

STATES OF JERSEY



PRIOR YEAR BASIS TAX REFORM (S.R.7/2020) – RESPONSE OF THE MINISTER FOR TREASURY AND RESOURCES

**Presented to the States on 14th December 2020
by the Minister for Treasury and Resources**

STATES GREFFE

**PRIOR YEAR BASIS TAX REFORM (S.R.7/2020) – RESPONSE OF THE
MINISTER FOR TREASURY AND RESOURCES**

Ministerial Response to:	S.R.7/2020
Ministerial Response required by:	11th December 2020
Review title:	Prior Year Basis Tax Reform
Scrutiny Panel:	Corporate Services Scrutiny Panel

INTRODUCTION

The Minister welcomes the report of the Panel and the support of the States Assembly for this important measure. The Minister’s detailed comments are set out below.

FINDINGS

	Findings	Comments
1	The Amendment to the Income Tax Law 1961 (the Amendment), if adopted by the States Assembly on the 3 November 2020, will enable the reconfiguration of the payment on account dates and the I.T.I.S effective rate for Prior Year Basis Taxpayers (PYB taxpayers) and suspend their 2019 tax liability. The Amendment, if adopted, will also transfer the payments made towards 2019 tax liability by PYB taxpayers against their 2020 liability and allow for the creation of Regulations by the States Assembly that would set out the payment terms for the 2019 liability, The Regulations would need to be agreed by the States Assembly by the 31 March 2021.	Correct
2	The principle that the Amendment could be considered without Regulations is difficult to understand given the significant impact for two-thirds of taxpayers.	The Minister provided a Report setting out the key aspects of her proposals for payment options. These are still being developed in the light of feedback. The Panel’s advisor accepted that the principle of moving to CYB was indisputable.
3	The Minister for Treasury and Resources has confirmed that the Amendment is intended to act as a fiscal stimulus measure for islanders	The Measure was first mooted in the Government Plan 2020-23 as an important tax simplification. It stands on those merits alone. However, the work was accelerated both to

	Findings	Comments
	who have suffered throughout the COVID-19 pandemic. However, the proposed Government Plan 2021-24 (P130/2020) appears to contradict this intention by indicating that the Amendment will raise revenue to cover COVID-19 pandemic costs.	provide financial support to people hit by the Covid-19 lockdown (especially self-employed people and employed PYB taxpayers) and as a fiscal stimulus. Late in the day, the Treasury identified the further collateral benefit mentioned in the draft Government Plan 2021-24 relating to the use of these funds to repay the Covid-19 debt.
4	<p>The updated report published by the Minister for Treasury and Resources on the 30 October 2020 does address certain concerns raised in the Panel’s report regarding the framework to pay the tax liability. However, the report did not include the detail of the focus group information to consolidate decision making and it did not address a number of the findings laid out in the Panel report including:</p> <ul style="list-style-type: none"> • The split of the 2019 debt between married couples and civil partners on the introduction of independent taxation or on divorce; • The impact on lending decisions by mortgage lenders and the potential impact of this debt on mortgage lending to affected taxpayers; • The changes in circumstances of an individual in relation to payment structure over the term of the agreement; • The impact of other taxation and social security measures; • Consequences from a public finance, manpower, systems and economic perspective. 	See comments on the related recommendation.
5	The Government’s public consultation on the Amendment did not meet its own Codes of Practice.	There was insufficient time to conduct lengthy consultation if the 30 November 2020 legal deadline for “payments on account” was to be cancelled by the Amendment Law and associated Acte Operatoire. Nonetheless, the Government had a good response rate to its survey and focus groups were helpful in refining payment options. Considerable feedback was given by stakeholders and the Minister is grateful for the CSSP’s own contribution to the thinking.
6	The Government’s survey evidence to date would suggest that PYB taxpayers	It is far too early accurately to surmise the degree of hardship arising from the Pandemic, however

