part of any fiscal-stimulus package.

If PYB were abolished, for PYB taxpayers, one year's tax liability would be held in suspense until a future date (after the Covid-19 aftermath has subsided) and we would probably offer a number of options for repaying that liability over a number of years.

7. What is the Treasury's position on the future reliability of a labour tax based structure as the main form of taxation?

The Treasury recognises that Jersey is quite dependent on the personal income taxes raised from islanders and in particular from workers in the finance sector, many of whose livelihoods do not as yet seem to have been materially disrupted. It will be important in future tax-policy discussions to consider, wherever practical, maintaining appropriate diversity in our portfolio of taxes and other income streams; and our relative dependence on each revenue stream. This need for a sustainable balance in taxation is already reflected in our tax-policy principles published in the Government Plan.

8. What role do you expect the reduction of the debt accumulated during the pandemic to play in shaping future taxation options? Will the focus be to reduce the accumulated debt or to gently reduce debt over a long-term period to avoid financial unease in everyday life?

Clearly, understanding of what economic sectors and sections of society have accumulated debt on account of Covid-driven recession, will inform the viability of future options for taxation to enable Government to continue to deliver services. Ministers are likely to favour options which best help islanders restore their livelihoods. It would not be sensible to seek to restore Government funds too quickly at the cost of people's livelihoods and the restoration of a strong economy.

9. Will the long-term Inflation Strategy target of 2.5%, as outlined in the Inflation Strategy Group's January 2020 report, be scrapped or withheld to allow for greater economic flexibility?

The Government of Jersey is not considering scrapping the the goal in the Inflation Strategy, it still remains crucial that the Government sets the right conditions to support low and stable inflation over the long term in Jersey. Government's overall priority is to improve income equality and the standard of living - aiming for low and stable inflation is only one part of how we will meet the overall priority.

The Government will not be able to mitigate all cost pressures, especially where these come from increases in global commodity prices or exchange rate fluctuations, but the actions set out in the Inflation Strategy Group's report will continue to promote low and stable inflation in Jersey. These include considering the impact on inflation of any changes to indirect taxes; aiming to keep its own price increases low and publish a fees and charges policy; that States' entities, social

housing providers and fee-paying schools should consider the impact any change to their prices might have on the trend rate of inflation, whether the price increase is above 2.5% or not; ensuring continuing support for the JCRA and the competition framework remain fit-for-purpose.

Scrapping the commitment to low and stable inflation would not provide greater economic flexibility, and could undermine the confidence of the island in the economy. The goal applies over the medium to long term and like economic policy in other countries provides flexibility for the Government to manage short-term shocks to the economy and reduce their impact. The credibility of the policy and the commitment of the Government to low and stable inflation also supports the effectiveness of any policies that might be required to support the economy that impact on inflation in the short term.

10. The City of Amsterdam has announced plans to move its economic model towards that of a “doughnut”, which prioritises aspects such as quality of life over immediate economic growth, in collaboration with the University of Oxford economist Kate Raworth. What work do you intend to conduct into looking at alternative economic models for the Island post-COVID?

Once we have secured, as far as we can, the health and safety of islanders in the present health crisis, it will then be important to secure their livelihoods through restoration of a strong economy. The Island Plan and our 5 Strategic Priorities already recognise the symbiotic nature of the health of the economy and the health and wellbeing of islanders. Clearly islanders wellbeing and happiness to a great degree depends on the level of services they want and get from their Government; and that is entirely dependent upon the taxes they are prepared to pay to receive those services. Covid-19 also presents once-in-a-lifetime step changes in our behaviour, for example, to progress Jersey’s journey towards carbon neutrality.

2019 Tax Returns

11. Of the 68,000 2019 Tax Returns that were issued, how many have you received back completed?

Around 42,200 as of 29 May. Revenue Jersey now has a better figure of 2019 tax returns issued – around 66,650.

