

19-21 Broad Street | St Helier  
Jersey | JE2 3RR

Senator K Moore  
Chair, Corporate Services Scrutiny Panel  
States Greffe  
Morier House  
St Helier  
JE1 1DD

7th March 2022

Dear Senator Moore,

### **THE INCOME TAX INSTALMENT SCHEME (ITIS)**

Thank you for your letter of the 28 February 2022.

At the last Public Hearing, the Comptroller gave you a good overview of how the Income Tax Instalment Scheme (ITIS) works and the factors that can lead islanders to pay too little or too much towards their annual tax liability. He would be happy to answer any more questions of detail in a private briefing if you would find that helpful.

In reality, all “pay as you earn” schemes in the World are inexact, they will seldom exactly pay off a future tax liability, for obvious reasons. They are not dissimilar to the schemes available to make monthly contributions toward future utility (eg electricity) bills.

Over 52,000 employees are encompassed by Jersey’s Scheme. Their (ITIS) Effective Rate (which determines the monthly deduction from salary) is reviewed at least twice annually: firstly, when their tax assessment is issued; and secondly in around November each year to inform employers’ payroll changes for the coming year.

The Scheme is highly dependent upon employees notifying salient changes of circumstance (eg marriage, divorce, birth, pay increase) timeously; on employers filing and paying their (now Combined Employer) Returns timeously; and upon Revenue Jersey processing all of that information timeously (which it does).

The Scheme works best for employees with simpler tax affairs, for example, one salary, no investment income and a settled household. It will in future operate better in an environment of Independent Taxation and on a Current Year Basis of payment. It will also run better following the changes I made to the statutory formula for establishing the

Effective Rate last December and in an environment where increasingly people file tax returns online and earlier.

In addition to the two annual formal reviews of Effective Rates I mention above, all employees are free to seek a review of their Effective Rate if they consider it too low or too high or if they simply want to reduce it when they are in financial hardship (something that is carefully managed for affordability as a tax debt is effectively built up which will result in a higher Effective Rate in the future). An Online Form is available for this purpose.

You may remember that, in 2020 and to some degree 2021, Revenue Jersey relaxed the rules around reducing Effective Rates to support people in financial distress during the lockdowns. High priority was given to processing online applications.

I should say that I take some comfort that, in a Scheme with well over 100,000 customer financial interactions annually, so little negative feedback has been offered to the CSSP in response to its invitation on social media. This may be largely accounted for by the fact that, whether an overpayment or underpayment arises each year for a taxpayer, it would normally be carried forward into the next year's Effective Rate. I accept that Effective Rates can be volatile and I would always advise taxpayers to file their annual tax return early and online to get the most stable Effective Rate (and then to notify changes of circumstance timeously).

The Income Tax Law (Article 41C) is crafted in such a way that people relying largely upon one source of employment income and with simple household arrangements are more likely than not to remain in credit each year. Most jurisdictions arrange such "pay-as-you-earn" schemes in this way, indeed I am told that some jurisdictions go as far as to craft schemes in such a way that taxpayers normally receive a fairly large and welcome overpayment once they file their tax returns (perhaps as an incentive to file early).

While we do recognise that ITIS is a "blunt instrument", it is only 15 years old and not a priority for review given we expect its operation to keep improving for the reasons set out above. Any future review would need to consider the role of child-related tax allowances; Marginal Relief; and the relative roles of both employers and Revenue Jersey in Scheme administration.

In respect of the themes on which you invite my thoughts, I would comment as follows.

- **Provision of "incorrect" effective ITIS rates.**

For the reasons set out above, I think very few instances arise where the statutory calculation by Revenue Jersey leads to an "incorrect" outcome - unless Revenue Jersey is unaware of changed circumstances or an islander's tax account is awry (for example, occasionally because of a posting error or because an employer is not up to date with returns/payments).

- **Lack of, or delayed, responses to enquiries to Revenue Jersey and yourself.**

Revenue Jersey continues to publish response times for telephone calls and e-mails on its website. Our response times are gradually improving thanks to the additional resources I provided to Revenue Jersey for 2021.

As you will know, as a Minister and generally speaking, I am not permitted access to the tax records of islanders although I can involve myself in cases to some degree -where islanders have specifically sought my help and are content for the Comptroller to share essentially taxpayer-confidential information with me.

Where tax enquiries are sent direct to me by islanders, they will be passed to Revenue Jersey who seek to respond to all enquiries on a "first in, first out" basis.

I promised to keep resourcing under review – and more may be needed to accelerate progress. We do need to keep bearing in mind the additional difficulties Revenue Jersey has faced in supporting islanders' increased demand for help during the Covid Pandemic.

- **Lack of in person support or dialogue.**

Except in the most-tightly regulated lockdown periods, Revenue Jersey has continued to offer appointments for face-to-face help where needed but does encourage the majority of people to contact it by email and increasingly by online forms (one is provided for Effective Rate queries) or by telephone.

- **Lack of consistent approach in application of ITIS rates and in correspondence.**

I would need to see more evidence if any absence of consistency given that revenue jersey operates ITIS according to statute. Of course, official error can happen. But, as I stress above, IT IS works best where all three parties to the Scheme act in a timely fashion: employees; employers; and Revenue Jersey. As far as I am aware, very few people remain in dispute with Revenue Jersey about an Effective Rate after they have sought a review and confirmed their current circumstances.

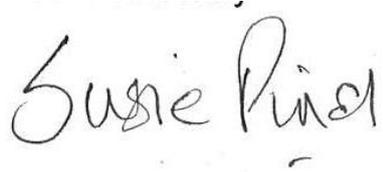
I am told that the most difficult cases arise largely where an employer has failed to make returns or pay over ITIS contributions taken from their employees, especially during the last two years. (It should be remembered that the Government's approved deferrals by businesses of social-security contributions and GST were contingent upon ITIS contributions still being paid over.)

- **Delayed calculation of tax liability, for example of 2019 liability.**

The 2019 Income Tax Assessments were very largely issued in record time in autumn 2020 much sooner than previous years. The 2020 assessments followed suit. This was essential to facilitate the move of all taxpayers to the Current Year Basis of paying taxes. As more taxpayers file online, I would expect increasingly greater numbers of assessments to be issued earlier in the year along with Effective Rate Notices which should consequently prove more stable, provided changes of circumstances during the year are reported to revenue jersey timeously.

I hope you find this helpful.

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' and a distinct 'P'.

Deputy Susie J Pinel  
Minister for Treasury and Resources

D +44 (0)1534 440062  
E [s.pinel@gov.ie](mailto:s.pinel@gov.ie)