	Findings	Comments
	who have suffered a reduction in income due to the pandemic could be in the minority.	the survey still pointed to a sizeable number of people suffering a reduction in income.
7	<p>The most substantial decrease in earnings due to the pandemic appears to have been in hotels, restaurants and bars (decrease of 10.2%) and agriculture (decrease of 11.5%).</p> <p>As the hospitality sector employs younger workers and seasonal staff, who are likely to be taxed on a current year basis (CYB), this Amendment does not offer a direct fiscal stimulus benefit.</p>	<p>The acceleration of this measure was largely to support self-employed people and longer-standing employed people who are PYB taxpayers. Other measures were targeted on the sectors identified by the Panel.</p> <p>Tax received from CYB taxpayers responds directly to income in the current year.</p>
8	For some PYB taxpayers the payment will come many years earlier than they had planned. It is likely that the proposed payment of this additional liability for these PYB taxpayers will coincide with other significant commitments (supporting family commitments and paying mortgages) and is highly likely to be when monthly outgoings are tight against income and savings are low.	This is addressed in the payment options now proposed.
9	Some retired PYB taxpayers already have established payment arrangements in place with Revenue Jersey to settle final prior year basis tax payment in a structured format.	This is addressed in the payment options now proposed.
10	Some retired PYB taxpayers will only be able to pay their final prior year basis tax payment from their estate.	Possibly true in some cases but the majority of people do settle (at least the larger part of) a PYB tax liability earlier.
11	Some PYB taxpayers are proactively making plans to repay the final prior year basis tax liability prior to retirement based around their other commitments.	Correct – and accommodated in the proposed payment options.
12	The Fiscal Stimulus measure would appear to be most beneficial to payment on account (self-employed) taxpayers who may have struggled during the pandemic. These taxpayers will not be required to make the November 2020 payment on account as this will be deferred if the proposition is adopted. To ensure the Amendment is a success for payment	Correct. The Government is marketing the benefits of filing early and filing online. The Minister has approved additional resources to help Revenue Jersey manage the increases in workloads arising both from tax reforms such as this and also arising from financial distress caused by lockdown during 2020.

	Findings	Comments
	on account (self-employed) taxpayers to CYB status it is pivotal that they submit tax returns on time and Revenue Jersey process them quickly and accurately.	
13	I.T.I.S Taxpayers are unlikely to see a marked benefit of the tax reform as they will continue to pay tax each month and need to wait for assessment in 2021.	PYB taxpayers who pay taxes through ITIS will in many cases benefit from lower tax deductions in 2021. Taxpayers who file early and who file online are most likely to receive the benefit of this measure early in the year.
14	Moving to CYB will reduce tax owed by those who leave the island. There will be residual tax liability under CYB for those historic PYB taxpayers who leave the island permanently, although it will be smaller than experienced under PYB.	When people leave Jersey all taxes owing become due. That said, the Minister has asked officials to make accommodation for those who leave Jersey to retire overseas and who continue to receive Jersey-source income.
15	There may be an impact on the borrowing capability of PYB taxpayers if they have an outstanding 2019 tax liability.	When people borrow money, lender usually take account of ability to repay based on known levels of income and expenditure. See comments on the associated recommendation.
16	A discount for early settlement of the 2019 liability to PYB taxpayers could reduce Government borrowing which could be beneficial.	The measure is principally about longer-term tax simplification and shorter-term support to distressed islanders. See comment on associated recommendation.
17	Introducing the Amendment before the introduction of independent taxation could present a technical challenge. The current proposition indicates that Spouse A will carry the 2019 tax liability and it is unclear how this will be split when independent taxation comes into force or how the 2019 tax liability would be split if a couple divorce prior to independent taxation being implemented.	<p>Incorrect. Paragraph 15 of the Report accompanying P.118/2020 says the following.</p> <ul style="list-style-type: none"> <i>For married people who have a frozen 2019 tax bill, the primary responsibility for repaying this does continue to sit with spouse A – the husband or the older person in a same-sex marriage. It will also sit with spouse A in a civil partnership: this is usually the older civil partner under current law.³ The Comptroller of Revenue has powers to collect spouse B’s proportion of arrears in the event that a marriage or civil partnership breaks down: separating couples nonetheless ought to be mindful of this in reaching settlements in the event of a breakdown in the relationship.</i> <p>See comment on associated recommendation.</p>
18	Removal of mortgage interest relief from 2025 could increase the tax burden on many Prior Year Basis (PYB) homeowners at the same time	Any impact is mitigated in the payment proposals by extended terms for payment plans.

