

From: Member of the public

Dear Scrutiny Panel

I would like to provide you with my views of the proposed reforms to Prior Year Tax.

My wife and I are typically "middle Jersey":

- average combined income
- large mortgage
- one child in private school for the next 4 years
- a plan to pay for our child's university education for the following 3 years
- pensions that we are obliged to pay into as a condition of our employment
- a modest lifestyle
- a possibility that our income may reduce in the near term, due to personal circumstances
- prior year taxpayers, employed since the 1990s

We are conservative by nature and have always known that, in the year following retirement, we will have a tax bill to settle that we plan to settle from the lump sum that we are allowed to take from our pension savings on retirement. That is our prudent financial planning, and it is financial planning that has been in place for over 20 years. Our financial planning could not be more prudent.

We now learn that the Treasury department wishes to impose a short term debt upon us that it requires us to repay over 5 years.

In real terms, the amount that the Treasury would require us to pay is roughly equivalent to a 5 year personal loan for a very nice second hand car. There is a reason that we do not have a 5 year personal loan for a very nice second hand car; we cannot afford it, so we choose to go without it and make do with our 15 year old runabout. A similar analogy is that if this proposal is introduced, the impact on our family is that we will likely have no money for holidays, or to visit family on the mainland, for the next 5 years.

It is frankly outrageous that the government should choose to impose a short term debt upon us at the most expensive time in our lives, when we are paying for private school and university, with complete disregard for the prudent financial planning that we have put in place over many years.

To suggest this is being done to help those whose incomes have declined during the pandemic completely ignores the fact that the proposal will have a severe impact on those like us who just got by in the pandemic. It should not be on our shoulders to pay for the pandemic.

If the proposal to move all PYB taxpayers onto CYB is to become law, then the only equitable basis is to give all PYB taxpayers the choice of paying their 2019 tax bill by a deadline that is 1 year after their normal retirement age. This would give flexibility to those who can pay the bill early, or allow those like us to pay the bill shortly after retirement, with no harm to our standard of living in the meantime.

I have heard talk that the government might consider charging interest if a taxpayer takes longer than 5 years to pay the bill. I find this suggestion completely inequitable. It is the government that has decided to disrupt the tax system. Any minor loss due to inflation should be the price that the

government is prepared to concede in order to make a once-in-a-generation shift to CYB for all taxpayers. Indeed, it would be an incentive to government to keep inflation low.

I cannot be more clear as to what I view as equitable: PYB taxpayers should be given as long as necessary to pay the bill, as long as this period does not exceed one year after retirement; and no interest charges.

I should add that I have completed the government survey. I did find it odd that the options that I have proposed were not available as preferences. I also found it odd that CYB taxpayers were allowed to take part in the survey. Frankly, the influence of CYB taxpayers, some of whom may only have been paying tax for a couple of years, should have no bearing on how PYB taxpayers pay their tax. I did also volunteer to take part in focus groups but was not selected to take part.

Thank you for taking my views into account.

Kind regards

Addition:

In her reply to Ben Shenton's petition, the Minister is reported as saying the following during the 21 October 2020 in-committee debate:

'The petitioner cites the impact on a prior year basis taxpayer with a £21,000 tax bill for 2019. **The tax bill of a single person who has earned £105,000.** He points out that we would be asking them to pay an extra £350 per month over 5 years or £175 per month over 10 years. That is essentially correct and I expect **most single people with a £105,000 income can probably afford to do that.**' (emphasis added)

The Minister's response is completely disingenuous. The petition did not say "The tax bill of a **single** person who has earned £105,000"; the Minister added those words. The petition said "**Those with a £21,000 tax bill** would be charged an additional £350 per month for 5 years (£4,200)". See <https://petitions.gov.je/petitions/200487>.

Ben Shenton's example of £21,000 is likely to be the tax bill for **a couple with a dual income**. The Minister took his example and automatically assumed it was the bill for a high earning single person, with lots of disposable income. The reality is that a £21,000 tax bill is likely to be the bill faced by a couple each earning £52,500, with all of the dual living expenses incurred by two people.

The Minister has completely failed to realise that a £21,000 tax bill is more than likely attributable to two 'middle Jersey' incomes. She is making policy on the basis of assumptions, rather than on the

basis of evidence. The Minister seems to be making up policy without a detailed analysis of the impact on actual middle Jersey, middle income taxpayers.