

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

Senator Kristina Moore
Chair
Corporate Services Scrutiny Panel
Via e-mail

11 January 2021

Dear Senator Moore,

Prior year basis (PYB) tax reform

Focus Group Report

I attach a copy of the full report on the focus groups undertaken in October 2020 and I summarise below how I have addressed the matters highlighted by this work.

We have identified the following 11 themes and issues.

- 1. A need for clear, consistent communication messages – given changes made to proposed payment start dates and payment periods - and examples of how taxpayers may be affected financially.*
- 2. Concern that the change of messaging from initial portrayal and the later Covid debt payment message, and timing with Pandemic was not conducive to building confidence and trust.*

I have noted this feedback and asked the team leading the project to develop the payment scheme to ensure that due attention is paid to communications as work progresses.

- 3. Concern over the period of time to be allowed to repay the frozen 2019 tax bill.*

I have addressed this by extending the Payment Plan period to 2042, offering up to 20 years for taxpayers to spread payment over; and by making provision for taxpayers to elect to pay by a lump sum on retirement.

- 4. Payment incentives. Opinions divided on an early repayment discount. Many felt it would be unfair and would disadvantage those who could not pay at once in full. Some said they would need an incentive if they were to pay it up front to help government's cash flow.*
- 5. Most disagreed with interest being charged on late payments.*

Mindful of this feedback, reinforced in the 4 November debate, I have ruled out charging interest on payments or offering discounts for early payment.

- 6. Though the majority of group members said that they would "in an ideal world" want the tax written off, most felt it was unrealistic and unfair, and money would then need to be found by other means, probably increasing taxes.*

I made it clear from the outset that writing off 2019 PYB tax bills would not be possible on grounds both of equity and affordability, the focus-group discussion guide included this topic owing to it being the most mentioned topic in the earlier island-wide Survey's free text comments.

7. *Many group members had a lack of confidence in Revenue Jersey's administrative capacity, and therefore lacked confidence in how the whole reform and repayment process would be managed.*

Revenue Jersey has had a difficult 18-month period for well-rehearsed reasons and it is unfortunate that public confidence in the tax administration has faltered. I recognise that customer service continues to be impacted by the pace and scale of change and have committed further investment in the department. The Comptroller has included a letter with 2020 tax returns to taxpayers apologising for service in 2020 and updating on the benefits we are starting to see from the transformation work over the last couple of years.

8. *Most wanted a simple online system for payments / statements or for payments to be taken direct from salary by their employer.*
9. *Almost all used online banking and were happy to self-serve online but wanted other means available for anyone not using online.*

We will be reviewing a number of options for payment of the frozen 2019 tax liability in the next stage of work. Use of ITIS is an obvious option but a simple online payment portal dedicated to the PYB payment issue may be provided.

10. *Overall participants supported the original proposal for an affordability test but also supported investigation of the cases for people to be able to opt for short "payment holidays".*
11. *Participants seemed conflicted between wanting considerable flexibility and control over payments but at the same time wanting assurance that other people were meeting their obligations.*

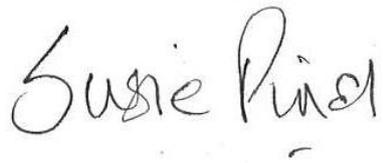
We have addressed these matters through the proposed 12 month payment holiday. The flexibility this offers for taxpayers to deal with most circumstances they may encounter probably obviates the need for a special affordability test beyond that already in use in Treasury when approving 'Time to Pay' arrangements.

We intend to deliver the flexibility that group members requested to manage their financial affairs themselves and will not create onerous administrative processes to police payment. We will however, reserve the right to request evidence confirming financial arrangements are in place, and will provide Revenue Jersey with the power to demand the full outstanding liability where a taxpayer fails to engage to discuss time-to-pay arrangements.

Officers have worked over the last 2 months to ensure that these themes, along with other matters raised through the island-wide Survey, other feedback gathered and your Report, are satisfactorily addressed.

We aim to share with you (week commencing 18 January) a draft of the proposed Regulations establishing the payment scheme along with a report outlining the proposed detail of the scheme.

Yours sincerely

A handwritten signature in black ink that reads "Susie Pinel". The signature is written in a cursive style with a large initial 'S'.

Deputy Susie Pinel
Minister for Treasury and Resources
D +44 (0)1534 440215
E s.pinel@gov.je

Enc.