	Findings	Comments
	as their 2019 liability becomes payable.	
19	Possible increases to Social Security and Long-Term Care (LTC) supplementation payments being consider by Government would reduce income for PYB taxpayers and cause further pressure to already be stretched PYB taxpayer finances during the 2019 tax liability payment period.	The lengthy periods for repayment will, in many cases, reduce the existing pressures. In other cases the options provide for long-term repayment.
20	The Government Plan 2020-23 indicates that the priority was to modernise the Islands personal income tax system and would commence with independent taxation.	The PYB/CYB reform has been accelerated for well-rehearsed reasons and it is a useful precursor to the implementation of Independent Taxation: had PYB not been removed now, it would most likely have been proposed to be removed alongside the introduction of Independent Taxation.
21	Tax policy principles in the Government Plan confirm that changes should be fair, sustainable, support broader Government policy and be effective and efficient.	Correct.
22	Revenue Jersey is under pressure, as evidenced through delayed turnaround times of current assessments and delayed answers to taxpayer queries. The Amendment will require the Revenue Jersey team to implement further changes to systems and procedures to ensure success during a pandemic crisis	Correct. The Minister has committed additional resources for Revenue Jersey to enhance its ability to support taxpayers through these changes and the difficult times currently faced by islanders. Recruitment is under way but it should be noted that there is a lengthy lead-in time in training up new tax officers so that they can perform effectively.
23	There has been a 31% uptake in online filing of tax returns in Jersey, this is well behind the UK rate of 93.5% and this will affect the ability of Revenue Jersey to turn around tax returns which could cause delays.	The take-up rate of online filing in the UK was around 1% in its first year (in the early 1990s) and is around 31% in Jersey in its first year (2020). It is helpful both to Government and islanders that those who can file online do so – but the Minister has no plans to mandate online filing at this stage.
24	There could be economic impacts to consider in terms of a reduction in spend from PYB taxpayers in the longer term which would result in changes to the housing market, disposable income and pension savings.	This is highly unlikely given the lengths of time being offered to PYB taxpayers to repay the 2019 frozen liability and is insignificant set against the impact of the Pandemic. This measure was accelerated to provide financial support in the shorter term and until the economy improves.
25	If the Minister does not make this proposition, then I.T.I.S taxpayers who have seen their income drop in 2020 may see their effective rates rise in	Correct – for PYB taxpayers.

	Findings	Comments
	2021.	

RECOMMENDATIONS

	Recommendations	To	Accept/ Reject	Comments	Target date of action/ completion
1	The Minister for Treasury and Resources must provide the full Regulations to the States Assembly prior to the Amendment to the Income Tax Law 1961 being considered.	MTR	Reject	<p>The need to develop comprehensive proposals to a tight timescale, to ensure relief could be given to Prior Year Basis taxpayers in these unprecedented times, necessitated a two-stage approach. The decision, supported by the Assembly on 4 November, was to agree to move all taxpayers to a current year basis.</p> <p>The arrangements for the payment of the 2019 liability will be the subject of Regulations to be debated by the Assembly in March 2021. While the Minister originally intended to publish a draft of those Regulations prior to the debate of the move to CYB in the week commencing 1 November, a great deal of feedback was provided on the principles of the payments, which has resulted in further development and improvement of those plans. Instead of draft Regulations, a Report was presented to the Assembly setting out the Minister's proposals for payment of the 2019 liability. This achieved the same goal as providing draft Regulations, which themselves could only be finalised following further input and feedback from States Members and the public.</p> <p>To act as a financial support and fiscal stimulus, it was imperative that this measure was given immediate effect if the Comptroller of Revenue was to have the authority not to demand the balance of 2019 taxes from "payment on account" PYB taxpayers; and to legitimise the computer changes that would need to be made over the winter to allow PYB employees to enjoy lower</p>	N/A

	Recommendations	To	Accept/ Reject	Comments	Target date of action/ completion
				<p>ITIS Effective Rates in 2021.</p> <p>If the measure had not been passed, then Revenue Jersey’s customer service would likely have further deteriorated further as potentially thousands of (particularly) self-employed people and their tax agents sought to arrange individual payment arrangements. None of those arrangements under existing law and practice could have been as beneficial as the ones proposed in the Minister’s Report.</p>	
2	<p>The report published by the Minister for Treasury and Resources on the 30 October 2020 does address some of the recommendations put forward by the Panel. However, the report does not provide an answer to a number of the other recommendations laid out in the Panel report including:</p> <ul style="list-style-type: none"> • The split of the 2019 debt between married couples and civil partners on the introduction of independent taxation or on divorce; • The impact on lending decisions by mortgage lenders and the potential impact of this debt on mortgage lending to affected taxpayers; • The changes in circumstances of an individual in relation to 	MTR	Largely accepted	<p>Notes on each point</p> <ul style="list-style-type: none"> • P.118 in no way changed the circumstances of married people who legally separate. (This will for the future be modified by the proposed modernisation of married-people’s taxation and the introduction of Independent Taxation.) There is no ‘split’ with regard to the 2019 liability. Couples who separate, as now, are encouraged to consider any prior tax liability in any legal separation agreement that is drawn up. Beyond that, as the Panel will recall from an earlier Review, the Comptroller does have some powers to disaggregate a married-man’s tax debts and allocate an appropriate amount (and in some cases all) to the spouse. Further consideration will be given to circumstances where couples do not separate or divorce but operate financially independently, for example by operating on the basis of “separate assessment”. • The views of lenders were sought by Revenue Jersey. As expected, any person applying for a loan/mortgage will be 	<p>N/A</p> <p>Done.</p>