- **Of these how many have been completed online?**

Around 8,400 as of 29 May

12. How many of the 2019 assessments have been processed?

Around 9,800 as of 29 May

- **How many 2019 Notice of Assessment have now been sent?**

Around 9,800 as of 29 May

- **Has there been a noticeable difference in speed of processing online versus paper returns?**

Yes, online filing reduces paper-handling and data-keying in Revenue Jersey and at the present time allows remote processing from tax officers' homes (observing strict security protocols). Returns submitted online are now being processed within days and certainly usually under 2 weeks. Paper returns can only be processed by tax officers in our La Motte Street office where we will be facing productivity issues on account of social distancing. Increasingly, as we overcome transitional issues, people who file online can expect to receive tax assessments in days rather than months.

- **Are any delays in assessments predicted?**

Revenue Jersey normally aims to finish any year's tax-assessing cycle in the autumn. The 2018 assessing cycle was only completed in spring 2020 due to losses of productive time arising mainly from the additional work involved in the Revenue Transformation Programme, recruitment problems and an office move. Clearly this – and the impact of Covid - will have a knock-on effect to 2019 assessing. Depending on take-up of online filing, we are optimistic that we will complete 2019 assessing by Christmas.

13. What proportion of married couples and civil partners have opted for separate assessments for 2019?

665 married couples and/or civil partners opted for separate assessment for 2019. It is not yet possible to say what proportion of the 2019 taxpayer base that represents. For the 2017 year of assessment there were just over 17,000 married couples and/or civil partners who paid tax.

14. How many tax return queries has the “emergency phone number” (440010) received?

We do not have data relating to the 440010 number: officers report that no more than 30 calls daily were received when it was operating alone. The emergency helpline was intended for businesses and individual taxpayers in distress related to Covid-19 in the first weeks of lockdown when most revenue officers were working from home with little access to systems (until Revenue Jersey received a bulk order of laptops) and the Department temporarily closed the main tax helpline (440600). Bearing in mind the proximity of the deadline for filing paper returns, calls are currently exceeding 1,000 weekly – what we normally see at this time of year

How does this compare to the number of queries you would receive if operating normally?

See above. Revenue Jersey normally receives over 1,000 phone queries weekly on average at this time of year. Over the last weeks since lockdown – and still today – Revenue Jersey has encouraged islanders to communicate by e-mail - to enable tax officers largely to work from home. Consequently the office is receiving much higher volumes of e-mails which can in most cases be processed by tax officers working from home. Tax officers are dealing with written correspondence and some e-mail in the office. Taking phone calls and e-mails together, the Comptroller believes that Revenue Jersey has seen a considerable increase in contacts from taxpayers over the Covid-lockdown period.

Have there been official or anecdotal complaints or reports or difficulties in accessing the emergency phone number, especially by those from non-English speaking backgrounds?

There have been no formal complaints registered and the emergency number was not heavily used when it was operating alone (we estimate no more than 30 calls daily).

In the week ending 15 May – when both the emergency line and normal helpline were both operating - the average time to answer a call was 4 minutes 43 seconds while the average waiting time before abandonment was 3 minutes 20 seconds. The average handling time was shy of 3 min per call answered. The Comptroller continues to stress that dealing with the office by e-mail and by 'phone, wherever possible, is the quickest way to receive service.

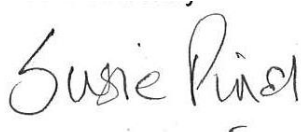
To the Comptroller's knowledge, only one person (a States Member) has raised an issue in respect of two parishioners who had no English at all and approached her for help to communicate with Revenue Jersey in English. We were able to resolve the issues of substance for both taxpayers.

The Panel has already received information about the support available to people with little or no English. Even where people do write to (or 'phone) Revenue Jersey in a foreign language, it is usually possible to translate the message. Some revenue officers are fluent in French; Portuguese; Romanian; and Polish – the main languages used in Jersey besides English.

a. How many Notice of Assessment have been challenged?

A number of taxpayers every year will ask the Comptroller to review their tax assessment on an informal basis and Revenue Jersey does not keep statistics on those requests. The Department is currently handling 63 formal appeals against tax assessments which are first considered by Revenue Jersey and, where necessary, listed for appeal to the Commissioners of Appeal under the provisions of the Income Tax Law. Those appeals could relate to one or multiple years of assessment.

Yours sincerely

A handwritten signature in black ink that reads "Susie Pinel". The signature is written in a cursive, flowing style.

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