

Minister for
Treasury and Resources



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

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

01 March 2021

Dear Senator Moore,

Personal Tax Reform – The Journey towards Independent Taxation

I am pleased to let you know that thinking on the key element of the Personal Tax Review, the introduction of Independent Taxation, is now back up to speed following the necessary detour into work on removing the Prior Year Basis (PYB) of paying taxes.

I am now in a position to an update of my plans to introduce Independent Taxation in Jersey.

We remain on track to introduce Independent Taxation from the 1st of January next year for the 2022 year of assessment on a phased basis and with a transitional (or “grandfathering”) period, as we expected. The very good news is that the removal of PYB will somewhat simplify the transition.

“Married Man’s” Taxation

You will recall that the report accompanying Proposition P.119 (re-issue)/2019 advocated modernising so-called “Married Man’s Taxation” so that it could stand in better stead as a longer-term 15-year transitional arrangement as one option (“grandfathering”) for mitigating the negative financial impact we had identified for some lower-income couples from an immediate switch to Independent Taxation.

I proposed three changes. The first change was to legislate to allow wives (and other Spouses B and Civil Partners B) to access couples’ tax information from the 2021 year of assessment. This was enacted in the last Finance Law in December 2020. The other two changes related to creating a “Joint & Several liability” for couples both to file the annual tax return and to pay the tax assessed (so that the husband, Spouse A or Civil Partner A was no longer solely liable). At the time, CSSP expressed reservations about the need for Joint and Several provisions.

With the support of the Revenue Policy Development Board. We have now identified a preferred approach to mitigating the financial impacts of the transition from Married-Man’s Taxation to Independent Taxation which RPDB supports. This will involve the creation of

an allowance/relief for existing married people who would otherwise suffer material financial loss from the change at some time during the transition period. I believe that this will enable us to move the entire Jersey taxpayer population to Independent Taxation within around 5 years and, on that basis, I am asking officers to focus their energy on delivering this.

In view of this, I propose not to proceed with the remaining work to modernise Married Man's Taxation by the introduction of Joint & Several liability provisions and instead to focus our efforts on the introduction of Independent Taxation with a shorter grandfathering period for existing married people and, in due course, the creation of a new allowance to maintain any necessary mitigation beyond that shorter grandfathering period.

I will be writing to States Members to inform them. I hope you can support this approach.

The Transition to Independent Taxation

It may also be helpful if I give you some sense for where our wider thinking is in respect of the phased introduction of Independent Taxation.

I have asked the Project Team to proceed on the basis that Independent Taxation should be available and mandatory for people who are single (including cohabitantes) or become single, for example, through divorce, on or after the 1st of January 2022 or people who arrive in Jersey on or after 1 January 2022 who are married or civil partners. They would be entitled to the personal tax allowance for a single person in force for the 2022 year of assessment. None of this cohort would face any financial consequences from this approach.

Married islanders who are already separately-assessed can move to Independent Taxation from 2022 if they wish to do so. This is on the assumption that those couples are most likely to want to move to Independent Taxation quickly, especially if it is not immediately financially disadvantageous for them.

All existing islanders who are married or civil partners on the 1st of January 2022 will remain in Married Man's Taxation for a period of somewhere up to 5 years. Work is needed to determine the options for phasing the on-boarding of this population of existing married people into Independent Taxation in a way that does not overload Revenue Jersey who will need to undertake a great deal of additional work to achieve this outcome.

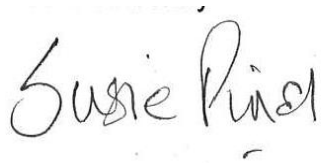
It will be desirable to allow those married people who may financially benefit, or who are not financially disadvantaged, from Independent Taxation to move relatively quickly, during 2023 and/or 2024.

The length of the overall grandfathering period for those who may otherwise be financially disadvantaged by the switch to Independent Taxation will be longer (up to 5 years) and dependent upon the way in which we introduce the new allowance I mention above. That allowance is intended to compensate lower-income couples who currently benefit from the married-man's tax allowance but would not benefit in the same way from two single person's allowances.

I hope this gives you a sense of the direction of travel I am proposing. I'm happy to keep briefing you on this work as the year progresses. My proposals will be set out in the next draft Government Plan. I think it most likely that a law will be lodged for debate in the autumn, ahead of the Government Plan debate.

I am committed to keeping you fully apprised of developments as we proceed and welcome your input to this important aspect of the modernisation of our tax system.

Your sincerely

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

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