	Recommendations	To	Accept/ Reject	Comments	Target date of action/ completion
	<p>payment structure over the term of the agreement;</p> <ul style="list-style-type: none"> • The impact of other taxation and social security measures; • Consequences from a public finance, manpower, systems and economic perspective. <p>The Minister for Treasury and Resources should back up her latest report by sharing the focus group information with the States Assembly in order that informed decisions can be reached in relation to the Regulations.</p>			<p>subject to a review of their overall income and expenditure. This proposal, like any taxation measure, would affect a prospective applicant's net income position. However, one bank has noted that if payments were spread out over a period of 10 years or more than it is likely that it "would not have a material impact" on a person's ability to borrow. The proposal to spread the payments up to 20 years or to opt to settle at States' Pension Age, considerably further reduce any impact.</p> <ul style="list-style-type: none"> • Significant flexibility is now built in to the proposed payment terms. Individuals will be able to contact Revenue Jersey for a payment holiday in unforeseen tougher times. In addition, the Comptroller retains considerable discretion to accommodate the particular financial circumstances of individuals. No further work is expected to be undertaken. • A significant report (R.30/2017) was presented to the Sates Assembly in March 2017 in the first stage of the Review of Personal Tax to, as the then T&R Minister put it, provide a "comprehensive data base which will help in establishing a platform of common and shared understanding of our personal tax system" This also included data on social-security contributions. It goes without saying that this measure in the longer run does take more money out of former PYB taxpayers' pockets. That said, 	<p>31/3/2021</p> <p>N/A</p>

	Recommendations	To	Accept/ Reject	Comments	Target date of action/ completion
				<p>many taxpayers will have longer to pay than is currently the case (for example, those coming up to retirement) and will be paying a frozen 2019 tax bill whose value in real terms will erode over the payment period. In any event, this is not extra taxation – nobody is being asked to pay more over their lifetime than they ever would. The extended timeframe and flexibility for payment of the 2019 liability proposed will mitigate considerably the impacts on incomes.</p> <ul style="list-style-type: none"> • In providing more flexible payment terms, there will of course be an impact on Exchequer cash flow over the course of the payment period. In all likelihood, acceleration of the payment of the prior year liability will be slower – as the CSSP requested. Additional manpower will be required in the short term to set up the payment framework, but over the longer term the move to CYB should simplify the tax system allowing more officers to concentrate on higher-yielding compliance work. Officers are currently working on the relevant systems changes, which are relatively straightforward as the system already handles CYB. The Chief Economic Adviser supports this measure as a fiscal stimulus 	31/3/2021
3	A longer and broader consultation period should be undertaken by Government especially given that the proposed	MTR	Rejected	To act as a financial support and fiscal stimulus, it was imperative that this measure was given immediate effect in November 2020 if the Comptroller of Revenue was to have the authority not	N/A

	Recommendations	To	Accept/ Reject	Comments	Target date of action/ completion
	Amendment will affect two-thirds of taxpayers. This would allow for more statistically significant findings and deeper qualitative understanding to be completed.			<p>to demand the balance of 2019 taxes from “payment on account” PYB taxpayers; and to legitimise the computer changes that would need to be made over the winter to allow PYB employees to enjoy lower ITIS Effective Rates in 2021.</p> <p>If the measure had not been passed, then Revenue Jersey’s customer service was likely further to have deteriorated as potentially thousands of (particularly) self-employed people and their tax agents sought to arrange individual payment arrangements. None of those arrangements under existing law and practice could have been as beneficial as the ones proposed in the Minister’s Report</p>	
4	The Minister for Treasury and Resources should provide evidence on the number of PYB taxpayers to benefit from this fiscal stimulus measure.	MTR	Partly accepted	<p>The Minister recognises that data is difficult to assemble and a little surprised that anyone would seriously doubt the increasing economic impact of the pandemic on both self-employed people and employees.</p> <p>We know there are around 31,000 PYB taxpayers and, within that, up to around 8,000 so-called “payment on account” taxpayers. Based on the survey, we expect about a third of those (around 10,000) to be in some degree of financial distress. Revenue Jersey has been reporting increasing numbers of taxpayers approaching them in distress.</p> <p>The Minister therefore expects at least 10,000 PYB taxpayers to benefit from this <u>immediate</u> move as a financial support and fiscal stimulus but stresses that the significant benefits of the move to CYB are the longer-term ones identified in the report accompanying P.118/2020 for the whole PYB population.</p> <p>Additionally, this move will have reduced pressure on Revenue Jersey rather than increased it (as CSSP has suggested); and it will make the move</p>	Done.

