

Minister for  
Treasury and Resources



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Senator K Moore

Chairman

Corporate Services Scrutiny Panel

Date 22<sup>nd</sup> of May 2020

### **Revised Timelines**

Dear Senator Moore

Thank you for your letter dated the 12<sup>th</sup> of May 2020. Requesting an updated timeline and information on the projects previously discussed. I am happy to provide the following updates for the panel.

#### **Personal Tax Reform**

Our tax officials remain largely engaged in work related to Covid-19 responses; to consideration of the role of tax in any fiscal-stimulus package; and to gearing up to process 2019 returns in bulk which will take the remainder of the year. As I said in my last letter, I have asked tax-policy officials to continue to prioritise the Personal Tax Reform with a view to delivering independent taxation for the 2022 year of assessment – with transitional provisions to protect those who may be disadvantaged by an overnight change. We have, as you know, deferred consultation on the next phase of work but I have asked officers still to strive to have everything ready for the 2022 year of assessment.

As you know, I have asked the team to look at the case for accelerating work to abolish the prior-year basis (PYB) of paying tax which could serve as a useful fiscal stimulus. If we were to proceed with that – which would be a considerable undertaking – I would need a speedy agreement on the direction of travel with the States Assembly. It would necessitate deferring most of the (transitional) reform of married-man's taxation, probably so that it occurred alongside the introduction of independent taxation

#### **Revenue Administration Law**

You have the latest draft of the two amendment laws and it remains my position that I will lodge them when it is appropriate to do so (as the States Assembly's work programme begins to return towards "normal"). Please do feel free to raise any remaining issues as soon as possible so that implementation can in due course proceed smoothly and with your support. I believe we have

addressed every issue previously raised by the Panel and external stakeholders: these changes represent important reforms to our archaic tax laws.

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. When we do start to charge interest, I have decided to ask the Assembly (for now) only to activate the provision relating to simple interest on tax debts contained in Articles 17 and 19 of the Revenue Administration Law 2019. I have decided not to activate Article 18 relating to penalty interest while the debt book is complicated by the deferrals of GST approved as part of our immediate Covid-19 response.

You have not so far responded to my letter of 18 July 2019 where I sought your opinions on the structure of legislation relating to interest provisions: in light of this, on the advice of the Law Drafters and officers, I have asked officers to amend the primary law (that is the Revenue Administration Law 2019) to include the parameters within which interest rates can be set by Ministerial Order. To recap, those parameters (which remain the same as I proposed in my comments on the Panel's earlier amendment to the RAL and in my letter to you dated 18 July 2019) are:-

In the Minister's comments on the CSSP amendment to the RAL, and in the Minister's letter to Sen. Moore dated 18 July 2019, the rates indicated were as follows:

- Late payment interest – Bank of England (BoE) base rate, plus a maximum of 5%
- Late payment penalty interest – BoE base rate, plus a maximum of 7%; and
- Credit interest on over-payments – minimum of BoE base rate plus 2%

### **Office Strategy and Relevant Projects agreed within the Government plan 2020-2**

There have been inevitable delay effects on projects approved in the Government Plan 2020-2023 as a result of lockdown. For some projects that delay has been minimised as far as possible by, for example, the opening of construction sites with permits to work under distancing guidelines, although those arrangements are likely to impact productivity and therefore will potentially still result in some delays. These delays are being managed on a case by case basis.

The Office Strategy project is at the Business Case production phase therefore any delays have been minimal and the plan is still to have completed the build by the end of 2023.

As part of the work undertaken to produce the Government Plan 2021-2024, the impact of these delays will be discussed with Accountable Officers and changes reflected, if necessary, in the Plan.

There may also be cases where projects are halted as a result of the pandemic and the potential need to direct resources differently. Such changes will require a Treasury Minister's decision if the resources being repurposed were new and allocated in Government Plan 2020-2023.

Best wishes

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