	Recommendations	To	Accept/ Reject	Comments	Target date of action/ completion
				<p>to Independent Taxation somewhat easier to undertake.</p> <p>The Panel has questioned whether this is the right time to make the move to CYB. In any normal year, moving to CYB would necessarily result in increased ITIS Effective Rates, in line with increasing incomes. One of the main reasons for making the change now was to help those who have suffered financially as a result of the pandemic and associated lockdown. ITIS Effective Rates are likely to drop, not increase</p>	
5	The Regulations in relation to payment of the 2019 liability should make provision for PYB taxpayers who have already carried out longer term financial planning, and as far as possible allow those taxpayers to make payment consistent with the plans they have in place.	MTR	Accepted	This will be included in the draft Regulations	31/3/2021
6	Revenue Jersey should maintain established payment on account agreements with retired taxpayers in relation to their final prior year basis tax payment. The agreement terms should not be changed unless agreed between the retired taxpayer and Revenue Jersey. The retired payment on account taxpayer should be able to take advantage of the fiscal stimulus break, if adopted by the States Assembly, in November 2020 as required.	MTR	Partially accepted	The obligation to make a payment on account (POA) arises in respect of those who do not pay tax every month by ITIS or do not make monthly payments by choice. These are not strictly 'agreements' but statutory obligations set out in law to make periodic contributions of tax. While POA taxpayers cannot fully be moved to CYB (because the final tax bill needs to be calculated before a final payment can be made), the Amendment Law accelerates POA payments so that the first payment is due in the year of assessment (it should be noted that the final deadline for payment remains unchanged). Where POA taxpayers do already – or in future choose to - make monthly payments, this practice will	31/3/2021

	Recommendations	To	Accept/ Reject	Comments	Target date of action/ completion
				<p>continue.</p> <p>POA taxpayers were free to make the November 2020 payment and this was made clear in correspondence.</p> <p>POA taxpayers are the only beneficiaries of the potential deferral of the November 2020 payment.</p>	
7	The Minister for Treasury and Resources should carefully consider the Regulations for retired taxpayers who had intended to cover their outstanding tax liability from their estate. Regulations should not require retired taxpayers to sell primary assets.	MTR	Accepted	The Minister will give this careful consideration and will not require retired taxpayers to sell primary assets solely to satisfy the payment of the 2019 tax liability.	31/3/2021
8	The Minister for Treasury and Resources should recognise the impact of payment plans on an individual taxpayer's personal financial commitments and deliver Regulations which enable them to repay the liability whilst still being able to maintain personal commitments. Specific consideration should be given to supporting taxpayers with children, caring commitments to elderly relatives, and mortgages.	MTR	Accepted	The Minister has taken on board these concerns in proposing increased flexibility and time to pay the 2019 liability to minimise such impacts.	31/3/2021
9	If the Amendment is adopted, the Minister for Treasury and Resources must ensure that Revenue Jersey implement suitable systems which enable payment of account (self-employed) taxpayers to be advised	MTR	Accepted	<p>The move from PYB to CYB will not materially impact existing ways in which the payment-on-account process works and taxpayers will have that clearer understanding of potential tax liability arising from being taxed on current income.</p> <p>The 2019 tax-assessing cycle has been</p>	31/12/2020 for 2019 PYB tax liabilities

	Recommendations	To	Accept/ Reject	Comments	Target date of action/ completion
	of their tax liabilities quickly and accurately.			<p>largely completed – some 4 months ahead of the 2018 tax-assessing cycle. This means that the vast majority of PYB taxpayers who did file a 2019 tax return have certainty around their 2019 frozen liability.</p> <p>Future tax-assessing cycles are likely to be shorter provided that take-up of Online Filing continues to grow. The move towards online filing and assessment will result in the single most significant step towards providing quick and accurate tax assessments which is so much more difficult in the current paper-based system which still runs alongside it.</p> <p>The Minister agrees with the CSSP’s technical adviser that a move to full self-assessment would help. Modernising the tax systems and tax law provide numerous opportunities for a more efficient assessment regime but, clearly, Ministers have to prioritise this work against many other competing demands for change</p>	
10	To be fair to all taxpayers if the proposed Amendment takes place, specific fiscal stimulus must be targeted to all taxpayers.	MTR	Accepted	<p>CYB taxpayers already experience a tax system which is responsive to their personal circumstances once notified to Revenue Jersey. The move to CYB for PYB taxpayers provides financial support to PYB taxpayers and will probably be most helpful for the self-employed. It also acts to stimulate the economy.</p> <p>The Government’s measures overall to stimulate Jersey’s economy encompass a broad range of measures that see benefits for all islanders, accepting that some individual components target particular sectors of the economy or categories of taxpayers. For example, all workers benefit from the 2% reduction in Social Security contributions.</p> <p>Moving to CYB is primarily about realising the longer-term structural</p>	Done

	Recommendations	To	Accept/ Reject	Comments	Target date of action/ completion
				benefits of modernising the tax system for taxpayers.	
11	The Minister for Treasury and Resources should include in the Regulations the terms for residual tax liabilities for PYB taxpayers who leave the island permanently. Special consideration should be given to the 2019 tax liability payment in the Regulations.	MTR	Accepted	To be covered in the draft Regulations.	31/3/2021
12	Further analysis on the borrowing impact of the 2019 tax liability for PYB taxpayers is needed by the Minister for Treasury and Resources, including full consultation with the lending industry. The Regulations should include appropriate steps to be taken by Government to minimise any impact on mortgages and other loans to PYB taxpayers.	MTR	Partially accepted	<p>The draft Regulations will ensure that the full 2019 liability is not converted into a "tax debt" until the payment terms set out in Regulations have expired and payment has not been forthcoming. The 2019 liability will only become collectible in increments over the period to 2042.</p> <p>It goes without saying that any changes in people's income and expenditure will potentially impact their ability to borrow. However, the payment proposals in draft Regulations have mitigated much of this impact; and, in many cases, will provide more flexibility and longer to pay than is currently available.</p> <p>The views of lenders were sought by Revenue Jersey. As expected, any person applying for a loan/mortgage will be subject to a review of their overall income and expenditure. This proposal, like any taxation measure, would affect a prospective applicant's net income position. However, one bank has noted that if payments were spread out over a period of 10 year or more than it is likely that it "would not have a material impact" on a person's ability to borrow</p>	31/3/2021
13	The Minister for Treasury and Resources needs to ensure that	MTR	Accepted	Further reform of married-people's taxation and the introduction of	Done – existing law

	Recommendations	To	Accept/ Reject	Comments	Target date of action/ completion
	Spouse A is not disproportionately liable for the 2019 liability in the event of a divorce and in relation to the establishment of independent taxation. Regulations must provide for an equitable split of the liability.			<p>Independent Taxation will help tackle these archaic circumstances. It is not appropriate that this matter only be addressed for the 2019 liability of current PYB taxpayers through the Regulations relating to the 2019 liability. It must apply to all taxpayers and is most appropriately addressed when Independent Taxation is brought forward. Beyond that, as the Panel will recall from an earlier Review, the Comptroller does have some powers to disaggregate a married-man's tax debt and allocate an appropriate amount (and in some cases all) to the spouse.</p> <p>P.118 in no way changed the circumstances of married people who legally separate. There is no 'split' with regard to the 2019 liability. Couples who separate, as now, are encouraged to consider any prior tax liability in any legal separation agreement that is drawn up.</p>	<p>suffices.</p> <p>Independent Taxation on track for delivery for the 2022 year of assessment.</p>
14	The Minister for Treasury and Resources should consider a discount for early settlement of the 2019 liability to assist in reducing borrowing costs for Government which may benefit the island debt.	MTR	Not accepted	<p>The Minister did consider offering a discount for early payment of the 2019 liability and interest charges for late payment but, taking into account Survey and focus-group feedback and the views expressed by States Members during the debates in October and November, she does not consider either to be appropriate. The former would disproportionately favour those towards the higher-end of the income scale while the latter would be disproportionately injurious to lower-income households.</p> <p>The Minister considers that the prize of delivering this significant tax reform – and the immediate financial support it has provided to people in financial distress – outweighs the Exchequer considerations of improved cash flow. The Minister believes that CSSP supports this view elsewhere in their report.</p>	N/A

	Recommendations	To	Accept/ Reject	Comments	Target date of action/ completion
15	The Minister for Treasury and Resources should ensure that the removal of mortgage relief from 2025 does not adversely affect Prior Year Basis homeowners who have an outstanding 2019 tax liability. The Regulations should include appropriate steps to be taken by Government to relieve financial stress in this circumstance.	MTR	Partially accepted	The payment proposals which will be the basis of the draft Regulations should now adequately cover this circumstance. The impact of mortgage interest tax relief will have been absorbed by all households by 2025. The extended payment periods now proposed (including deferral until retirement) will greatly assist people in mid-life with mortgages	31/3/2021
16	The Chief Minister should ensure that taxation and Social Security strategy align to the Council of Minister's Common Strategic Priorities especially in relation to putting children first and supporting Islander's wellbeing.	MT R	Accepted	The annual process of developing the Government Plan always seeks to align the Government's key strategic priorities and providing greater flexibility in payment of the 2019 liability, as now proposed, largely mitigates the impacts on families over the longer terms and provides relief for those currently facing financial difficulties as a result of Covid-19.	Annually.
17	The Minister for Treasury and Resources should clarify the number of PYB taxpayers with children affected by this change and consider the impact on those taxpayers' ability to support their children through to graduation from university.	MTR	Partially accepted	Survey and emerging focus-group feedback has persuaded the Minister that it will be beneficial to allow people in such circumstances an option to settle their 2019 PYB liability on retirement, where they can demonstrate the means to do so, or otherwise to have considerably longer to settle the liability – up to 20 years	31/3/2021
18	Prior to the Amendment being debated, the Minister for Treasury and Resources should confirm to the States Assembly how many current year basis taxpayers have been affected by the pandemic and how this change is	MTR	Rejected	The measure was largely about longer-term tax reform but, as implemented, provides financial support (particularly to self-employed people) and fiscal stimulus - but only as one measure within a basket of measures to stimulate the economy. CYB taxpayers have - and will continue - to benefit from other measures and crucially do not face the impacts caused by the system of PYB	N/A

	Recommendations	To	Accept/ Reject	Comments	Target date of action/ completion
	fair and equitable to the taxpayers who will receive no benefit from this fiscal stimulus measure.			taxation. Furthermore, the removal of the PYB basis of paying taxes inherently delivers greater fairness for CYB taxpayers who have never benefited from paying taxes in arrears and who have paid taxes since the day they started work in Jersey.	
19	The Minister for Treasury and Resources must ensure that Revenue Jersey is properly resourced and adequately trained to implement this Amendment to ensure that employee welfare is a priority. A suitable strategy which includes measures to monitor staff wellbeing should be shared with the Corporate Services Scrutiny Panel for consideration.	MTR	Largely accepted	<p>The Minister, Council of Ministers and the States Assembly have supported much needed and well-overdue investment in the transformation of Revenue Jersey, including the technical development of our tax officers. The Minister has committed to further (partly temporary) resources for Revenue Jersey to help it deal with the extraordinary increases in work volumes largely arising from its transformation programme and the impact of Covid-19 lockdown on volumes of customer-enquiries and calls for help. This will help ensure the move to PYB and the imminent introduction of Independent Taxation run as smoothly as possible. It should be remembered that significant lead-in times exists for training tax officers so they can be fully-effective in their duties.</p> <p>The Minister thanks CSSP for their concern for the welfare of all tax officers, which she shares.</p> <p>The Comptroller is responsible for all tax operations – including the technical training of his officers as Head of the Tax Profession. He identified gaps in training in 2015 and has successfully bid for additional resources to improve the tax-professional training prospectus available to tax officers over recent years. Revenue Jersey works closely with the private-sector tax professionals on such matters. The transformation of Revenue Jersey will ultimately lead to more rewarding and satisfying careers for our people. The removal of PYB will ultimately lead to a less confusing</p>	Additional recruitment by 28/2/2021

	Recommendations	To	Accept/ Reject	Comments	Target date of action/ completion
				<p>and frustrating system of taxation in Jersey, for taxpayers and our tax officers alike.</p> <p>As part of Jersey’s public service, Revenue Jersey operates under the Government’s people-management policies and procedures, including those relating to the health, safety and wellbeing of officers. These practices and policies are being significantly improved as a result of recent work undertaken and much need investment agreed by the Assembly in Government Plan 2020. Strategies and data on government employees will continue to be shared with Scrutiny Panels and the States Assembly in the normal way.</p>	
20	The Minister for Treasury and Resources should provide a strategy to the States Assembly confirming how an increased take up for online filing of tax returns will be achieved.		Not accepted	<p>The Minister readily accepts that the more people who file online, the better the tax system will operate.</p> <p>The Minister is at this stage opposed to <u>mandating</u> online filing for personal taxes, favouring encouragement of take-up on a voluntary basis. The Government will continue to market the benefits of filing online; consider appropriate opportunities to “nudge” people towards filing online (as the current move from PYB to CYB may do); and will also consider whether some form of incentive is possible.</p> <p>The adoption of P.118/2020 has created a further incentive for islanders to file online in 2021 as this will for many accelerate reductions in 2021 ITIS Effective Rates leading to reduced monthly tax deductions from salary. Work is also well under way to offer different options for securing a “digital ID” (like Yoti) - to make it easier for people to access Government services online.</p>	N/A
21	The Minister for Treasury and Resources should provide	MTR	Accepted	No paid-for consultant advice has been sought. Instead the extensive and lengthy experience and expertise of the	Done.

	Recommendations	To	Accept/ Reject	Comments	Target date of action/ completion
	clarification on the advice which has been received from economic advisors in relation to the longer-term impact on the economy of this Amendment prior to it being debated.			<p>Government's own team has been utilised, supplemented considerably by informal feedback over months from on-Island experts. Ministers have been advised on the tax aspects of this measure by tax-technical experts in Revenue Jersey and by the Government Economics Unit on the wider fiscal questions. As the Report accompanying P.118/2020 clearly stated, this measure put money (estimated at over £18 million in aggregate) in people's pockets for the next few years (to 2025) by which time the Fiscal Policy Panel expect recovery to be under way.</p> <p>The reform provides relief from tax liabilities in the short term at a time when additional support from the Government is warranted as part of a wider package of fiscal stimulus. The liabilities are then repaid gradually over the long term when the economy is forecast to have recovered and consistent with fiscal sustainability and closing any structural budget deficits.</p>	

CONCLUSION

The Minister welcomes the Panel's report. As always, she is prepared to listen to informed views and the opinions of taxpayers in general, as evidenced by the more flexible proposed arrangements proposed for payment of the 2019 income tax liability.

Bringing P.118/2018 at this time was motivated by two primary factors:

- To address another historic anomaly in Jersey's tax administration, which causes problems for many PYB taxpayers, most notably upon retirement and put all taxpayers on the same footing in terms of the tax they are paying. This was a planned initiative (for 2022) but has been accelerated by the other factors listed below. The benefits are numerous, and they pave the way for more straightforward implementation of other measures like independent taxation.
- Adoption of the amendment to the Income Tax Law on 4 November meant that many taxpayers, some of whom are suffering financially in 2020, did not have to make a payment on account on November 30th. It is estimated that

the total cashflow benefit to those PYB Islanders is in the region of £18 million.

Whilst not a prime motivation, in addition:

- Crystallising and scheduling payment of the 2019 income tax liability allows cashflow planning which means that borrowing to pay for the costs, direct and indirect, of Covid-19 can be repaid without the need to introduce additional taxation or income-raising measures. This proposal IS NOT an additional taxation measure. It provides a timing structure to payment of income tax liabilities which would need to be paid anyway.

The Panel is critical, in particular of consultation undertaken and detail on payment proposals. These points are linked:

- The Minister is satisfied that the survey and focus groups carried out provided her with sufficient evidence of taxpayers' opinions.
- The Minister was not able to lodge the Regulations setting out payment terms in detail in advance of the debate on P.118 precisely because views were still being received – from the focus groups and on matters specific to some taxpayers. An example is the position of those of pensionable age who may be intending to leave the Island.

The Minister believes that this was a golden opportunity to achieve a further measure to pull Jersey's tax administration into the 21st century – and in turn pave the way for other important changes which address fundamental matters of human rights. This measure has been mooted for many years, and is now eminently achievable. At the same time, making this historic change now has benefited individual Islanders who may have suffered a reduction in income and, as a by-product, provide a structured plan to repay borrowing needed to address the financial consequences of Covid – without the need for extra taxation. The Minister considers that this reform was well overdue and will pave the way for a smoother introduction of Independent Taxation in 2022.